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# THE WALL STREET JOURNAL.

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

MONDAY, SEPTEMBER 17, 2018 ~ VOL. CCLXXII NO. 65

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## What's News

### Business & Finance

U.S. companies have moved cautiously in repatriating overseas profits, despite the administration's assertions that trillions of dollars would return home quickly after last year's tax changes. A1

♦ Amazon is investigating internal leaks of data as it fights to root out fake reviews and other seller scams. A1

♦ Meredith has agreed to sell Time magazine for \$190 million to Marc Benioff, co-founder of Salesforce.com, and his wife, Lynne. B1

♦ Smaller stocks have climbed more than larger counterparts this year. B1

♦ Shell is planning to lay out targets to manage its emissions of the greenhouse gas methane. B3

♦ Uber is trailing a much smaller Estonia rival in the race to become Africa's dominant ride-hailing app. B4

♦ Private-equity firms TPG Capital and Rockbridge are exploring strategic options for their stake in ticketing company AXS. B5

♦ The rousing listing of a Dutch payments company is offering investors hope in Europe's tech scene. B5

### World-Wide

♦ Trump's conflict with China is set to escalate as the administration plans to impose fresh tariffs on \$200 billion in Chinese products while Beijing debates new ways to retaliate against U.S. corporations. A1

♦ A woman who has accused Supreme Court nominee Brett Kavanaugh of sexual assault when they were teenagers went public with her name for the first time on Sunday, injecting immediate uncertainty into Republicans' push to confirm the next high-court justice. A1

♦ Florence continued to douse the Carolinas and unleashed widespread flooding, claiming at least 16 lives. A2

♦ A U.S. Border Patrol agent was arrested on suspicion of killing four prostitutes. A3

♦ A confidential U.N. report says North Korea has been able to circumvent restrictions, rendering the latest U.N. sanctions ineffective. A6

♦ Typhoon Mangkhut skidded into mainland China after killing at least 59 people in the Philippines. A6

♦ A Palestinian teenager fatally stabbed an Israeli-American man in the West Bank, officials said. A20

♦ Saudi authorities are seeking the death penalty for three prominent clerics. A20

### JOURNAL REPORT

#### Newborn Care Leaps Forward

Innovations in Health Care, R1-8

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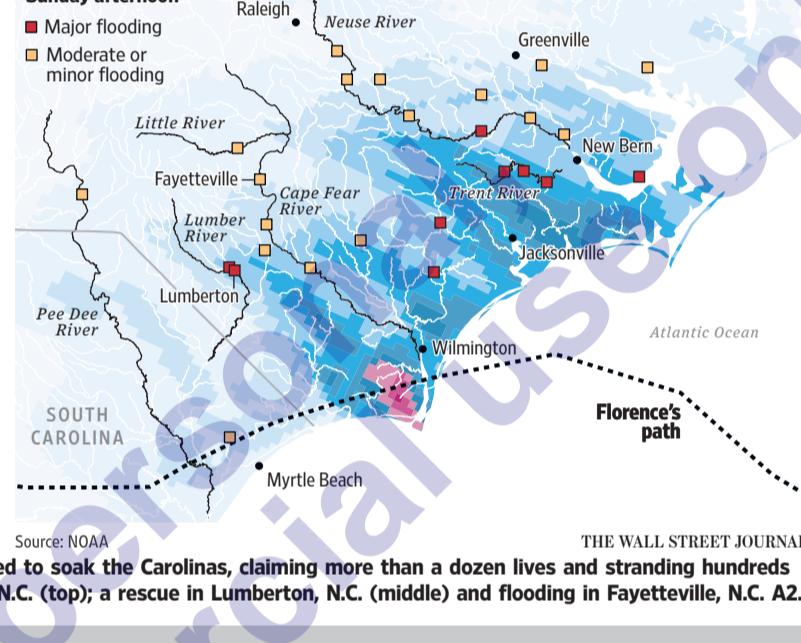
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## Death Toll Rises as Florence Floods the Carolinas



Cumulative rainfall from 8 a.m. Thursday to 8 a.m. Sunday



MORE TO COME: Tropical storm Florence continued to soak the Carolinas, claiming more than a dozen lives and stranding hundreds of people. Overflowing Neuse River in New Bern, N.C. (top); a rescue in Lumberton, N.C. (middle) and flooding in Fayetteville, N.C. A2.

## Kavanaugh Accuser Goes Public

By KRISTINA PETERSON AND SADIE GURMAN

A woman who has accused Supreme Court nominee Brett Kavanaugh of sexual assault when they were teenagers went public with her name for the first time on Sunday, injecting immediate uncertainty into Republicans' push to confirm the next high-court justice.

The public allegation by the woman, Christine Blasey Ford, in an article published by the Washington Post Sunday, threatened to alter the trajectory of a confirmation process that has been heading toward a vote in the Senate Judiciary Committee on Thursday. A spokesman for the committee's chairman, Sen. Chuck Grassley (R., Iowa), said Sun-

day that the vote would proceed as scheduled, but hours later, Sen. Jeff Flake (R., Ariz.), who sits on the committee, said he wouldn't vote for Judge Kavanaugh to advance to the full Senate until the committee had heard from Mrs. Ford.

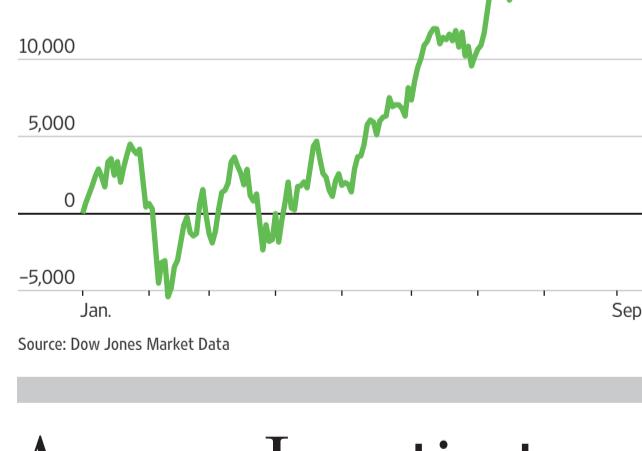
"I would not vote yes until we hear more from the woman who's come forward," Mr.

Flake said in an interview. With Republicans holding just a one-vote majority on the committee, a defection by Mr. Flake would prevent the panel from favorably advancing Judge Kavanaugh to the full Senate, where the GOP has a 51-49 majority. Sen. Bob Corker (R., Tenn.) told Politico he also supported delaying the

Please turn to page A4

## Stock Rally Isn't Just Tech-Driven

Smaller stocks are outperforming big ones, a sign of the breadth of the stock-market rally. This is illustrated by the NYSE Advance-Decline Line, the cumulative number of net daily advances. B1.



## Amazon Investigates Suspected Staff Bribes

Amazon.com Inc. is investigating suspected data leaks and bribes of its employees as it fights to root out fake re-

views and other seller scams from its website.

The practice, which violates company policy, is particularly pronounced in China, according to some of these people, because the number of sellers there is skyrocketing. As well, Amazon employees in China

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## After Tax Rewrite, Profits From Abroad Return Slowly

By RICHARD RUBIN AND THEO FRANCIS

U.S. companies have moved cautiously in repatriating profits stockpiled overseas in response to last year's tax-law rewrite, after the Trump administration's assertions that trillions of dollars would come home quickly and supercharge the domestic economy.

The tax-law revamp ended the practice of taxing U.S. companies when they bring home foreign profits. Companies long complained that profit earned abroad was trapped and held it

in foreign subsidiaries to avoid additional taxes.

The new law imposes a one-time tax on those old earnings—whether or not money is repatriated. It also removes federal taxes on subsequent repatriations and makes future foreign profits generally free from U.S. taxes.

"We expect to have in excess of \$4 trillion brought back very shortly," President Trump told executives assembled at his golf course in Bedminster, N.J., in August. "Over \$4 [trillion], but close to \$5 trillion, will be brought back into our country."

This is money that would never, ever be seen again by the workers and the people of our country."

The Wall Street Journal reviewed securities filings from 108 publicly traded companies accounting for the vast majority of an estimated \$2.7 trillion in profits parked abroad, and asked each company what it was doing with the funds. In their filings and responses, they said they have repatriated about \$143 billion so far this year.

About two-thirds of the money came from two corpora-

Please turn to page A12

## Domino's Free Pizza Offer Backfires in Age of Ink

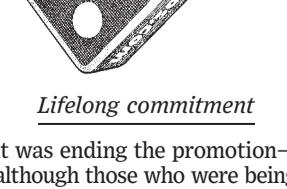
\* \* \*

Russians tattoo the logo in exchange for a lifetime of pies

By JAMES MARSON AND THOMAS GROVE

MOSCOW—Six students in a row hurried into Konstantin Gonyshov's small tattoo parlor one day this month with identical requests to ink a domino, and quick.

Days earlier, Domino's Pizza in Russia had announced a promotion that was supposed to run for two months offering lifelong free pizza to anyone who tattooed up with the company's logo. But that morning, it posted on social media that



Lifelong commitment

it was ending the promotion—although those who were being inked right then could still make the midday cutoff.

The company, it turned out,

had underestimated how much Russians love free food.

"More than a million people would have come to demand pizzas" if the promotion had lasted the full two months, guessed 24-year-old Natalia Koshkina, who got a small Domino's logo tattooed above her left kneecap, just below a skull embellished with roses and butterflies. "After all, this is Russia," she said.

Bargains and freebies are powerful draws here. The Soviet period—where foodstuffs

Please turn to page A12

## U.S. NEWS

THE OUTLOOK | Harriet Torry and Sarah Chaney

## Economy Shrugs Off Storms' Blows

**H**urricanes upend lives and destroy wealth, but leave little lasting imprint on the broader economy.

That is one of the main takeaways from an examination of the economic effects of storms in recent years.

Hurricane Harvey last year flooded the nation's fourth-largest city by population, Houston, destroying \$125 billion worth of property, according to estimates by Moody's Analytics Inc. But lost economic output was just \$8.5 billion, a barely perceptible sliver of more than \$19 trillion of national economic output, according to Moody's.

For the U.S. economy as a whole, output grew at a healthy 2.8% rate in the quarter when Harvey hit Texas. Payroll employment growth slowed in the weeks after Harvey, rising just 14,000 in September, and then bounced back with growth of 271,000 the following month. Individual claims for unemployment benefits briefly climbed, and then resumed a trend of shrinking to historic lows.

Studies show that business might slow down during and immediately after storms hit. Restaurants and clothing stores lost foot traffic on the Atlantic coast after Hurricane Matthew in 2016, according to a Federal Reserve study.

However, before long, rebuilding and restocking

starts, leading to car purchases and construction that boost economic activity to replace property that was wiped out. Houston saw sectors like retail, restaurants and trade recover quickly. Matthew led to a bump in grocery-store sales before and after the storm.

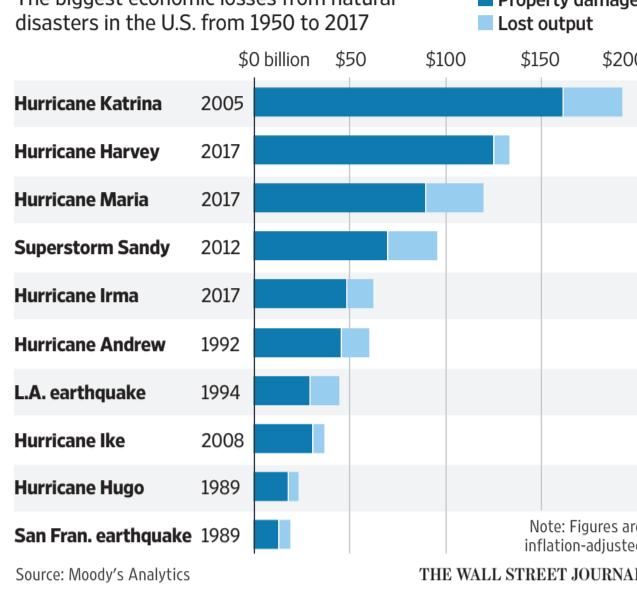
Economic growth isn't a proxy for well-being, and natural disasters like hurricanes destroy lives and wealth even if they don't make a huge dent in the nation's economic output. Money spent on property repairs may boost gross domestic product in the short term, but it comes at the expense of discretionary spending households would have chosen instead.

**A**nd some local economies can be devastated by a storm and bear long-running scars, especially ones plagued by poverty or poor infrastructure. Employment in Puerto Rico dropped 35,000 after Hurricane Maria last year and still hasn't recovered. In New Orleans, shocked in 2005 by Hurricane Katrina, employment and economic output still haven't returned to pre-Katrina levels.

But even in those cases, local devastation typically doesn't hit the national economy. When Katrina hit New Orleans, the broader economy grew at a robust 3.6% annual rate, one of the

## Storm Costs

The biggest economic losses from natural disasters in the U.S. from 1950 to 2017



Source: Moody's Analytics

■ Property damage  
■ Lost output

\$0 billion \$50 \$100 \$150 \$200

Note: Figures are inflation-adjusted

THE WALL STREET JOURNAL.

best quarters in the last expansion. Property damage from Katrina—at \$161 billion—far outnumbered lost economic output—at \$31 billion—according to Moody's.

A 2014 study on the economic impact of Katrina by economists Tatyana Deryugina, Laura Kawano and Steven Levitt found that Katrina destroyed more than 200,000 homes and had large and persistent impacts on where people live—yet the impact on the wage income, employment and total income of the individuals affected by the storm was “small and mostly transitory.”

“Within just a few years, Katrina victims’ incomes fully recover and even surpass that of controls from similar cities that were unaffected by the storm,” the research found.

Businesses in hurricane-affected states also tend to adapt. “If you’re a manufacturer and you’re sourcing materials for your process and you normally get them in South Carolina [or] in North Carolina...you might make a call and say, ‘Hey, can we get these from somewhere else?’” said Ben Herzson, economist at Macroeconomic Advisers.

Economic impacts depend in part on where storms hit. Gulf-coast storms threaten to damage U.S. energy infrastructure, pushing up fuel prices for households and businesses nationally. Every penny increase in gasoline reduces consumer spending nationally by \$1 billion over the course of a year, estimates Ryan Sweet, economist at Moody’s Analytics. East Coast storms don’t bear the same risk.

**T**hat all leaves an encouraging prognosis for Florence’s economic impact. There is energy infrastructure in Florence’s path, he said, including an oil refinery and liquid natural gas terminal in Savannah, Ga., up to 12 nuclear power plants, and natural-gas storage in Savannah, Charleston, S.C., and Wilmington, N.C. Still, he said, “I don’t think this hurricane’s impact on U.S. energy prices nationally will be as significant as Harvey was.”

Economic might is also less concentrated in Florence’s path. Charleston was the 73rd-largest metropolitan economy by gross domestic product in 2016, Myrtle Beach was 144th and Wilmington was 162nd.

In all, Florence’s projected path through North Carolina, South Carolina and parts of Virginia and Georgia could impact 5% to 10% of the U.S. population, said Mr. Sweet.

## ECONOMIC CALENDAR

**Wednesday:** Brazil's central bank is widely expected to keep rates at the historic low of 6.5% reached in March at its Wednesday meeting. But uncertainties are piling up, as the local currency keeps losing strength against the dollar amid global trade tensions and domestic political turmoil. Inflation, however, remains below target.

**Thursday:** The U.S.-based Labor Department publishes last week's **jobless claims data**. The figures are a gauge of layoffs across the U.S. and have recently hit a near-half-century low. Economists expect jobless claims to continue to move lower in the coming months.

The U.S.-based National Association of Realtors releases August **existing-home sales** figures. Sales of previously owned homes make up the bulk of the housing market, but these kinds of home sales tumbled in July. The recent slowdown stems largely from rising home prices and mortgage rates. Economists surveyed by The Wall Street Journal expect to see sales pick up in this latest report.

**Friday:** Policy makers at the European Central Bank initially hoped that the slowdown in economic growth that became apparent at the start of the year would prove short-lived, but have come to accept that it will be more long-lasting. A survey of purchasing managers in the manufacturing and services sectors is expected to indicate that the cooling of activity has continued into September, with the composite **Purchasing Managers Index** seen edging down to 54.4 from 54.5.

## Flooding Threat Expected to Last for Days

NEW BERN, N.C.—Florence doused the Carolinas for a third day with unrelenting rain that unleashed widespread flooding Sunday, and officials in the region warned residents that the menace would persist for days.

The storm, which was

*By Arian Campo-Flores,  
Erin Ailworth  
and Valerie Bauerlein*

downgraded to a tropical depression on Sunday, has claimed at least 16 lives and stranded hundreds of people in floodwaters. Florence is forecast to dump as much as 10 additional inches of rain on an already saturated region.

Rainfall totals could reach as high as 40 inches in southeastern North Carolina and 15 to 20 inches in the western part of the state. The downpour will produce further flash flooding, river flooding and raise the risk of landslides, according to the National Hurricane Center.

“This storm has never been more dangerous than it is right now,” North Carolina Gov. Roy Cooper said Sunday. “Floodwaters are still raging across parts of our state, and the risk to life is rising with the angry waters.”

Some rivers aren’t expected to reach their highest points until later this week.

The North Carolina Department of Transportation advised drivers to steer clear of the state. Sections of Interstate 95 were closed in critical areas, near Lumberton, south of Fayetteville, and near Falcon and Dunn, which are north of Fayetteville. Fayetteville is home to Fort Bragg, the largest military base in the country.

Flooding poses the risk of contaminating the state’s drinking-water supply. North Carolina is a major pork producer, and the concern is that heavy rains could breach the hog-waste lagoons.

About 3,300 lagoons require close monitoring, said Reggie Cheatham, director of the Office of Emergency Management at the Environmental Protection Agency. Most had ample room between the waste and the top of the containment pond, he said.

As of Sunday, none had reported problems. Smithfield Foods Inc., the largest U.S. pork producer, said its slaughtering and processing plants so far appear undamaged.

In the living room of George Bowser’s in-laws, sounds of the swollen Neuse



Joe Wiggins prayed on the porch of his home in Emerald Isle, N.C., on Sunday.

River lapping over its banks could be heard. The river is normally across the street from the white house. When Florence swept into town a few days ago, the river blew its way into the house before bursting through the back door, tossing around a red couch, a baby grand piano and a refrigerator.

Sunday afternoon, Mr. Bowser, 47, and his sons were removing debris from the home, where Mr. Bowser's mother- and father-in-law have lived for 30 years. It isn't clear when they will be able to return.

“We’re glad we didn’t try to ride this out down here,” he said, stepping carefully across the floor to avoid missing boards. “We thought about it.”

His in-laws had their house raised after Hurricane Fran in 1996 took out the foundation, in the hopes of avoiding such damage. But Florence spared little on the first floor, leaving high-water marks about 18 inches up.

More than 680,000 custom-

ers lacked power in North Carolina, and another 61,000 outages were reported in South Carolina, according to emergency-management agencies. About 17,000 people were staying in 190 shelters in the Carolinas.

bridges could wash away.

Seven rivers in North Carolina are forecast to reach major flooding levels in the coming days, according to a report by Rick Neuherz, a hydrologist with the National Weather Service. Some, like the Cape Fear River and Lumber River, could set flooding records, he wrote.

South Carolina had, for the most part, fared better. Gov. Henry McMaster lifted evacuation orders on Sunday morning for the two remaining counties that had them in effect: Horry and Georgetown, in the Myrtle Beach area.

In Florence County, which

on Saturday lifted evacuation

orders in flood-prone areas, officials said they feared resi-

dents may now be in peril. “Every-

body says, ‘Oh boy, this is over,’ and went home, and now

they’re trapped,” said Sam Brockington, the county’s fire and emergency services coordinator.

—Ben Kesling, Jacob Bunge and Rebecca Davis O’Brien contributed to this article.

## Florence Damages Coal-Ash Landfill

BY VALERIE BAUERLEIN AND RUSSELL GOLD

CAPE FEAR, N.C.—Heavy rains from Florence washed out a portion of a landfill used to dispose of coal ash, a by-product of burning coal to generate electricity.

Part of the earthen top of the 20-foot-tall landfill was gone, exposing the deep gray ash beneath, and an undetermined amount of the coal ash washed into nearby Lake Sutton, which feeds into the Cape Fear River.

Duke Energy Corp., owner of the coal-ash landfill at the L. V. Sutton Power Plant near Wilmington, N.C., said crews were on the scene assessing the situation.

Paige Sheehan, a company spokeswoman, said she believed a ditch around the landfill’s perimeter contained some of the washed-away coal ash, but some escaped into the lake.

“We think it is very unlikely it made it to the river,” said Ms. Sheehan. “We feel very confident that public health and the environment remain very well protected.”

The company’s initial estimate was that 2,000 cubic yards of coal ash was washed out of the landfill, she said. Two thousand cubic yards is about two-thirds of an Olympic-size swimming pool.

Coal ash is byproduct from coal-fired power plants, which scrub potential air pollutants from their emissions. That ash can contain arsenic, selenium, lead and mercury.

Sunday afternoon, bulldozers could be seen hauling sand to repair two breaches in the containment area. A thick gray discharge was still flowing out.

The Sutton coal plant is no longer active, and Duke is moving the coal ash from a lagoon to a lined landfill. That operation is ongoing.

The Environmental Protection Agency is working with the state of North Carolina and Duke to monitor coal-ash storage in the region, Reggie Cheatham, the director of the agency’s Office of Emergency Management, said at a Sunday briefing.

“We have no other reported breaches,” he said. “This particular breach is on site and still a ways from the Cape Fear River.”

Kemp Burdette, who monitors Cape Fear River for the environmental group Waterkeeper Alliance, left his flooding house early Sunday to investigate the erosion and leakage at the coal-ash storage facility. He said he is concerned that the discharge might be making its way into the Cape Fear River.

Duke has been working for several years to move the ash from ponds into lined landfills meant to permanently store the material. The active cell of the landfill was covered with earth before Hurricane Florence. But there was too much rain: the facility recorded about 30 inches of rain since Friday.

—Ben Kesling contributed to this article.

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## U.S. NEWS

# Gas Blasts Traced to Overpressured Pipes

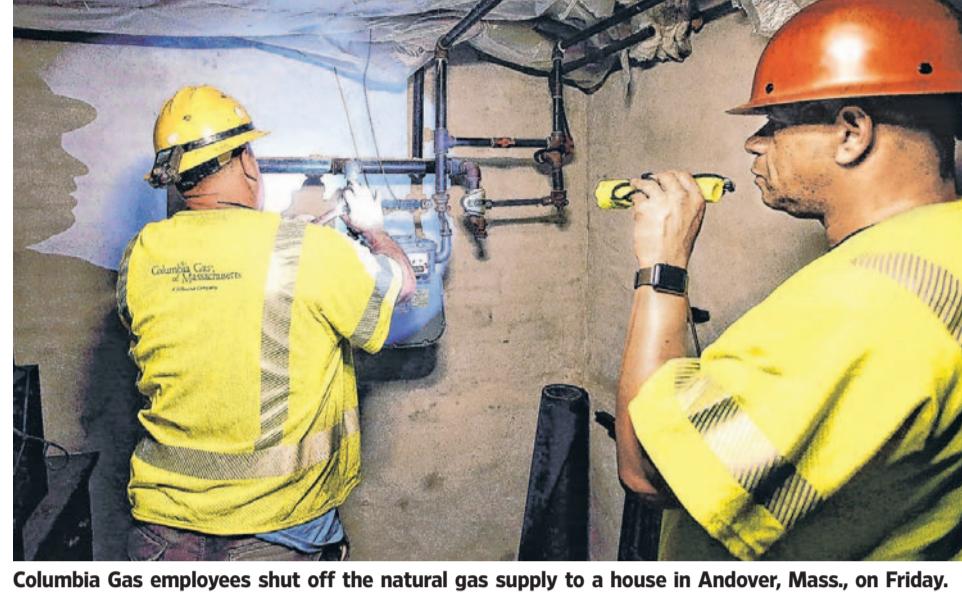
BY JENNIFER LEVITZ

BOSTON—Deadly gas explosions and fires in three communities north of Boston last week occurred after too much natural gas was pumped into a section of pipe owned by Columbia Gas, causing the combustible fuel to leak into homes, authorities said Sunday.

The National Transportation Safety Board "can confirm at this time that this was indeed an overpressure situation," NTSB Chairman Robert Sumwalt said at a news briefing.

State and federal authorities are investigating after at least 60 fires and explosions traced to gas lines erupted Thursday in Lawrence, Andover and North Andover, about 25 miles north of Boston, killing an 18-year-old man and injuring multiple people.

The NTSB, which investigates major pipeline accidents as well as transportation incidents, believes that gas flowed into



Columbia Gas employees shut off the natural gas supply to a house in Andover, Mass., on Friday.

indications that Columbia Gas was checking pressure on a different line and didn't understand what was happening on the line that became overpressured. He said the NTSB will examine "what effect, if any, did this have on the overpressure situation."

**NiSource** Inc., the parent company of Columbia Gas, is fully cooperating with the investigation, Joe Hamrock, NiSource's president and chief executive officer, said at a news conference on Sunday. He said the company is "committed to full transparency and collaboration to get to all of the underlying causes."

Mr. Hamrock declined to discuss details of the probe, saying he was deferring to the NTSB to talk about the investigation.

"It's heartbreaking to see this devastation and this tragedy," he said.

Authorities gave approval Sunday for thousands of residents to return home after they

had been evacuated. The Massachusetts Emergency Management Agency urged residents, many of whom remain on edge, to "be vigilant" for any signs of gas or smoke.

Mr. Sumwalt said it could take 12 to 24 months for the NTSB to complete its final report, but said the agency could issue urgent safety recommendations meanwhile if it finds problems that need immediate fixing.

"We want to find out what happened so that other communities don't have to go through the devastation that has occurred right here in this area," he said.

State authorities said Sunday that they had completed an initial recovery phase, turning off nearly 8,600 affected gas meters, clearing homes of gas and largely restoring electricity. They said gas service would take longer to restore.

—Russell Gold  
contributed to this article.

## Koch Program Links Workouts With Sobriety

BY JENNIFER LEVITZ

BOSTON—Emily Brawn stumbled as she attempted to kick opioids a few years ago. When she wasn't at 12-step meetings, she grew isolated. "Days and days in your own head," she said. "That is where the relapse starts."

She is trying a new strategy. In early September, 90 days sober, the 29-year-old stepped into a gym in an industrial corner of Boston. Muscled people were warming up for CrossFit, surrounded by top-line equipment and a rock-climbing wall.

But this gym is different: It is free, and its patrons are beating back drug addictions. The staff's black T-shirts are emblazoned with celebratory statements about sobriety.

"Most of us are in recovery ourselves," Kina Troy, a front-counter employee, told Ms. Brawn.

The nearly 11,000-square-foot gym is part of The Phoenix, a Denver-based string of fitness centers and programs for recovering drug abusers. It is spreading nationally with the help of management coaching and a multimillion-dollar investment from an arm of a donor network founded by the billionaire Koch brothers. The network is better known for seeking to advance conservative politics and policies.

The Koch network's Stand Together venture-philanthropy arm is investing more than \$40 million this year in nonprofits, including between \$2 million and \$3 million in The Phoenix. It expects to continue or increase that level of funding to The Phoenix in future years, said Stand Together Executive Director Evan Feinberg.

Advocates, officials and philanthropists are scouring

### Physical Exertion Is Key, Says Founder

Scott Strode, who founded The Phoenix 11 years ago, credits physical exertion with fueling his long-running abstinence from alcohol and cocaine.

A self-described "big bald guy" with bulging muscles, he said the concept is simple: a sober social network where anyone who is clean for 48 hours can realize their potential through physical fitness.

Phoenix activities, from rock climbing to mountain biking, are specifically chosen to increase self-efficacy, the belief that you can accomplish what you set out to do.

People are "so fearful of a relapse that they are locked up at home trying to figure out who they are sober," said Mr. Strode, who is 45 years old. "I really found out who I was by crossing the finish lines and climbing mountains."

Disease Control and Prevention data show drug-overdose deaths topped 70,000 last year, up more than 10% from the previous year, driven by opioid fatalities.

Increasingly, evidence supports exercise as a tool to stay sober, said Peter Thanos, an addiction researcher at the University of Buffalo. Steady exercise can regulate brain circuitry linked to feelings of well-being, he said. Addictive drugs "hijack" that reward system but dull it over time, he said, prompting addicts to chase greater highs to feel normal.

"In theory, you should be able to have an effect on drug-seeking" through persistent exercise, Mr. Thanos said.

The Phoenix, now in 11 states and set to move into Florida in October, could expand to every state, Stand Together officials said.

In Dallas, Koch-network donor Arun Agarwal bought a building that will open as a 7,500-square-foot Phoenix gym early next year. He watched two employees at his textile company wrestle with painkiller addictions. He said he paid for their treatment, but they repeatedly relapsed despite desperately wanting to stay sober. "It was an eye-opener," he said.

The Koch network, with its focus on small-government solutions, is an uneasy ally for advocates battling the opioid crisis. Its political arm, Americans For Prosperity, campaigns—currently in Utah and Nebraska—against efforts to expand Medicaid under the Affordable Care Act to cover more low-income adults.

Even before the ACA, Medicaid was the largest source of funding in the U.S. for mental-health care, including

Evidence backs exercise as a tool to stay sober, an addiction researcher says.

substance-abuse treatment, according to the Robert Wood Johnson Foundation.

Americans for Prosperity policy manager David Barnes said addiction is a multifaceted problem and that it is a mistake to think needs won't be met "if government isn't expanding."

"Their philosophy and strategy on some of the issues may not be things that I am perfectly aligned to, but

we're saving lives," said Jacqueline Hillios, The Phoenix's deputy executive director. Her own political leanings, as a social worker, she said, "don't get much more liberal."

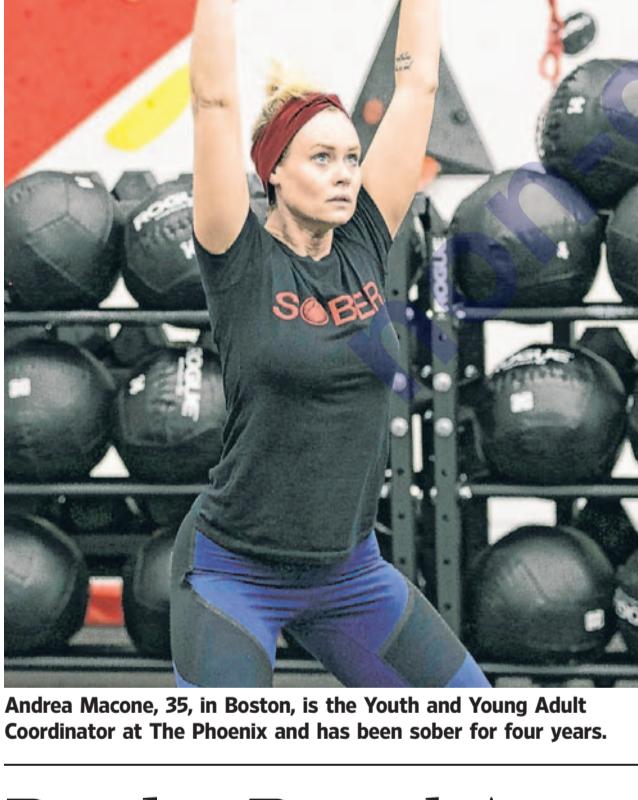
The Phoenix's Boston gym, which also started with help from local donors, is around the corner from a stretch of road known as "Methadone Mile." People sleep along a chain-link fence and use drugs near treatment and social-service centers. Discarded needle caps dot the pavement.

Massachusetts opioid-related deaths are trending lower but remain alarming, with more than 2,000 last year, according to estimates.

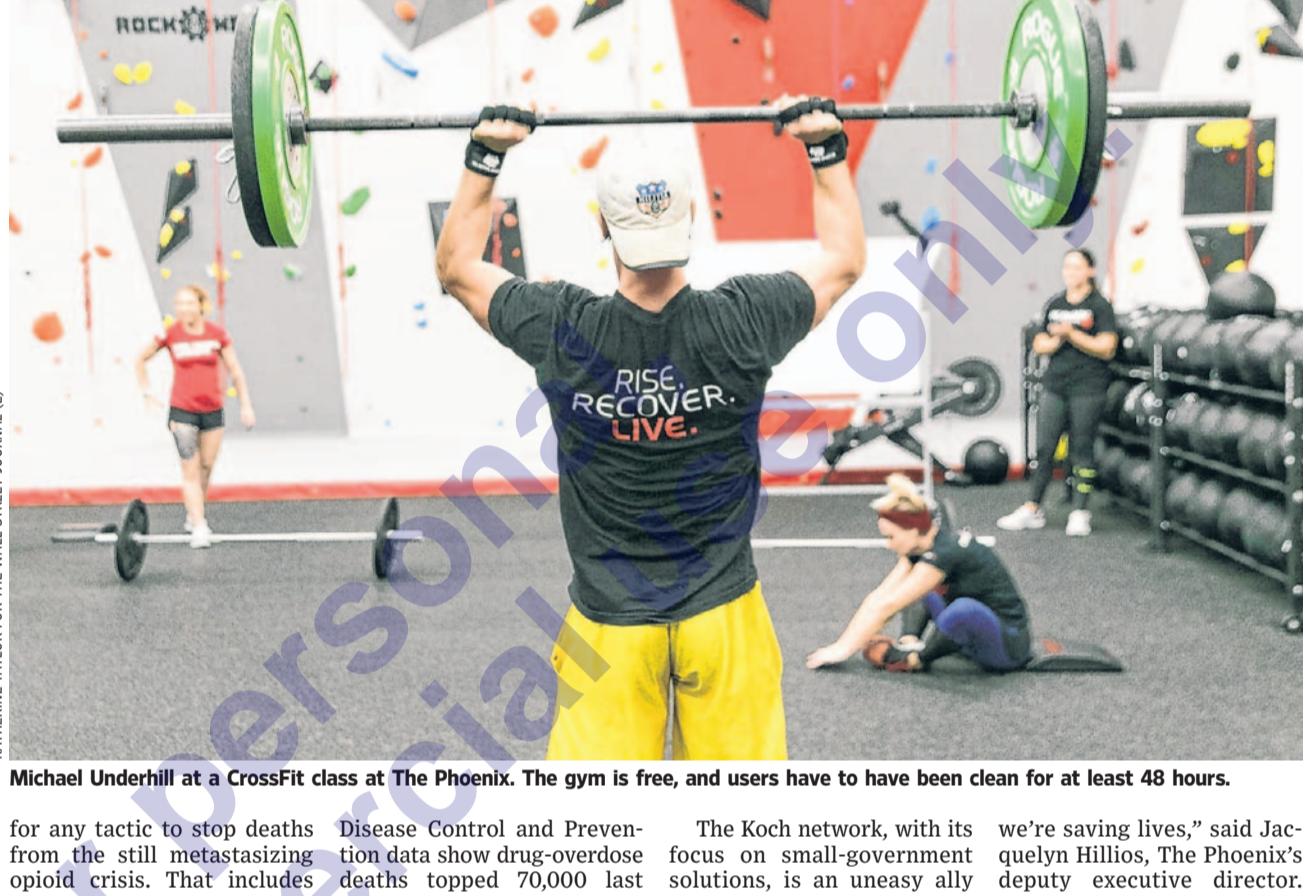
Phoenix staffers walk the rough area inviting people to try the gym, which is offering classes such as yoga. They plan an official grand opening on Sept. 29.

Dina Gonsalves, who is 51 and manages a Boston pizza shop, credits CrossFit at Phoenix and methadone for helping her recently hit a year of sobriety from heroin.

"Within two months, my body transformed," she said, flexing an impressive biceps. "I was hooked—kind of like another addiction, but a positive one."



Andrea Macone, 35, in Boston, is the Youth and Young Adult Coordinator at The Phoenix and has been sober for four years.



Michael Underhill at a CrossFit class at The Phoenix. The gym is free, and users have to have been clean for at least 48 hours.

## Border Patrol Agent Is Arrested as Suspect in Four Killings

BY DAN FROSCH

A U.S. Border Patrol agent was arrested Saturday on suspicion of killing four prostitutes and attempting to kidnap another victim.

South Texas authorities said Juan David Ortiz, 35 years old, an intelligence supervisor with the Border Patrol and a 10-year veteran of the agency, targeted prostitutes.

"The county, the city can rest assured that we have a serial killer in custody," Webb County Sheriff Martin Cuellar said at a news conference on Saturday.

Isidro Alaniz, district attorney for Webb County, said that the case broke open after a woman, whom Mr. Ortiz attempted to kidnap at gunpoint,



Law enforcement officers gather near the scene where the body of a woman was found near Interstate 35 north of Laredo, Texas. The suspected killer targeted prostitutes, authorities said.

victims on Saturday, apparently after trying to kidnap the woman who alerted authorities. The woman told police she had

grown suspicious of Mr. Ortiz and managed to escape from his truck after the two of them began discussing one of the

dead victims, whom she knew.

"There is probable cause to believe this individual is responsible for this series of mur-

ders," said Mr. Alaniz, adding that he was seeking to charge Mr. Ortiz with four counts of murder and one count of aggravated kidnapping.

It wasn't immediately clear if Mr. Ortiz had an attorney. According to Webb County jail records, he was being held on \$2.5 million bond.

Andrew Meehan, a spokesman for U.S. Customs and Border Protection, said in a statement that the Border Patrol and the Department of Homeland Security Inspector General's office were working with local investigators on the case.

"While it is CBP policy to not comment on the details of an ongoing investigation, criminal action by our employees is not, and will not, be tolerated," he said.

## U.S. NEWS

# In Texas Race, Nafta Fight Looms Large

By JOSHUA JAMERSON

EL PASO, Texas—When Texas Rep. Will Hurd attended a luncheon with a group of local CEOs here to update them on his activity in Washington, he paused when he got around to the subject of Nafta.

The trade agreement with Mexico and Canada has been a boon to the Republican congressman's constituents along the border, and anxiety has grown about it since President Trump began seeking to revamp it.

"I shouldn't say this," Mr. Hurd said before likening his views on the Trump administration's Nafta negotiations to his sentiments on the football program at his alma mater, Texas A&M University. "I get excited, I get bummed. I get excited, I get bummed," he said. The two-term congressman, whose district became a top target for Democrats after Hillary Clinton beat Mr. Trump here in 2016, already was trying to distance himself from Mr. Trump's immigration policies, interactions with Russian President Vladimir Putin and criticism of the intelligence community leadership.

But it is the economic uncertainty surrounding Mr. Trump's trade negotiations that could loom largest this fall in a district like Mr. Hurd's that relies on the North American Free Trade Agreement for trade across the border with Mexico. Mr. Hurd's district includes about 800 miles of the southern border, more than any other district in the country.

It is a political challenge



**Rep. Will Hurd, a Republican, is facing Democratic challenger Gina Ortiz Jones in a Texas district where trade is integral to the economy.**

that has emerged in other competitive House races this year, which complicate the GOP's ability to hold its House majority. Democrats need a net gain of 23 seats to regain control of the chamber.

In Minnesota, the administration's trade battles are hurting farmers concentrated in the southern half of the state while appearing to help the GOP and iron miners in the north.

In Kentucky, Republican Rep. Andy Barr has expressed concern about the effect of Mr. Trump's tariffs on his constituents, who have been

hit by retaliatory tariffs, including one on soybeans imposed by China.

Aaron Viramontes, who runs a denim-producing firm in Far East El Paso, attended Mr. Hurd's lunch with business leaders. Mr. Viramontes said he wanted more clarity from Washington on the future of Nafta, which in the 1990s paved the way for his company to expand into Mexico.

"It's confusion, and that's holding us back from being able to understand Nafta," Mr. Viramontes said. "There's no clarification right now. None."



ERIC GAY/ASSOCIATED PRESS

Mr. Hurd said in an interview that he views a recently reached tentative U.S.-Mexico trade deal as "moving in the right direction," but thinks the overall rhetoric coming out of the White House on trade is misguided.

"The acute problem is Nafta 2.0," he said of the efforts to revamp the trade deal. "The chronic problem is people understanding the importance of international trade," he said, noting that a Toyota pickup-truck assembly plant in San Antonio supports thousands of local jobs.

Many of the roughly two

dozen House Republicans running in districts Mrs. Clinton won in 2016 are, to varying degrees, seeking daylight from a president unpopular with independents. There are signs the approach is working for Mr. Hurd; the Cook Political Report rates the race as leaning in his favor over his Democratic challenger, Gina Ortiz Jones, a former Air Force intelligence officer.

Mr. Hurd, unlike some GOP incumbents, also has not been outraised by his Democratic opponent. Through the end of June, Mr. Hurd had \$2 million in cash-on-hand, compared

with the \$1.2 million in Ms. Ortiz Jones' coffers.

Democrats acknowledge it is a challenge to oust Mr. Hurd despite the broader headwinds facing Republicans this year.

"This has been a tough district," said Manny Garcia, the deputy executive director of the Texas Democratic Party. "It takes a premier candidate, the infrastructure and this mood to all kind of work together."

In a page out of Mr. Trump's playbook, Ms. Ortiz Jones often personally takes to her Twitter account to chide Mr. Hurd.

She is also crisscrossing the sparsely populated and often Democratic-leaning pockets of West Texas, looking to boost turnout among her party's base.

In an interview, Ms. Ortiz Jones criticized Mr. Trump's trade posture and Mr. Hurd's wait-and-see approach to the Nafta talks. "Many folks don't just have the luxury to take the longer view on things," said Ms. Ortiz Jones, who recently worked in the office of the U.S. Trade Representative evaluating the potential national-security risks of foreign investments.

Some Republicans have said Mr. Trump took a political weight off Mr. Hurd by nailing down a preliminary deal with Mexico, even if Canada ends up excluded from a final free-trade agreement. Rep. Steve Stivers of Ohio, who is chairman of the House GOP campaign committee, said the tentative deal gave the incumbent a positive development to talk up on the trail.

## CAMPAIN WIRE

## ECONOMY

### Dimon Gives Trump 'Pretty Good' Grade

JPMorgan Chase & Co. Chief Executive James Dimon said he would give President Trump a "pretty good" grade on economic policy, comments that came a few days after the banker boasted he could beat Mr. Trump in a head-to-head election.

Speaking in an interview aired Sunday on ABC News' "This Week," Mr. Dimon said tax cuts, deregulation and a generally warm view toward business have helped boost consumer confidence and growth.

"It's impossible for me to tease out how much, but it has helped the economy," Mr. Dimon said.

The JPMorgan CEO and chairman also repeated his regret for his earlier criticism of Mr. Trump, who hit back on Twitter by calling Mr. Dimon "a poor public speaker & nervous mess." Mr. Dimon had said at a Sept. 12 bank event that he was "as tough" as Mr. Trump and was "smarter" than the president.

"It also proves I wouldn't be a good politician," said Mr. Dimon, who added that he doesn't plan a run for the White House. Asked if that meant he would never seek the office, Mr. Dimon said, "I never say never to anything, but no."

—Dave Michaels

## CAMPAIGN SPENDING

### Roberts Stays Ruling On Disclosing Donors

Outside political groups are very publicly spending millions of dollars ahead of the midterm elections—often with the support of very private donors. And it looks like it's going to stay that way, for now, following a move Saturday by the chief justice of the U.S. Supreme Court.

In August, a federal judge ruled that Federal Election Commission regulations allowing donors who support outside political groups to remain anonymous "blatantly undercuts the congressional goal of fully disclosing the sources of money flowing into federal political campaigns." Chief Judge Beryl A. Howell gave the FEC 45 days to issue interim regulations.

But Chief Justice John Roberts on Saturday stayed that federal court ruling, which could have required so-called dark money political groups to disclose their donors.

—Andrew Duehren

## FEMA Chief Says No One Asked Him to Leave

By BEN KESLING

WASHINGTON—The top official at the Federal Emergency Management Agency on Sunday said he has never been asked to resign over an internal investigation involving vehicle use, and he echoed President Trump in casting doubt on a government-backed report on the number of deaths from last year's hurricanes in Puerto Rico.

FEMA Administrator Brock Long said he was cooperating with the investigation into frequent travel—and the use of a

caravan of government vehicles—between his North Carolina home and Washington, D.C. The Wall Street Journal reported Friday that Homeland Security Secretary Kirstjen Nielsen had discussed the alleged improper use of vehicles with Mr. Long, and told him he ought to resign if the matter were true.

"Secretary Nielsen has never asked me to resign," Mr. Long said on NBC's "Meet the Press." He added that the vehicles provide him with secure communications capabilities that have been used by previous

administrators.

Mr. Long, speaking from the FEMA operations center as Florence lashed the Carolinas, said officials would work to get vehicle-use policies "cleared up and pushed forward."

Mr. Long routinely traveled from Washington to his home in North Carolina using government vehicles staffed by FEMA employees who often stayed in nearby hotels, according to the people familiar with the matter. Since taking the job, Mr. Long has spent some 150 days in North Caro-

lina, these people said.

The department's inspector general probe included surveillance of Mr. Long's trips, according to the people familiar with the matter.

Mr. Long, asked Sunday on NBC about Mr. Trump's public derision last week of a study about Puerto Rico hurricane deaths, said "the numbers are all over the place."

The president last week said in a tweet, without evidence, that a George Washington University study that estimated nearly 3,000 people died in the aftermath of Puerto

Rico's 2017 hurricanes was devised by Democrats to discredit him. The study was commissioned by Puerto Rico's Democratic governor in the face of criticism that his own administration had significantly undercounted the official toll, which had been 64.

The researchers arrived at their figure by comparing the number of deaths in Puerto Rico during a designated period with past mortality patterns. Researchers concluded that in many cases, physicians failed to link deaths from such causes as cardiac arrest to the hurricane.

and Murkowski didn't respond to a request for comment Sunday.

Mrs. Ford is a research psychologist at Palo Alto, where she teaches in consortium with Stanford University. A university spokeswoman didn't reply to requests for more information.

She graduated from the all-girls Holton-Arms School in Bethesda, Md., not far from the Georgetown Preparatory School. Mr. Kavanaugh attended. She was among thousands of mental-health professionals and researchers who signed onto a Physicians for Human Rights letter to the Trump administration in June denouncing the administration's immigration policy that caused family separations at the U.S. border, according to a copy of the letter.

She also works as a biostatistician and has co-written more than 50 scientific books and publications, the alumnae magazine said, noting that she is an "avid surfer, and she and her family spend a great deal of time surfing in the Santa Cruz and San Francisco areas."

Mrs. Ford, using her professional name, Christine Blasey, has made three donations since January 2017 totaling \$42 to Act Blue, an online service that provides a one-stop donation platform used by Democrats seeking office.

Mrs. Ford provided several previously unreported details to the Post, saying she had discussed the alleged incident in 2012 when she and her husband, Russell Biddle Ford, were in couples therapy.

The therapist saved her notes, which describe Mrs. Ford recounting being assaulted by students "from an elitist boys' school," but didn't name Judge Kavanaugh, the article said.

—Dave Michaels

Natalie Andrews and Jess Bravin contributed to this article.



**Judiciary Committee Chairman Chuck Grassley and ranking committee member Dianne Feinstein**

in public.

The outlines of Mrs. Ford's allegation emerged publicly several days ago when Sen. Diane Feinstein of California, the top Democrat on the Senate Judiciary Committee, said she had reported matter involving Judge Kavanaugh to the Federal Bureau of Investigation.

Mrs. Feinstein didn't initially name Mrs. Ford, saying the individual had requested confidentiality.

On Sunday, Mrs. Feinstein confirmed in a statement that Mrs. Ford was the person who had made the allegations.

"I support Mrs. Ford's decision to share her story, and now that she has, it is in the hands of the FBI to conduct an investigation," Mrs. Feinstein said. "This should happen before the Senate moves forward on this nominee."

Mr. Flake, in his interview Sunday evening, added, "We said before that these allegations were anonymous and uncorroborated. That is no longer true." Mr. Flake, who is retiring after this term, has occasionally criticized President Trump.

Efforts to reach Mrs. Ford weren't successful. The White House didn't change its stance after she came forward.

"On Friday, Judge Kavanaugh 'categorically and unequivocally' denied this allegation. This has not changed," White House spokeswoman Kerri Kupec said in a statement Sunday. "Judge Kavanaugh and the White House both stand by that statement."

It is unclear whether Mrs. Ford would testify before the committee, either in private or

Sen. Chuck Schumer of New York, the Democratic leader, called on Mr. Grassley to delay the panel's vote. Democrats have pushed for a slower process, saying many documents relevant to Judge Kavanaugh's background hadn't been released.

Any slowdown of the Kavanaugh nomination would be

fight particularly high-stakes for Democrats.

Taylor Foy, the Grassley spokesman, said earlier Sunday that Democrats should have brought the allegations to the Judiciary Committee earlier. Mrs. Feinstein has said she didn't raise the matter earlier because Mrs. Ford was hesitant to come forward.

The judge has been expected to be approved on a party-line vote in the GOP-controlled Judiciary Committee. In the full Senate, he would need a simple majority to be confirmed. There, Mrs. Ford's decision to speak publicly is likely to focus more attention on the two GOP senators whom Democrats have targeted as most likely to defect in a floor vote on Judge Kavanaugh: Susan Collins of Maine and Lisa Murkowski of Alaska.

Neither senator has raised serious concerns about Judge Kavanaugh, but both are strong supporters of women's rights who Democrats believe might support a delay in the confirmation process.

The offices of Sens. Collins

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# We're strengthening security during elections

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[facebook.com/electionsecurity](https://facebook.com/electionsecurity)

## WORLD NEWS

# Pyongyang Skirts Curbs, U.N. Says

Report alleges China, Russia maintain trade ties despite sanctions; a blow to U.S. goals

Fresh doubts are emerging about the potency of a U.S.-led sanctions campaign aimed at crippling North Korea's economy and forcing the country to end its atomic-weapons programs, as denuclearization talks have stalled.

*By Ian Talley in Washington, Chun Han Wong in Hunchun, China, and Tom Wright in Kuala Lumpur, Malaysia*

A confidential new United Nations report, reviewed by The Wall Street Journal, says Pyongyang, often with help from people in Russia and China, has been able to circumvent restrictions, rendering "the latest U.N. sanctions ineffective."

Citing U.S. intelligence, U.N. investigators found a "massive increase" in fuel shipments to North Korea involving Russian and Chinese ships, as well as numerous examples of coal shipments to China from North Korea.

The U.N. report also called out Chinese companies for buying tens of millions of dollars of North Korean iron, steel and other products. Chinese firms have maintained joint ventures with North Korean partners, despite a U.N. ban last year, the report says. Chinese tourism to North Korea is rebounding.

All of that amounts to a serious setback for what the Trump administration calls a maximum-pressure campaign to isolate North Korea, cut off its energy supplies and curb its ability to raise money through exports.

China and Russia have rejected U.S. accusations they aren't fully enforcing U.N. sanctions on North Korea. Pyongyang disputes the sanctions' legality.

Pyongyang's success in skirting export and import limits shows that after de-



South Korean President Moon Jae-in, right, and North Korean leader Kim Jong Un met in April.

cades of international pressure, it has built a resilient web of funding streams and trade networks that are difficult to completely sever.

There is little doubt North Korea's economy is being hurt, but the country's tactics could give it breathing room as negotiations with Washington have reached an impasse.

"I'm very concerned that our maximum-pressure campaign is faltering," Ed Royce, the Republican House foreign-affairs committee chairman, said last week. "Kim appears to be using talks, as he has time and time again, to probe for weaknesses and buy time."

Top Trump officials say the negotiations are proof the pressure campaign is working, but have expressed growing frustration in recent months over what they see as easing enforcement by China and Russia, in particular.

Other evidence suggests North Korea is earning significant sums of money from overseas businesses and guest workers, including North Korean restaurants that were supposed to close but remain open in some countries.

The new U.N. report also found North Korean involvement in illicit arms sales, citing evidence that a Syrian

## Scant Impact

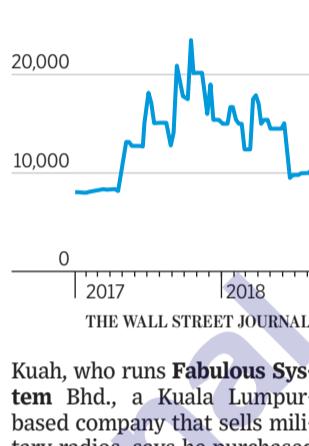
Despite fluctuations, two measures of North Korea's economy, exchange rates and gasoline prices, remain relatively unchanged.

### Unofficial exchange rates in the border city of Sinuiju



Source: NK Daily

### Gasoline prices in Pyongyang, in North Korean won



THE WALL STREET JOURNAL.

arms trafficker brokered a deal for Houthi rebels in Yemen to buy rocket-propelled grenades, ballistic missiles and other weapons from North Korea.

One of the best-known businesses linked to Pyongyang, a military communications equipment company called Global Communications Co. and described by the U.N. as a front for North Korean intelligence, continues operating despite being cited in U.N. reports.

Malaysia's government said it closed Gocom's operations in the country last year. Yet Mike

Kuah, who runs **Fabulous System** Bhd., a Kuala Lumpur-based company that sells military radios, says he purchased battlefield radios this year from Gocom after locating it online.

Gocom uploaded new marketing videos to YouTube this year and advertises multiple products on Twitter.

Mr. Kuah said he had no idea of Gocom's ties to North Korea, believing at first the equipment was South African based on its appearance. An invoice provided by Mr. Kuah for the radios he bought showed

an address for the company in Shenzhen, China. A Journal reporter tried to visit the site but found it didn't exist.

Mr. Kuah didn't respond when asked to whom he later sold the radios. Under U.N. sanctions, any trade in North Korean military equipment is illegal.

Deliveries of petroleum products to North Korea, meanwhile, represent a particularly difficult problem for Washington because they offer a lifeline to North Korea's economy.

U.N. sanctions imposed late last year amounted to a nearly 90% ban on oil and refined petroleum, which the Security Council has said are vital to Pyongyang's military and nuclear programs.

The Journal reported last week that North Korean ships had brought in at least 89 illicit cargoes of fuel in the first five months of the year via ship-to-ship transfers, primarily with Chinese or Russian counterparts. The estimated volume is roughly one-third of the country's average consumption before the current sanctions regime was put into place, according to the U.S. Energy Information Administration.

North Korea's Chon Ma San made four deliveries in April and June, delivering up to 74,000 barrels of fuel oil into the country's Nampo port weeks after the U.N. blacklisted it, according to U.S. intelligence reports reviewed by the Journal.

Although North Korea's tightly sealed borders and limited information flow make it hard to assess how deeply sanctions are affecting the country's economy, they are widely believed to have had an impact last year, when the economy is thought to have contracted.

Many economists speculate Pyongyang is burning though its foreign-currency reserves to help prop up the won and prevent hyperinflation, forecasting more pain likely by 2019. But others argue the won's stability shows sanctions haven't been as effective as hoped.

"It's not in China's interests to squeeze North Korea to the brink of collapse," said Cheng Xiaohua, an associate professor at Renmin University in Beijing.

# Moon Set To Discuss End to War With North

By JONATHAN CHENG

SEOUL—With denuclearization talks between the U.S. and North Korea stalled, South Korean President Moon Jae-in is set to visit Pyongyang on Tuesday in a bid to revive diplomacy after a summer of challenges.

At a planned three-day summit, Mr. Moon and North Korean leader Kim Jong Un are expected to hold talks on a declaration to formally end the Korean War, more than six decades after fighting was halted by an armistice.

North Korea sees a permanent peace deal as an important indication that Washington is willing to end what it calls a hostile policy toward Pyongyang—and a step toward removal of U.S. forces from South Korea.

In exchange, U.S. and South Korean experts believe that the South Korean delegation will push the North to produce a detailed inventory of its nuclear and missile programs, something it has never before been willing to do.

Negotiations between Washington and Pyongyang are at an impasse, three months after President Trump met Mr. Kim in Singapore and the two men signed an agreement to denuclearize the Korean Peninsula. Pyongyang has balked at Washington's push for a rapid dismantling of its atomic-weapons programs, while North Korea has said the U.S. is dragging its feet on the end-of-war declaration.

"The South Korean position is, 'Why don't you simultaneously exchange?'" said Moon Chung-in, a senior adviser to South Korea's president.

If all goes well, the meeting of the Korean leaders could help pave the way for a second meeting between Messrs. Trump and Kim, which the White House has hinted at in recent days.

Since the June U.S.-North Korea summit, satellite imagery has shown North continuing to expand its nuclear and missile facilities, even as it

*The visit could spur a second meeting between President Trump and Mr. Kim.*

dismantled other sites. The U.S. has continued to impose economic sanctions and sparked an angry retort from Pyongyang on Friday after bringing charges against a North Korean citizen that Washington said masterminded cyberattacks against the U.S. and others.

Mr. Trump canceled a planned trip to Pyongyang by Secretary of State Mike Pompeo and his special envoy on North Korea, Steve Biegun, citing slow progress on denuclearization.

As progress has flagged between the U.S. and North Korea, the two Koreas have pushed ahead with a detente. On Friday, the two sides opened a liaison office north of the demilitarized zone. The South Korean president will also bring a large business delegation with him.

U.S. officials have stressed that improved inter-Korean relations can't happen in isolation from efforts to resolve Pyongyang's nuclear program.

This week's inter-Korean summit will be the third this year between the leaders of the two sides of the divided peninsula. The pair first met in April amid a burst of bonhomie that included North Korea's participation in the Winter Olympics in the South.

Mr. Moon comes into the summit in a much weaker political position than he had in April. After that first summit, his domestic approval rating was above 80%; this month, it fell below 50% for the first time.

In exchange for an end-of-war declaration, the South Korean president is expected to push Mr. Kim for a specific accounting of the North's nuclear-arms and ballistic-missile programs—an important step toward dismantling them.



Anthony Kwan/Bloomberg News (2)

# Typhoon's Trail of Ruin: 'An Epic Storm'

Typhoon Mangkhut, the world's most powerful storm this year, skidded into mainland China on Sunday after claiming at least 59 lives in the Philippines and pummeling Hong Kong and Macau during a devastating churn across the tropical-storm-prone region.



is about twice the 90 mph winds generated by Hurricane Florence, which struck the U.S.

The typhoon slowed on Sunday, its maximum sustained wind speeds falling to around 120 miles an hour—still powerful enough to threaten lives and property. Authorities downgraded it to a severe typhoon from super typhoon.

Even as the death toll rose in the Philippines, the 500-mile-plus diameter storm was less destructive than previously feared, largely missing major population centers. It skimmed the northern tip of the Philippines, sparing the capital Manila, and then delivered a glancing blow to Hong Kong.

Rescue efforts continued as officials sought to restore power and communications to the most affected areas of the Philippines and return people to their homes. More than 154,000 had sought shelter in

evacuation centers.

The Philippines may have benefited from improved preparedness. Five years ago, a storm killed some 6,300 people and sparked criticism that emergency authorities had failed to get ready.

The storm also produced big waves and tidal surges that flooded Hong Kong's coastlines, prompting evacuations in low-

lying areas.

Airlines canceled flights, trees toppled onto cars and authorities warned Hong Kongers to remain inside. In a city famed for its skyscrapers, some expressed concerns about tall buildings moving in the wind.

A resident who lives on the 32nd floor of an apartment building in the Wan Chai district said he could feel the

building swaying.

"It felt totally surreal," said Jim Tai, 33, a resident originally from Arizona. He said he saw tree branches and plastic bags flying past his window as well as curtains sucked out from the broken windows of nearby buildings. "I've been through Hurricane Sandy in New York, but this felt totally different—today's was an epic storm," Mr. Tai said.

Mangkhut made landfall in mainland China in the southern Guangdong province Sunday afternoon. Over 2.45 million people in Guangdong were evacuated, state media said.

Residents of Shenzhen, a giant manufacturing and tech hub just over the Chinese border from Hong Kong, reported widespread flooding in coastal districts.

Trefor Moss in Shanghai and Natasha Khan in Hong Kong contributed to this article.

In the Philippines, rescuers searched for victims of landslides responsible for most of the deaths there. In Hong Kong, emergency workers cut away trees that fell in major roadways, as the city began what will be a major cleanup.

Typhoon Mangkhut packed sustained winds as high as 170 miles an hour, equivalent to a Category 5 hurricane, according to the U.S. military's joint Typhoon Warning Center. That



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1-800-SAL-ARMY | [HELPsalvationarmy.org](http://HELPsalvationarmy.org) | "ALEXA, MAKE A DONATION TO THE SALVATION ARMY."



DOING THE MOST GOOD

## WORLD NEWS

**Kenyan Eliud Kipchoge Sets World Record in Berlin Marathon**

**TIME TO SPARE:** Eliud Kipchoge shattered the world record in the Berlin Marathon on Sunday by more than a full minute, running 2:01:39 to establish the Kenyan athlete as one of the best distance runners in history. Kipchoge, 33, is the reigning Olympic champion.

## Trade Threats Ramp Up

Continued from Page One

tiate with a gun pointed to its head," said a senior official who advises the leadership on foreign-policy matters.

White House spokeswoman Lindsay Walters declined to comment on the status of the tariff discussions inside the administration, referring to a Friday statement that said: "The president has been clear that he and his administration will continue to take action to address China's unfair trade practices. We encourage China to address the longstanding concerns raised by the United States."

With the expected new round of U.S. tariffs, combined

with earlier rounds, the Trump administration will have levied duties on about half of the more than \$500 billion in Chinese goods that enter the U.S. each year, a considerable escalation coming amid a series of other U.S. initiatives aimed at overhauling the country's trade policy.

Mr. Trump's aides are locked in tense negotiations with Canada to rewrite the quarter-century-old North American Free Trade Agreement by a month-end deadline, as the president threatens to expel Ottawa from the pact that also includes Mexico. Talks between the U.S. and Canadian chief negotiators ended inconclusively last week.

The Trump administration's two-track approach to China—new import taxes looming on \$200 billion in goods, twinned with a willingness to hold new high-level talks—shows divisions inside the Trump team.

The next stage of Mr. Trump's unfolding China strategy also

reflects the president's personal desire, according to people familiar with administration deliberations, to show Beijing that he is willing to step up the pressure, that he feels he has the upper hand in the conflict, and that if tariffs and diplomacy conflict, he will choose tariffs.

For its part, China shows no signs of backing down, and it is unclear what fresh concessions, if any, Mr. Liu would offer on a Washington trip. Indeed, some Chinese officials advising the leadership are proposing to step up the trade fight a notch by restricting China's sales of materials, equipment and other parts key to U.S. manufacturers' supply chains.

Such restrictions could even apply to Apple Inc.'s iPhones, which are assembled in the mainland, officials said, without elaborating. Apple didn't respond to a request for comment.

China can adopt "export re-

strictions" as a way to hit back at the U.S., in addition to retaliatory tariffs it has already deployed, former Finance Minister Lou Jiwei told a gathering of Chinese and American academics and business executives Sunday.

At the same time, Trump officials appear to be trying to balance the president's desire to squeeze China with con-

### Talks with China come amid a series of U.S. initiatives to overhaul trade policy.

cerns about hurting U.S. consumers reliant on cheap Chinese imports—especially in the middle of a difficult election campaign season for his Republican Party.

In a nod to those concerns,

## WORLD WATCH

### EGYPT

#### Sons of Ex-President Mubarak Arrested

Egyptian authorities detained and imprisoned two sons of deposed President Hosni Mubarak in connection with longstanding charges of insider trading.

The arrest of Gamal and Alaa Mubarak was a reminder of what many Egyptians regard as an era of corruption and repression in the final years of Mr. Mubarak's regime before he was ousted in a 2011 popular uprising.

The case against the two began in 2012 with prosecutors alleging they broke financial trading rules in a deal involving shares of Egypt's Al Watany Bank. They have denied the charges.

It wasn't clear on Saturday why the Cairo criminal court ordered the Mubarak sons arrested now.

The men were convicted in May 2015 in a separate case of embezzling millions of dollars of government funds. But a court freed them months later after a judge credited them for the 43

months in jail they had already served while awaiting criminal trials in other matters.

Gamal Mubarak, an investment banker and senior official in the ruling party, was widely seen as being groomed for the presidency.

—Jared Malsin

### MEXICO

#### López Obrador Picks Civilian for Security

Mexico's president-elect kicked off a nationwide tour with his new head of security in tow: a restaurant owner named Daniel Asaf who will coordinate a civilian brigade in lieu of the Mexican equivalent of the U.S. Secret Service.

Andrés Manuel López Obrador, who takes office Dec. 1, introduced Mr. Asaf to reporters at Mexico City's international airport before departing for Tepic, capital of the western state of Nayarit. He said Mr. Asaf will organize 20 civilian assistants who will rotate five at a time to accompany him so he can interact with voters without getting squashed.

—Associated Press

pleas from importers and others asking to be spared.

The announcement expected early this week will include a final list of those goods, and companies will be studying it closely to see if any changes were made in response to their input.

Another big question will be the effective date that the administration sets for the new tariffs. In the past round, the tariffs took effect less than three weeks after the final list was released. If officials follow that practice, the duties would be in place by early October.

Advocates of further negotiations hope that a later effective date might leave the door open to further talks, especially if the Chinese were given a signal that the outcome of those discussions had a chance of staving off or diminishing the planned tariffs.

—Tripp Mickle contributed to this article.

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## CIO Network

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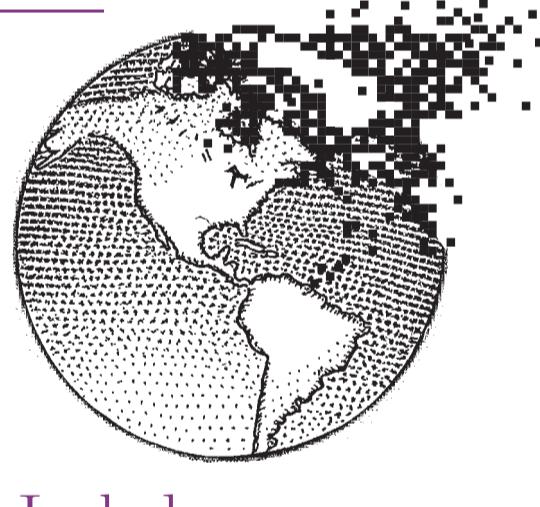
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## WORLD NEWS

# Italy Nationalists Face Bankruptcy Threat

BY GIOVANNI LEGORANO

ROME—Italian nationalist politician Matteo Salvini, whose popularity has surged since he became interior minister in June, has hit his first setback. His anti-immigration League party faces possible bankruptcy from a penalty assessed for past corruption.

Mr. Salvini's governing partners, the anticorruption 5 Star Movement, have pressed him to comply with a court ruling last week that the League must repay €49 million (\$56.9 million) of public funding for election costs stretching back a decade. The ruling stemmed from a conviction, now under appeal, of the League's former leaders for embezzling public election funds.

Mr. Salvini's party says it doesn't have the money. Its officials say the League's existence has been put in jeopardy by the court's demand that all its future proceeds be seized until the full €49 million is repaid.

When court rulings in the long-running case first began to go against the League last year, Mr. Salvini lashed out against the judiciary, calling its earlier seizure of a smaller sum "an attack on democracy." Now, how-



Matteo Salvini's party says it lacks funds to pay a court penalty.

ever, the usually blunt party leader has reacted calmly by his combative standards. "There are some judicial investigations," he said last week. "I hope they'll conclude well and quickly."

The bearded 45-year-old former journalist, known for his provocative rhetoric on migrants and law and order, has transformed the League from a northern Italian secessionist movement into an anti-immi-

gration party with growing nationwide support. The League won 17% of the vote in Italy's parliamentary elections this March, but opinion polls now say more than 30% of Italians support the party.

Mr. Salvini's verbal attacks on established authorities in Italy and the European Union, often delivered in video harangues on Facebook, have made him a leading player in

the contest between Europe's traditional political class and its populist upstarts.

But if the judiciary seizes all of the League's future funds as threatened, "at that point it is clear that a political party ceases to exist," Giancarlo Giorgi, Mr. Salvini's right-hand man and a senior government official, said recently. The League has already warned its employees it might not be able

to pay their salaries much longer.

Unless the League can successfully appeal for the penalty to be reversed or watered down, Italy's main far-right party could seek to avoid paying by reconstituting itself under another name. League officials are already considering that option, people familiar with the matters say, though Mr. Salvini has publicly said it won't happen.

The case has led to the first serious rift between the League and its governing partner, the 5 Star Movement, whose *raison d'être* is to clean up Italy's rotten political class. Officials in the coalition, which took power on June 1, say they don't expect the alliance to break apart over the issue. However, the case highlights the prospect that Italy's coalition government joining two starkly different kinds of populism might not last long.

The 5 Star Movement, which promises voters a crackdown on corruption and poverty, and the League, which pledges to slash immigration and taxes, have little in common apart from their antipathy to Italy's previously incumbent centrist establishment.

5 Star officials privately say their partner's corruption tra-

vails are deeply embarrassing and potentially damaging to a movement that promised Italians a new kind of politics. "This is a real problem for the 5 Star and they won't be able to be too lenient with the League on this," said Giovanni Orsina, a history professor at Rome's LUISS University.

Alessandro Di Battista, a leading 5 Star politician, told Italian TV that if he were a League supporter he would expect Mr. Salvini to repay the €49 million. "That's taxpayers' money. Court decisions must be respected," Mr. Di Battista said.

The stiff penalty isn't Mr. Salvini's only legal headache. He has also recently been placed under judicial investigation regarding allegations that he abused the office of interior minister when he refused for five days to let scores of asylum seekers disembark from an Italian coast-guard ship that had rescued them in the Mediterranean Sea. Public prosecutors in Sicily, where the ship docked, are probing whether Mr. Salvini's move amounted to kidnapping.

Mr. Salvini rejects the charges. "I would do it again," he told League supporters last week.

# Brexit Dilemmas Top Agenda at EU's Salzburg Summit

BY LAURENCE NORMAN  
AND STEPHEN FIDLER

BRUSSELS—European Union leaders will hold their first serious discussions on Brexit since March at a summit in Austria on Thursday as the U.K. and the rest of the bloc step up preparations to reduce major economic disruptions if a deal isn't reached.

On the face of it, negotiators are advancing toward an agreement that must be settled, drafted and ratified before Britain leaves the bloc next March 29. In reality, progress toward a deal has

been minimal since April.

The informal gathering of EU leaders in Salzburg—the first of three likely summits over as many months at which Brexit will be discussed—has been preceded by warm words from the EU side.

EU leaders are aware that British Prime Minister Theresa May is under pressure from anti-EU lawmakers in her Conservative Party. That has intensified after a proposal for future relations with the EU was agreed by her cabinet in July at the prime minister's country retreat at Chequers, prompting the resignation of two prominent ministers. Eu-

ropean leaders want to help Mrs. May ahead of a Conservative party annual conference starting Sept. 30, hoping to ward off more British political chaos that could further set back negotiations.

Behind the scenes, however, many in the EU say Mrs. May's proposal—which aims to give British firms frictionless access to the EU market in goods—is unacceptable.

They see it as undermining the bloc's own outstanding economic achievement: its single market in goods, services, labor and capital. They say Mrs. May's plan would allow Britain to become a giant as-

sembly plant for Chinese and other non-EU manufacturers with privileged access to the bloc's 500 million people.

In Salzburg, Mrs. May is ex-

*The EU summit on Thursday is the first of three expected in as many months.*

pected to set out her latest thoughts on Brexit at a dinner Wednesday of all 28 EU leaders. No talks are expected then

but the other 27 leaders will discuss it without Mrs. May over lunch Thursday.

There the focus will be on whether to schedule a special November summit to finalize the deal and whether to amend the negotiating mandate of Michel Barnier, the EU's chief negotiator, to say more about the EU's future relationship with Britain. If they agree, changes to the mandate may be made at a scheduled summit in October.

Mrs. May, who is facing almost daily speculation about a leadership challenge within her party, said Wednesday that Britain could withhold

from the bloc some of the estimated \$50 billion divorce bill if an agreement fails.

On the British side, officials believe the EU is overestimating London's willingness to compromise on its proposed "backstop" plan to avoid a physical border between the British province of Northern Ireland and EU member Ireland.

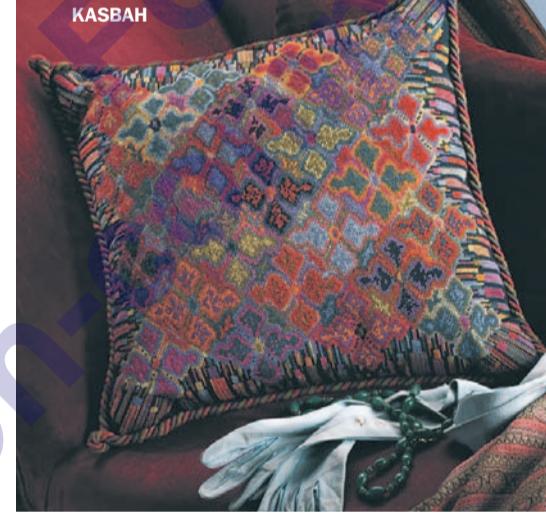
The two sides must secure a legally binding withdrawal agreement over the divorce that includes the financial settlement that Britain would pay to the EU. Officials say that is 80% done, with a few big issues, especially Ireland, unresolved.

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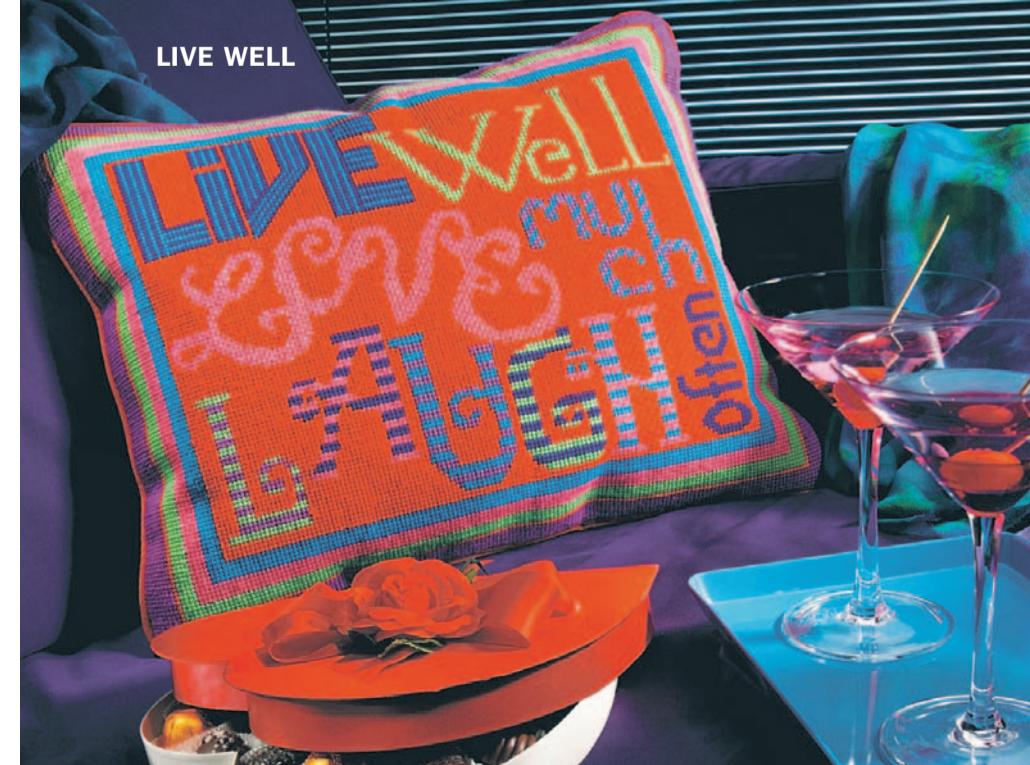
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## FROM PAGE ONE

# Amazon Employees Face Probe

*Continued from Page One*  
have relatively small salaries, which might embolden them to take risks.

In exchange for payments ranging from about \$80 to more than \$2,000, brokers for Amazon employees in Shenzhen are offering internal sales metrics and reviewers' email addresses, as well as a service to delete negative reviews and restore banned Amazon accounts, the people said.

Amazon is investigating incidents involving employees, including some in the U.S., suspected of accepting these bribes, according to people familiar with the matter. An internal probe began in May after Eric Broussard, Amazon's vice president who oversees international marketplaces, was tipped off to the practice in China, people familiar with the matter said. Amazon has since shuffled the roles of key executives in China to try to root out the bribery, one of these people said.

Internally, Amazon has worked hard to stop sellers from gaming its systems, but it can sometimes be a Whac-A-Mole situation as swindlers get more creative, according to former Amazon executives and other people familiar with the company's thinking.

An Amazon spokeswoman said the company has strict policies and a code of business conduct and ethics, and it has installed systems to restrict and audit what employees can access.

The company confirmed it is investigating the claims. "We hold our employees to a high ethical standard and anyone in violation of our Code faces discipline, including termination and potential legal and criminal penalties," the



MATT ALEXANDER/ZUMA PRESS

Potential internal corruption is the latest challenge Amazon faces with its platform, following fake reviews and counterfeit goods.

spokeswoman added in a statement.

That goes for sellers, too. "We have zero tolerance for abuse of our systems and if we find bad actors who have engaged in this behavior, we will take swift action against them," she said.

Potential internal corruption is the latest challenge Amazon faces in upholding its platform's integrity, after problems with fake product reviews and counterfeit merchandise.

For the past few years, Amazon has recruited independent merchants to sell their products on the company's marketplace, something that both widens the variety of products offered on the site and reduces prices. More than two million merchants now sell an estimated 550 million products on Amazon, representing more than half of all units sold on the site and contributing an estimated \$200 billion in gross merchandise volume last year, according to FactSet estimates.

Sellers must aggressively compete to get their products noticed on the first page of search results, where customers typically make most of their purchase decisions.

Amazon's automated system ranks the products based on several factors, including the quality of verified reviews, the number of times customers click on a product and its sales volume. Some sellers have sought to game the system by employing tricks such as paying someone to click repeatedly on a listing or create fake positive reviews, The Wall Street Journal has reported. Amazon has fought these attempts.

One of the newer ways some sellers are seeking an edge over rivals is getting access to Amazon employees.

Some midlevel Amazon employees in China have the power to delete negative reviews and can access the email addresses of users who have purchased specific items and written reviews of them, said a person who has facilitated il-

## Sales Force

The majority of Amazon's merchandise sales come from third-party merchants.

### Estimated gross merchandise volume



Sources: the company (retail sales); FactSet (third-party sales)

licit transactions between third-party sellers and Amazon employees in southern China.

Brokers are the middlemen between Amazon employees

and sellers who want negative reviews deleted or access to internal sales information. Brokers search for Amazon employees on Chinese messaging platform WeChat and send

messages asking them if they would like to provide these services in exchange for cash, according to brokers and sellers who say they have been approached by brokers.

The going rate for having an Amazon employee delete negative reviews is about \$300 per review, according to people familiar with the practice. Brokers usually demand a five-review minimum, meaning that sellers typically must pay at least \$1,500 for the service, the people said.

For less money, sellers can buy from Amazon employees the email addresses of customers who write reviews. This gives sellers the opportunity to reach out to customers who have written negative reviews and try to persuade them to adjust or delete those reviews, sometimes by offering free or discounted products, the sellers and brokers say. Amazon prohibits this practice.

Brokers also offer proprietary sales information, such as the keywords customers typically use to search for items on Amazon's site, sales volume and other statistics about buyers' habits, according to the people. Having this information enables Amazon sellers to craft product descriptions and advertisements in a way that boosts their rankings in search results. Amazon doesn't disclose this type of detailed sales information.

At a recent conference hosted for sellers—which wasn't run by Amazon—a broker pulled up internal keyword results on his laptop. The broker said \$80 can buy information on sales data; the number of times users searched for a certain product and clicked on a product page; which sellers are bidding for advertisements; and how much those cost, according to the person who viewed the results.

One Chinese Amazon seller said competition on the website had become so heated that he is tempted to use illicit tactics to gain an edge. "If I don't do bad things, I will die," he said of his business.

said other features of the revamped law are likely to have bigger economic effects than repatriations.

The often-cited figures of \$2.7 trillion or \$3 trillion held abroad by U.S. companies overstate what could realistically return. Only about half was in cash or other liquid assets, according to Todd Castagno, a Morgan Stanley accounting and tax-policy analyst.

Drug company Eli Lilly & Co. moved \$9 billion from overseas and said it is using the money for acquisitions, employee stock grants, pension funding and other investments. "We're bringing it back to the U.S. and putting it to work," CEO Dave Ricks said in an interview.

Some companies, such as Chevron Corp. and Archer Daniels Midland Co., have long plowed foreign profits into foreign factories, equipment and other assets that aren't likely to move. Other companies said they need funds overseas for acquisitions, debt retirement and expansion in growing markets.

Technical rules for the one-time U.S. tax on stockpiled profits aren't final, leaving some companies wary of making big changes too soon. That tax, payable over eight years, is expected to bring in \$339 billion, according to a federal estimate.

Many companies don't have urgent domestic cash needs. They can borrow cheaply at home because of low interest rates or they are focusing on expanding in foreign markets.

borders. Some U.S. states tax repatriated profits, and some countries impose taxes on dividends paid to parent companies.

"It's not completely frictionless," United Technologies Corp. CFO Akhil Johri said in an interview. Still, the new rules made it easier to move money globally. Bringing cash home reduces the company's need for U.S. borrowing, Mr. Johri said.

United Technologies, the conglomerate that makes Otis Elevators and Pratt & Whitney jet engines, repatriated \$5.1 billion this year. The money will help fund its planned \$23 billion acquisition of Rockwell Collins Inc., a defense contractor and aviation-equipment maker, United Technologies said.

Democrats point to buybacks as evidence the tax law is helping investors more than workers. Economists in both parties

for the free pizza. He said they replied that the logo was pretty cool and went ahead anyway.

Ayrat Demenkov, 25, said he had already made a down payment at his favorite parlor when the promotion was called off, but Domino's told him he could beat the deadline.

The courier and chef said he is still getting used to the small domino on the outside of his right forearm, where it sits between a sketch of a hooded sweatshirt and a screaming demon. He also has robots and Japanese animation in his ink collection.

"I won't get tired of it," he said, of his plentiful pizza supply. "Food is sacred, and I would do it again if there was a promotion for beer...or wine...definitely with whiskey."

Ms. Koshkina said she knows exactly what she wants on her first pizza: beef, spicy salami, onions and jalapeño peppers.

But she's not so sure the domino quite works with her other nine tattoos based on Japanese art or sketches she made herself.

"It does stick out a bit," she said. "I've already thought of adding something to it, you know, to spice it up a bit."

# Overseas Profits Trickle Back

*Continued from Page One*

tions—networking-equipment giant Cisco Systems Inc. and drugmaker Gilead Sciences Inc. Beyond that, companies have announced plans to repatriate an additional \$37 billion. Some with the largest stockpiles, including Apple Inc., have made general promises to repatriate profits without saying when or how much.

More than a dozen large companies, including General Electric Co. and Boston Scientific Corp., have said they don't need past foreign earnings in the U.S. or have no immediate plans to bring cash home. Far more are waiting or won't say.

Many provided no information beyond vague public filings. That includes Microsoft Corp., Alphabet Inc. and other companies that held some of the largest foreign cash piles before the

tax law.

In all, while repatriations have soared past pre-2018 levels, independent analysts don't expect anywhere near the \$4 trillion Mr. Trump has touted.

The Commerce Department estimates that companies brought back \$305.6 billion in the first quarter of 2018. The government figure includes

small and closely held firms and surpassed the total repatriated in all of 2016 and 2017 combined.

More than \$35 billion of that government estimate reflects funds routinely repatriated on a quarterly basis before the tax overhaul. An unknown amount also reflects new profits earned since December and never subject to repatriation taxes, as opposed to stockpiled past profits.

Because repatriation is now rarely a costly event, companies have been telling investors less about their plans.

Apple stopped disclosing how

much cash it holds overseas,

deeming the figure no longer material. The \$252 billion of foreign cash it reported last year was more than 90% of the total on its books. In January, Chief Executive Tim Cook said Apple would bring the "vast majority" to the U.S. "over time" as part of its investments in the U.S. A spokesman wouldn't elaborate.

Companies use much of the repatriated money to buy back shares. A study by Federal Reserve economists of 15 companies with the most foreign cash found an uptick in buybacks and little evidence of an investment surge.

Cisco said it brought \$70 billion of foreign profits to the U.S. this year—about half the total repatriations identified by the Journal, and more than the

quarter data. "There are reasons to expect that pace to remain strong, as large scale corporate financial decisions like this aren't made overnight," she said. "As a businessman, the president understands that."

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\$67.5 billion in cash and investments the company reported holding overseas last year. Cisco this year announced plans to repurchase \$25 billion in shares over two years.

"All of our cash basically is repatriated all the time now," Cisco Chief Financial Officer Kelly Kramer said in February.

**Analysts don't expect anything near the repatriation rates Mr. Trump touted.**

"We're going to be giving back to the shareholders through a healthy buyback."

Kevin Hassett, chairman of Mr. Trump's Council of Economic Advisers, has argued that buybacks benefit the economy by getting money to shareholders who then reinvest it in companies with domestic opportunities.

Democrats point to buybacks as evidence the tax law is helping investors more than workers. Economists in both parties

said other features of the revamped law are likely to have bigger economic effects than repatriations.

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Chevron Corp. and Archer Daniels Midland Co., have long plowed foreign profits into foreign factories, equipment and other assets that aren't likely to move. Other companies said they need funds overseas for acquisitions, debt retirement and expansion in growing markets.

Even without the federal government taxing new foreign income as it comes home, costs remain to moving cash across

borders. Some U.S. states tax repatriated profits, and some countries impose taxes on dividends paid to parent companies.

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# Deal for Free Pizza Backfires

*Continued from Page One*

were often cheap but in short supply—and the economic hardships of the 1990s have conditioned many Russians to pounce on a good deal. A stagnant economy has left average disposable incomes stuck around \$500 a month, and Ms. Koshkina said the free pizza would help her put aside a bit of money from her salary working at a piercing and tattoo parlor. "Who doesn't want free food?" she said.

Social-media campaigns have become a staple of marketers looking to generate online buzz—and, in this case, turn people into lifelong walking advertisements. But the efforts can go awry. McDonald's, for example, pulled a Twitter campaign with the hashtag #McDStories in 2012 after consumers used it to complain about the company.

A spokesman for Domino's

Pizza Inc., the U.S.-based owner of the Domino's Pizza brand, said the Russian franchisee had been overwhelmed by the response, receiving more applicants in days than it had expected in months.

U.S. fast-food brands poured into Russia after the Soviet Union collapsed and quickly gained popularity in a country where people had grown used to standing in line for basic foodstuffs. The McDonald's that opened on Moscow's Pushkin Square in 1990 attracted long lines and later became the chain's most visited outlet world-wide. Domino's first opened an outlet in Russia in 1998, and master franchisee DP Eurasia NV now has more than 100 restaurants, predominantly in Moscow.

Now, brands such as Yum Brands Inc.'s KFC and Restaurant Brands International Inc. unit Burger King are common even on the streets of far-flung Siberian towns. They are facing a crowd of competition from local fast-food companies and firms that deliver orders from restaurants placed via apps on smartphones.

Domino's announced the launch of its tattoo promotion—named "Domino's For

ever"—on its page on VKontakte, the Russian equivalent of Facebook, on Aug. 31. The conditions were minimal: Applicants should post a photo on social media of a real tattoo in a visible place with the hashtag #dominosforever. They would receive a certificate allowing them to receive 100 free pizzas a year of any size for 100 years, the company said.

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Russians hurried to tattoo parlors. Tattoos in Russia have long been associated with criminals, who have used them to depict status in the underworld. But in recent years, they have become part of a broad assimilation of American hipster culture that includes craft beer, skateboards and boutique barbershops.

Many opted for the simple domino of the company's logo, which tattoo artist Mr. Gonyshov said he offered for 2,000 rubles, or around \$30, and took about 10 minutes to ink.

Others wanted it worked into compositions. Mr. Gonyshov inked a cuffed hand holding the logo with the phrase "Prisoner of Freebie," riffing on a classic "Prisoner of Love" tattoo design. Others put them on pizza slices, skateboards or pizza boxes carried by a Teenage Mutant Ninja Turtle.

On

## GREATER NEW YORK

## Insurgents' Wins Shift Focus in Albany

Progressive groups say candidates they backed will bring change; GOP still controls Senate

BY JIMMY VIELKIND

Public financing of elections. Stronger rent-control laws. Single-payer health care.

The victory of seven insurgent candidates for the New York state Senate in Thursday's Democratic primary has progressive groups that backed them excited about issues that have long languished in Albany coming to fruition when the Legislature reconvenes next year.

Republicans still control the state's upper chamber, and have for years, but Thursday's wins ousted six senators who were part of the former Independent Democratic Conference, which has backed Republicans since it seceded from the chamber's other Democrats in 2011.

The results were the lone cut to Gov. Andrew Cuomo in the elections. Mr. Cuomo and his endorsed candidates for lieutenant governor and attorney general won decisive victo-



Gov. Andrew Cuomo said insurgent contenders could turn off voters in areas outside New York City.

ries against their challengers.

But as the votes were tallied and Reggaeton pulsed at the Working Families Party's election night gathering in a hookah bar in Brooklyn's East Flatbush neighborhood, the argument raged over the direction of the Democratic Party and who, if it wins control of the Senate in Novem-

ber, will set its agenda.

"He's still on the chessboard but he no longer controls the pieces," Bill Lipton, executive director of the Working Families Party, said of Mr. Cuomo. "Instead of a divided Legislature where you can set the agenda, there's going to be a Democratic Senate and Assembly and look who's in the Senate—seven pro-

cured legislative passage of the priorities espoused by Mr. Lipton and the slate of new nominees. The governor received almost twice as many votes as his challenger, actor Cynthia Nixon, and said the results affirmed his own platform.

"I believe I got more votes in the primary than any governor in history," he said. "That is a revolution. That is a wave. On the numbers—not on some twittersphere dialogue."

He warned that while the insurgent candidates were popular among his party-mates in New York City, where Ms. Nixon performed well, they could turn off voters in areas of the state where Democrats need to oust Republicans if they are to win control of the chamber in November.

There are now 31 Republicans in the 63-seat Senate, but the GOP has held a majority through an alliance with Sen. Simcha Felder, a Democrat from Brooklyn. Mr. Felder won a Democratic primary challenge this week.

Republicans immediately seized on the Democratic primary as a warning to voters. They pointed to Julia Salazar, a member of the Democratic

Socialists of America, who defeated state Sen. Martin Malavé Dilan in a primary to represent the 18th District in Brooklyn, which includes the Bushwick and Williamsburg neighborhoods. There is no Republican candidate running in the general election.

"The Democrat Socialists are on the march, and if they are allowed to implement their radical agenda, New York will never be the same," Senate Majority Leader John Flanagan, a Republican from Long Island, wrote Friday in an email message to supporters.

Queens Sen. Michael Gianaris, who chairs the Democratic State Senate Campaign Committee, acknowledged that his party's conference was "diverse," but said its priorities were to strengthen abortion rights under state law, strengthen gun-control laws as well as "voting and campaign finance reforms."

"I feel our conference is more in step with the people of the state than theirs," Mr. Gianaris said, referring to the state GOP. "And let's not forget: they are the party of Donald Trump, the most unpopular president in modern times."

## Lawsuit Fallout Could Affect Ballet's Fundraising

BY CHARLES PASSY

As it prepares to launch its season Tuesday night, New York City Ballet is faced with a singular financial challenge in light of a headline-grabbing lawsuit.

Namely, how to raise the millions of dollars the 70-year-old institution needs when its treatment of its female dancers has come under scrutiny.

Alexandra Waterbury, a former student with the City Ballet-affiliated School of American Ballet, filed a lawsuit against the company and Chase Finlay, one of its former principal dancers, earlier this month in New York State Supreme Court in Manhattan. The suit alleged the ballet allowed a "fraternity-like atmosphere" to flourish in which the "basic rights" of women were violated.

Ms. Waterbury accused Mr. Finlay, her former boyfriend, of taking sexually explicit photos and videos of her without her consent. She alleged those images were shared with male company members, who sometimes sent similar images of other female dancers in return.

The company has said it "is confident that there is no basis for this lawsuit" and denied it ever "condoned, encouraged, or fostered" the alleged conduct.

On Saturday, New York City Ballet announced it had fired two male principal dancers, Zachary Catazaro and Amar Ramasar, following its earlier decision in late August, before Ms. Waterbury's lawsuit was filed, to suspend the pair. The ballet said that Messrs. Catazaro and Ramasar engaged in "inappropriate communications" with Mr. Finlay, who resigned from the company in August.

The company said Saturday it had "made the decision to terminate Finlay prior to receiving

notice of his resignation" because of those communications, which it learned about earlier in the summer.

The company said the move to ultimately terminate Messrs. Catazaro and Ramasar came "after further assessment of their conduct and the impact on the NYCB community."

Messrs. Catazaro and Ramasar issued statements on social media over the weekend, saying they didn't deserve to be terminated. Mr. Catazaro stressed that he wasn't named as a defendant in Ms. Waterbury's lawsuit, while Mr. Ramasar said, "In the days ahead, I will be telling my side."

A representative for Mr. Catazaro said the dancer had no comment at this point beyond that statement. Mr. Ramasar couldn't be reached Sunday.

Ira Kleiman, an attorney for Mr. Finlay, had no comment Sunday. Right after Ms. Waterbury filed her lawsuit, he told the New York Post, "The complaint is nothing more than a mass of allegations that ought not to be treated as facts."

Mr. Finlay couldn't be reached for comment Sunday.

Fundraising consultants and dance professionals say the decision to fire Messrs. Catazaro and Ramasar sends the signal that the company is taking the allegations very seriously. But they also say the situation could stop some donors from contributing.

"It will definitely have an impact on fundraising," said Juan José Escalante, executive director of the New York-based José Limón Dance Foundation and a former financial administrator at New York City Ballet. Mr. Escalante added that while it is difficult to put an estimate on the decline, he said, "I think it is reasonable to assume anywhere between a 5 to 10% hit."

The nonprofit ballet has a current annual budget of \$88.8 million, according to company spokesman Rob Daniels. But the ballet relies heavily on contributed income to meet that budget, with \$26 million coming from various fundraising channels, from government sources to private gifts, according to a current job posting it has for a chief development officer.

Complicating the fundraising picture for the 90-member ballet is the fact it has been without a permanent artistic head since the retirement of long-time ballet master-in-chief Peter Martins at the beginning of this year. Mr. Martins left the company after accusations of sexual harassment and physical mistreatment against him surfaced. He denied any misconduct and a later investigation by the company and the affiliated School of American Ballet cleared him of any wrongdoing.

Michael Kaiser, chairman of the DeVos Institute of Arts Management at the University of Maryland, said that when a cultural institution faces a crisis, it is up to its leadership to "make the case for its continued importance" to donors. But with no successor yet named for Mr. Martins, "it's harder to make the case."

At the same time, others say the ballet is well-positioned in many respects to weather the current storm by virtue of its pre-eminent standing in the dance world.

If anything, the company looks stronger from a technique standpoint than ever, says Edward Villella, one of its former stars who recently returned to help coach dancers in the opening-week program, featuring George Balanchine's "Jewels."

On top of that, unlike some other prominent nonprofit cul-

ture members."

Mr. Cuomo talked about the election results Friday during a news conference ostensibly called to discuss the deployment of New York assistance to states affected by Tropical Storm Florence.

Despite some statements of support during his first two terms, Mr. Cuomo hasn't se-



Alexandra Waterbury, above, filed a suit against the ballet and her ex-boyfriend, Chase Finlay, left, who resigned from the company. Zachary Catazaro, right, and Amar Ramasar, below left, were fired.



tural institutions in the city, the ballet has a solid financial track record of late. It has balanced its budget in the last six seasons and is sitting on a \$225 million endowment. It has also

raised \$65 million of a \$70 million capital campaign goal.

The company expressed confidence that it won't be affected financially by the news of recent weeks. "We have

been very grateful for the messages of support that the company has been receiving from members of the NYCB community including donors and ticket buyers," said Mr. Daniels.

## A Bad Day for Gang Green



BRIGHT SPOT: The New York Jets' Bilal Powell made a catch and scored a third-quarter touchdown against Miami's Raekwon McMillan at MetLife Stadium on Sunday. The Dolphins still won, 20-12.

## Millionaire Ranks Fell in 2016

BY JOSEPH DE AVILA

Fewer Connecticut households reported income of \$1 million or more in 2016, according to newly released data from the Internal Revenue Service.

The number of tax filers with an adjusted gross income of \$1 million or more fell to 10,990 in 2016, a 4% decline from the previous year, according to the IRS. The cumulative adjusted gross income this group reported also shrank to \$36.11 billion over this time period, a 13% drop.

The new data come as the state's competitive gubernatorial race has centered on state income taxes. Republican Bob Stefanowski has campaigned on phasing out the state's income tax, while Ned Lamont, the Democratic candidate, has said that the plan to eliminate state income taxes is unrealistic.

Republicans and conservative analysts have argued that Connecticut's income-tax increases in 2011 and 2015 prompted many of its wealthiest residents to flee the state. The state income tax produced

\$10.7 billion of revenue in the fiscal year that ended in June 2018 compared with \$9 billion in the year-earlier period.

*State income tax has become a hot-button issue in Connecticut's gubernatorial race.*

Some state fiscal policy experts, however, said the drop in 2016 may be explained by changes in federal tax laws. Connecticut's richest residents may have deferred income in anticipation of tax changes under the Trump administration, said Kim Rueben, a senior fellow with the Tax Policy Center. "I feel like I wouldn't look at changes between 2015 and 2016 and say that's evidence that people are responding to Connecticut's taxes," Ms. Rueben said. "I would probably say that people in Connecticut who earn a million or more are even more likely to have shifted

money between two years."

Jared Walczak, senior policy analyst at the right-leaning Tax Foundation, said, "It's plausible that political circumstances led to a deferral of income" in 2016, leading to a decline in the number of households reporting income of \$1 million or more. But Mr. Walczak said some rich Connecticut residents may have reached a tipping point and concluded it is no longer reasonable to live there because of the income taxes.

The 10,990 Connecticut households that reported \$1 million or more in income in 2016 is still higher than it was in 2010, when the figure was 9,030, according to the IRS.

The U.S. as a whole saw a dip in households that earned \$1 million or more in 2016. There were 424,870 tax filers who reported adjusted gross income of \$1 million or more in 2016, a 3% decrease from the previous year. In Florida, where there is no state income tax, the number dwindled to 28,420 during that same time frame, a 14% drop.

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# LIFE & ARTS

CULTURE

## Art Scenes Off the Beaten Track

Beyond New York, America's smaller cities like Santa Fe and Palm Springs sustain their own cultural 'microclimates'

BY KELLY CROW

**AS THE FALL SEASON** gets under way, attention tends to focus on major cities like New York and London because of their blockbuster museum exhibits and trophy-art auctions. The vagaries of the art market hold greater sway there, with galleries opening and closing with every tilt in collector confidence.

Yet beyond these global hubs, there exist smaller, self-sustaining art scenes that appear to thrive in good markets and bad. Santa Fe, N.M., is one such "microclimate." Aspen, Colo., is another.

Some hot spots, like Palm Springs, Calif., benefit from vacation-worthy vistas or cheery climates, but other settings may come as a surprise. Arts researcher Zannie Giraud Voss, who directs the DataArts team at Southern Methodist University, said its latest index of culturally vibrant cities includes places like Traverse City, Mich., population 15,532.

Traverse City sits a few miles away from the Interlochen Center for the Arts, and it boasts a film festival, symphony orchestra and a museum with one of the world's top collections of Inuit art. Rapid City, S.D., also made the Arts Vibrancy Index in part because it is close to Mount Rushmore.

"People are searching for the authentic," Ms. Voss said. "They want to feel like they've gone somewhere specific."

Kristaan Villela, director of Santa Fe's Museum of International Folk Art, said the city's artists and collectors no longer feel compelled to travel to either coast to feel like they've participated in a lively art season—a departure from perceptions a generation ago, he said. The homegrown focus buffers some galleries from the swings of the broader art markets, but it also allows regional styles and quirks to blossom.

"We don't really even need the bigger art world," Mr. Villela added. "Here in Santa Fe, we create our own weather."

Here is a look at five cities that have cultivated their own artistic identities.



### Aspen, Colo.

**Known For:** This former silver-mining boomtown is now a playground for the world's top collectors, so the trading-post shops are steadily making way for galleries like Baldwin, Marianne Boesky and Casterline Goodman. Young upstart Skye Gallery just offered a plant-foraging hike with one of its artists.

**Must-See:** After three decades of squeezing

contemporary-art shows into a former power plant, the Aspen Art Museum tripled its footprint when it opened in a new home designed by Pritzker Architecture Prize winner Shigeru Ban. Director Heidi Zuckerman has works up by artists like Yto Barrada and **Larry Bell**.

**Local Hero:** Soaring real-estate prices keep most working artists from settling here, but Texas-born James Surls has a studio in nearby Carbondale.

More than 50 of his works are on view through Sept. 29 at the Southern Utah Museum of Art.

**Insider Tip:** Collector Eleanore De Sole sent her summer visitors to ride a gondola in nearby Snowmass up to the Elk Camp restaurant to see Sarah Cain's installation, "Mountain Song," through Sept. 30. Ms. De Sole also recommends "the world's best collection of Jasper Johns's works on paper" at the Powers Art Center in Carbondale.

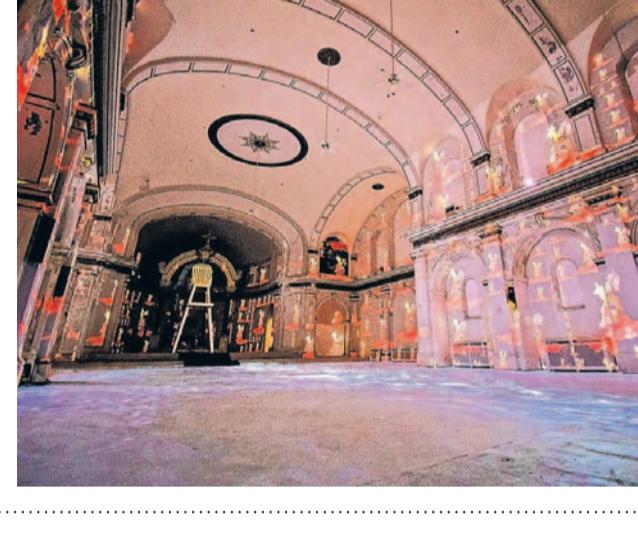
### Kansas City, Mo.

**Known For:** This city is beloved for its jazz and barbecue, but Thomas Hart Benton and Robert Morris lived here, and the Kansas City Art Institute's ceramics program has spurred collectors to pay as much for pottery as they might a painting. Long-time dealer Sherry Leedy said she no longer shows at far-flung fairs because her existing supporters can sustain her artists' careers.

**Must-See:** Kansas City has a population of almost 500,000, coincidentally around the number of annual visitors to the Nelson-Atkins Museum of Art. The museum is prized for its Caravaggio, "Saint John the Baptist in the Wilderness," as well as its edgy contemporary shows. Up now: Exhibits on Missouri natives Wendell Castle and Wilbur Niewald.

**Local Hero:** Kansas City-born artist Andrzej Zieliński explores the ways machinery can make people anxious by re-creating copiers, paper shredders and other gadgets using warped sheets of translucent plastic. His "Indoor Habitat" show is up through Oct. 2 at Emporia State University.

**Insider Tip:** Kansas City launched a biennial, "Open Spaces," with 46 artists—half from the region. Collector Bill Gautreaux recommends Ebony Patterson's "...called up," an abandoned pool that the artist cleaned up and festooned with flowers, and Kansas City Art Institute alum **Nick Cave's** "Hy-Dyve" installation in a former Catholic church.



### Charleston, S.C.

**Known For:** This port city has long weathered its share of tempests and roiling history, from its antebellum days with painters like Thomas Sully and James Audubon to a 1930s "Porgy and Bess"-style revival of Lowcountry romanticism. Yet edgy undercurrents persist in the work of graffiti artist Shepard Fairey and conceptual artist Charles Gaines, both born here.

**Must-See:** The Halsey Institute of Contemporary Art is a non-collecting powerhouse anchored at the College of Charleston and known for championing nontraditional artists like Washington, D.C.'s Renee Stout. It is currently exhibiting Italian painter Hitnes, who retraced Audubon's steps in the U.S. and painted watercolor views of birds he spotted along the way.

**Local Hero:** The Southern has done much to rally broader support for the incendiary work of Charleston-based **Colin Quashie**, who painted retired Gen. Colin Powell's face onto boxes of Uncle Ben's rice and redesigned toile wallpaper to reflect the brutal realities of slavery. Another rising star: Fletcher Williams III, whose work uses palmetto roses to explore black entrepreneurship and ingenuity, he said.

**Insider Tip:** Mark Sloan, the Halsey's director and chief curator, recommends stopping by the emerging-art exhibitions and artist studios at the Redux Contemporary Art Center. "The technology executives moving into Charleston now are adventurous, and they're more into emerging art than marsh scenes," Mr. Sloan said.



### Palm Springs, Calif.

**Known For:** Hollywood stars like Bob Hope began wintering in this desert town in the shadow of Mount San Jacinto in the 1930s. He was followed by Frank Sinatra and another Rat Pack wave after World War II, transforming Palm Springs into a "mecca for midcentury modernity," said Charles Phoenix, author of "Addicted to Americana: Celebrating Classic & Kitschy American Life & Style."

**Must-See:** More than 125,000 people descend in "Mad Men" attire and 1950s Cadillacs every February for **Modernism Week**, a bonanza of vintage furniture fairs and double-decker bus tours of the time-warp neighborhoods designed by architects like Albert Frey. (There's also a smaller preview version Oct. 18-21.)

**Local Hero:** Architect Hugh Kaptur was a young apprentice during Palm Springs' midcentury heyday, but he stuck around, designed homes for actors Steve McQueen and William Holden and at age 87 is still renovating his buildings and designing new ones today.

**Insider Tip:** Mr. Phoenix and Lisa Vossler Smith, Modernism Week's executive director, said visitors should get outfitted in country-club attire at Trina Turk's boutique before loading up on Peninsula Pastries ("It helps offset the cocktails," Mr. Phoenix said). Brush up on midcentury everything at the Palm Springs Art Museum Architecture and Design Center—or step into a primer by visiting Walter Annenberg's 200-acre winter estate, known as Sunnylands, in nearby Rancho Mirage.



## LIFE &amp; ARTS

## FASHION

# An '80s Tribute? No, Spring Fashion

Oversize silhouettes, neon colors and animal prints stand out on New York's runways; polished looks hint that streetwear's moment has passed

BY RAY A. SMITH

**THINK BIG**—very big. Think pink—hot pink. Stop wearing streetwear. Upgrade your denim. Wear animal prints in the daytime like it's no big deal.

Those are themes for clothes that will start arriving in stores in about six months—or sooner, at fast-fashion retailers. Designers drove home the message in dozens of shows and presentations during New York Fashion Week, which ended Wednesday. What's new? Roomy, oversize silhouettes along with a palette of vivid colors and neon. Also, tailored denim dresses and jumpsuits for work and animal prints to flaunt before dark. Finally, the winds of fashion may be shifting from streetwear toward polished but not staid looks.

Some of these fresh-off-the-runway concoctions for Spring 2019 might be spotted on celebrities along the red carpet before the 70th Primetime Emmy Awards ceremony tonight.

Twice a year, New York Fashion Week kicks off a month of activity that moves on to London, then Milan and finally Paris. London Fashion Week began Sept. 14. Themes that emerge in New York can cross the Atlantic but designers elsewhere also may have more experimental riffs on trends or start completely new ones. Here's a tipsheet from New York Fashion Week:



neon, shades ranged from pastels to candy hues and saturated tones at labels including Prabal Gurung, Pyer Moss, and Michael Kors. Sies Marjan, a label known for its color sense, even played R.E.M.'s "Shiny Happy People" during its show, where models wore a mix of primary colors alongside earth and jewel tones. Brandon Maxwell, a designer who in the past made mostly black dresses, embraced color at his show with hot pink, neon green, golden yellow and candy red. The colors signaled optimism and defiance amid the city's overcast skies. They also sounded a promising note about New York Fashion Week itself, which is grappling with questions about its relevance. In challenging times, designers and retailers bank on colors and prints to lift spirits.

◆ **CIAO, STREETWEAR** With a few exceptions, designers showing in New York resisted pandering to millennials. Instead of slapping logos on clothes and pairing everything with thick-soled sneakers, Gabriela Hearst, Oscar de la Renta and other houses doubled down on grownup-but-not-old styles. Even their casual ensembles tended to look polished. Many designers and retailers in New York have streetwear fatigue and are eager to bid farewell to the trend. Tom Ford said as much in notes for his show: "I feel that fashion has somehow lost its way a bit and it is easy for all of us to be swept up in trends that have lost touch with what women and men want to actually wear. So I did not want to make clothes that were ironic, or clever but simply clothes that were beautiful." Few designers are an island so Mr. Ford's peers in London, Milan and Paris may feel the same.

◆ **ELEGANT DENIM** Design houses including Coach, Proenza Schouler and Zero + Maria Cornejo gave denim elegant new couture-level twists, turning the humble fabric into skirts, dresses, jumpsuits, and overcoats. Michael Kors showed a denim jacket with flower-gem buttons. While jeans have been a fixture of the runway, the elevation of denim into more formal looks furthers the blurring between casual and dressy afoot in fashion. That said, check with hu-



Leopard spots at Christian Siriano



Streetwear's successor at Tom Ford



Animal prints at Calvin Klein



Bright colors at Brandon Maxwell



Supersized at Marc Jacobs

shirts and jeans or sneakers. Call it a defanging of what once seemed a daring style choice reserved solely for after dark. Designers on New York Fashion Week's runways neutered leopard spots and tiger stripes so they became NBD, no big deal.

in several studies to better grades, test scores and social skills in children.

Other studies say parent volunteers know more about what their children are learning in school and how well they're doing, enabling them to do a better job of helping their children build academic skills at home. Also, several studies have linked parents' involvement in school at one point with higher achievement in later years, suggesting the gains aren't due to favoritism by individual teachers, according to a 2012 review of 150 studies.

Regarding helicopter parents, volunteering doesn't seem to be linked with any particular parenting style, but parenting styles do help predict how much beneficial impact parental involvement will have on students, the research review shows. Volunteer parents who are warm and nurturing and support children's independence tend to have children who perform better than children of parents who are too controlling and undermine children's autonomy.

## WORK &amp; FAMILY MAILBOX | By Sue Shellenbarger

## THE WAY TO REACT TO NEGATIVE FEEDBACK



I enjoyed your Sept. 11 column on people who thrive on negative feedback. What do you recommend if part of the performance that's being criticized needs an explanation?

For example, perhaps another senior manager told you to perform a task in a way that's drawing criticism from your boss? Do you speak up or just say thanks?—D.E.

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## LIFE &amp; ARTS

## ART REVIEW

# Binary Reactions to the Digital World

BY BRIAN P. KELLY

Chicago

**WITH EVERY** step forward in human ingenuity, there have been technophobes warning that we've set the stage for our own demise and bright-eyed early adopters rushing to evangelize the newest fads. Guglielmo Marconi, inventor of the radio, felt the pull of both these poles. Worried about his creation and its uses, he once wondered, "Have I done the world good, or have I added a menace?"

Unsurprisingly, the internet has not been exempt from this duality. Partisans have praised it as an egalitarian tool with limitless potential, while others have decried it as a vanity machine that spits out echo chambers and severs real human connection. Now the Museum of Contemporary Art Chicago has organized an exhibition that surveys artists' reactions to the web and the way it shapes our experience of the world.

"I Was Raised on the Internet" (through Oct. 14), curated by Omar Kholeif, includes nearly 100 works by over 60 individuals, ranging from more traditional media, like photography, painting, sculpture, film and video, to emerging forms like interactive computer works and virtual reality. The size and scope of the show offer visitors the chance to see household names in the contemporary-art world working in both familiar and unfamiliar formats (Douglas Coupland's acrylic paintings; Trevor Paglen's encrypted computer-in-a-cube), while introducing them to lots of new artists doing the same.

Taking on a subject as free-wheeling as the internet, MCA faced the challenge of how to organize the show, and the museum has broken it into five sections dealing with identity; translating digital space into the real world; surveillance, data collection, and control; immersive and interactive experiences; and corporate culture and consumerism. Many of the objects in the show could have been dis-

played in multiple sections, and the categories occasionally feel arbitrary, as do some of the items included. Cory Arcangel's oversize ink-jet-on-canvas image of Adidas stripes, for example, seems to scream "Commercialism!" and not much else. All but one of the works were made after the turn of the millennium, and while the focus on the new is understandable, including earlier examples from pioneers in the realm like Roy Ascott would have provided some helpful context.

Even so, there's plenty worth digging into here, and the most interesting works are the ones that espouse the strongest belief in or worries about modern tech—the ones that transcend the curatorial

we give up a piece of ourselves in the name of security.

Not everything here carries a weighty message. A film pieced together from internet videos of cats playing the piano re-creates a Schoenberg composition, and a mechanized sculpture of an emoticon rotates, turning happiness ; into sadness ;. While undeniably influenced by the internet, these objects feel out of place in an exhibition that includes work like Mendi + Keith Obadike's "Blackness for Sale" (2001), an unnerving eBay posting in which the author's race was put on the auction block—complete with warnings such as "The Seller does not recommend that this Blackness be used during legal proceed-

categories and strike at the heart of what makes the web good and bad.

Heavily in the pro column is Oliver Laric. His "Sleeping Boy" (2016) is a reproduction of John Gibson's 1834 sculpture "Sleeping Shepherd Boy." Channeling pre-modern art history, where plaster copies of masterworks made it possible for viewers around the globe to glimpse the hand of Michelangelo or Bernini, Mr. Laric updates the practice. Using a digital scan of Gibson's original, he's re-created it with a variety of materials and a 3-D printer. At once classical and strikingly contemporary, the sculpture holds promise for the future of digital preservation and the ability to make reproductions inexpensively available to institutions of all sizes. One can see Mr. Laric's piece as a counterpoint to works like Daniel Arsham's "Future Relic" sculptures (not included in the show), in which cameras, Walkmans and other gadgets are portrayed as crumbling artifacts. The former enthusiastically revives the past for the present; the latter sees our technological breakthroughs in an Ozymandian light.

Rafael Lozano-Hemmer is far more suspicious of new technology. His "Please Empty Your Pockets" (2010) is a TSA-style conveyor belt on which visitors are invited to place their own objects. After they pass through a black box, they come out the other side and images of them are projected onto the belt, along with those of many other items that previous museumgoers had scanned and the machine has recorded. Mr. Lozano-Hemmer's piece serves as a simple but potent reminder that

A still from Rachel Maclean's "It's What's Inside That Counts" (2016), above; Amalia Ulman's "Excellences & Perfections (Instagram Update, 5th September 2014)" (2014), right; Douglas Coupland's "Delaware" (2016), below center; Trevor Paglen's "Autonomy Cube" (2014), bottom

ings of any sort—and whose echoes of slavery are unavoidable.

"I Was Raised on the Internet" can at times feel scattershot, but the duality of its subject is the one throughline that holds the show together. Where Juliana Huxtable has found the web a useful—if not always friendly—tool for expressing gender identity, Amalia Ulman was confronted with lust and violence when she underwent a months-long virtual "makeover" via her social media. In her video "Premium Connect" (2016)—part digital landscape, part hallucination, part history lesson, part anthropological interview—Tabita Rezaire proposes an internet that moves beyond bias. In contrast, Rachel Maclean's film "It's What's Inside That Counts" (2016) imagines a post-apocalyptic world with an

underclass addicted to data and with hierarchies determined by social media presence and controlled by large corporations. MCA's show is quick to point out that for every person who finds the internet liberating, another finds it oppressive; for every friend we find online, there's a troll waiting to hurt us.

The centerpiece of the exhibition captures this double-edged nature of technology well. Jon Rafman's "Transdimensional Serpent" (2016)

lives up to its name. Viewers slip on VR headsets and take seats on a large fiberglass snake. Over the four-minute experience, we're whisked through worlds both fantastic and familiar: soaring through treetops, huddled in a foreboding alleyway, sur-

rounded by mystical beings in a desert. While not as shocking as Jordan Wolfson's hyper-violent exhibit at the 2017 Whitney Biennial (in which the artist bludgeons a man to death), it is nonetheless one of the most engrossing VR experiences I've had in a gallery setting. The journey is disorienting, sometimes scary, but filled with the excitement of feeling like we're truly exploring these imaginary places—not unlike the internet itself.

—Mr. Kelly is the Journal's associate Arts in Review editor. Follow him on Twitter @bpkelly89.



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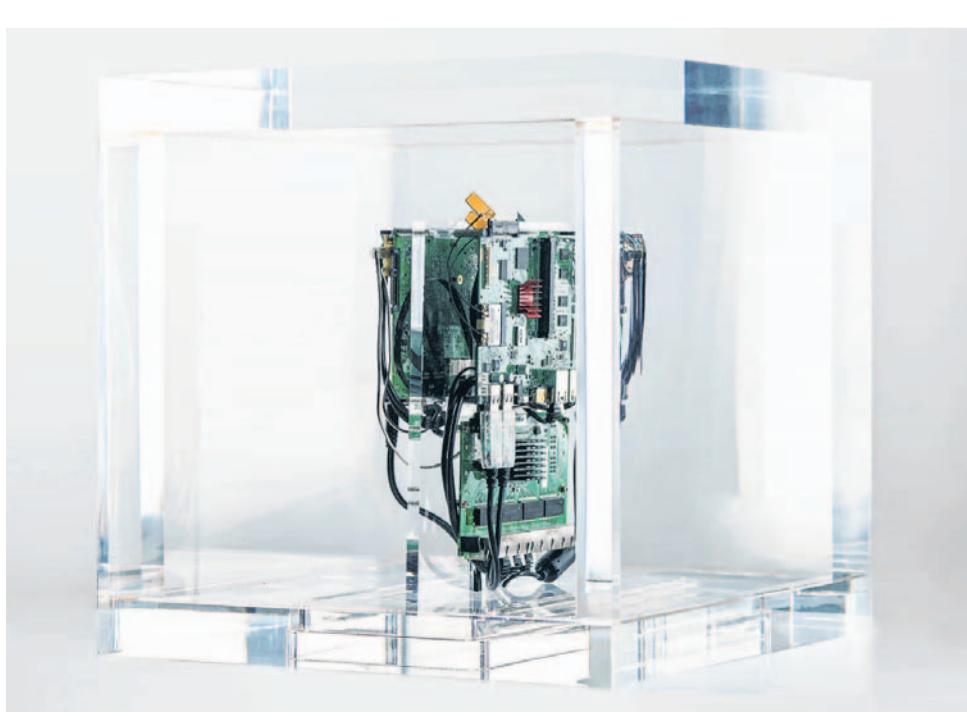
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## OPINION

## The Truth About Hurricane Maria

AMERICAS  
By Mary Anastasia O'Grady

How many Puerto Ricans died from Hurricane Maria? A study published by the Milken Institute School of Public Health at George Washington University found that from September 2017 through this February there were an estimated 2,975 "excess mortalities" in the commonwealth—fatalities which, the study's authors conclude, might not have occurred if not for Maria, which hit Sept. 20, and Hurricane Irma three weeks earlier.

President Trump pushed back, tweeting last week that "3000 people did not die in the two hurricanes that hit Puerto Rico," and that when he visited soon after Maria, the toll was between six and 18.

Cue the outrage from Democrats, journalists, late-night hosts and Puerto Rico's political class. Mr. Trump's tweet was described as "sickening" and "falsely" denying the death toll. CNN's Jake Tapper, in a segment titled "Fact Check: Trump's false claim on PR deaths," rambled for four minutes about how the president's statement was "a lie."

As evidence, Mr. Tapper cited an endorsement of the study's findings by Gov. Ricardo Rosselló, who is widely known to have national political aspirations in the Democratic Party. Mr. Tapper threw

in comments from a few Republicans, who, ever vigilant about the Puerto Rican vote along Florida's I-4 corridor, ran scared from Mr. Trump's tweet.

Absent from most of the reporting has been any serious discussion of the difference between the findings of the study and Mr. Trump's observations during his trip to the island to survey hurricane damage. This is worth trying to understand, though not for those who want to use dead Puerto Ricans as a political tool.

John Morales, chief meteorologist at WTVJ, Miami's NBC affiliate, handled the statistical questions around the wide range of death-toll estimates apolitically in an Aug. 28 essay posted on the station's website. He did not dispute the increase in fatalities in the months after the hurricanes. His contribution to the debate revolves around the limitations of statistical modeling and the importance of comparing apples with apples.

Mr. Morales cited other studies that have tried to put a number on post-storm deaths. He noted that the estimates vary widely because the methodology is not always the same and researchers choose a variety of time frames. Even within studies there is a wide range of possible deaths attributable to the storms and "the large range denotes a high degree of uncertainty."

The other problem is that "hurricane fatalities are not customarily counted this way,"

Mr. Morales wrote. "The National Weather Service and National Hurricane Center count only direct deaths—those that can be attributed to the effects of the weather like flood drownings or flying debris, for example." Weather experts "also look at and separately list indirect deaths, like automobile accidents, electro-

'Excess deaths' are a dubious measure, and Puerto Rican officials were unprepared.

cutions, and carbon monoxide poisonings from power generators, to name a few," and "emergency management agencies follow the same model." But officials from these agencies are "normally the ones briefing the politicians," so that, "the politicians are used to counting deaths just like the National Weather Service does."

Whether "excess mortality" studies are "the right way to count the dead" is not the issue, Mr. Morales observed. What matters is that they are "not available for most hurricane disasters" so there is no way to compare the findings with other similar events.

The attack on Mr. Trump is a disservice to Puerto Ricans because it helps island politicians dodge their own responsibility for the loss of life. The failure of medical equipment due to power outages, for ex-

ample, may have been one cause of numerous post-storm deaths. But as Mary Williams Walsh detailed in a New York Times story in February 2016, titled "How Free Electricity Helped Dig \$9 Billion Hole in Puerto Rico," island officials mismanaged the power company for years, which left the grid highly vulnerable when the storm hit.

In fact, local government was thoroughly unprepared for Maria. According to the George Washington University study, "neither the Department of Public Safety nor the Central Communications Office in the Governor's Office had written crisis and emergency risk communication plans in place." The Health Department's Office of Emergency Preparedness and Response "had an outdated emergency plan."

What's more, "agency emergency plans that were in place were not designed for greater than Category 1 hurricanes, and risk messages conveyed to the public in preparedness campaigns were reported by key leaders to inadequately prepare communities for a catastrophic disaster." The Federal Emergency Management Agency had a local office on the island, manned by Puerto Ricans. They too were unprepared, as I explained in an Oct. 2, 2017, column.

If there is anything despicable about all this, it's not Mr. Trump's tweet. Rather it's the media's zeal to use the body count for political gain.

*Write to O'Grady@wsj.com.*

BOOKSHELF | By Julia Flynn Siler

## Golden State Dynasty

## The Browns of California

By Miriam Pawel  
(Bloomsbury, 483 pages, \$35)

Few families are as closely intertwined with the history of California as the Browns. In a multigenerational saga that focuses on governors Pat and Jerry Brown, veteran journalist Miriam Pawel has written a vivid history of a political dynasty that has governed the Golden State for nearly a quarter century.

"The Browns of California" begins in 1852, when Prussian immigrant August Schuckman arrived seeking his fortune as a transporter of goods for gold miners. He soon settled on a ranch in the rattlesnake-infested hills near Colusa, northwest of Sacramento. His fortunes grew quickly, but for Ida, the youngest of his eight children, life in Colusa proved too limiting. In 1896 the 18-year-old set off for San Francisco, which at the time called itself "the Paris of America." It was there that she met the Irish-Catholic immigrant Ed Brown. A year later they married. Their first child, Edmund G. "Pat" Brown, was born in April 1905.

Displaying an early gift for oratory, Pat went straight from San Francisco's elite public Lowell High School to attending law school at night. After a stint working for a well-connected Republican lawyer, he helped found a group that fought government corruption. During the Great Depression, he scraped together a living mainly by collecting bills. Buoyant and well-liked, Pat became San Francisco's district attorney in 1943 and California's attorney general in 1951. He was a Democrat who nevertheless had warm relationships with wealthy Republican donors and state Republicans such as Gov. Earl Warren—support that proved useful when Pat ran for the governorship in 1958.

Waging a "nice guy" campaign and benefiting from well-funded union opposition to a right-to-work initiative that conservatives had placed on the ballot, Pat swept into office with 60% of the vote and remained there from 1959 to 1967. During that time, California overtook New York as the nation's most populous state. Pat was the first Democrat to lead California in almost two decades and is best known for expanding the state's public university system, embarking on massive projects to bring water from the state's rain-saturated north to the parched fields of the south, and funding California's highways.

Pat's son, Edmund G. "Jerry" Brown Jr., followed his father's footsteps into the governor's mansion in 1975, at the age of 36. Through two terms, he put women and minorities into staff offices and placed an emphasis on environmental policies. After leaving office in 1983, Jerry embarked on what Ms. Pawel calls his "wilderness years," spearheading a grassroots effort to turn Oakland into a green "ecopolis": He founded an Oakland commune that hosted Cosmic Rave Masses, a Martin Buber study group, sustainability workshops and yoga classes in a modernist warehouse he owned near Jack London Square.

Four generations of Browns, including father-and-son governors Pat and Jerry, have helped to shape the politics and culture of California.

Returning to politics in 1999, Jerry became Oakland's mayor for eight years—the first white man in two decades elected to lead this ethnically diverse city—and state attorney general for four years after that. Then, almost three decades after leaving office, Jerry ran for—and won—the governorship again, returning to office in 2011. In January 2019, when he finishes his fourth term at the age of 80, Jerry will leave as California's oldest governor, concluding a long run in Sacramento filled with dramatic highs and lows.

It's a political career the Pulitzer Prize-winning Ms. Pawel elucidates with sparkling prose and telling details, especially about the influence of Jerry's spiritual life in his public service. "The prospect of a life devoted to religion and service of God struck me as far better than making a name in business or law or acquiring material goods," Ms. Pawel quotes Jerry as saying, in describing an alternative to his father's commercial politics.

Ms. Pawel doesn't ignore the less-than-flattering moniker of "Governor Moonbeam" that Chicago columnist Mike Royko first gave Jerry in the late 1970s amid the young governor's efforts to launch a California space program. Or the glamorous images of Jerry traveling in Africa with then-girlfriend Linda Ronstadt in 1979. Or his role, during his second term as governor, in implementing the state's Proposition 13, which sharply curtailed property-tax increases and led to the erosion of public services. Or the controversial high-speed rail project some call the "bullet train to nowhere."

Deftly contrasting Pat's era of boom-boom public spending with Jerry's focus on fiscal restraint, Ms. Pawel paints a powerful portrait of this complex but loving father-son relationship. Strong women play a prominent role in the Brown family. There's Jerry's brilliant mother, Bernice, who earned her degree from the University of California, Berkeley, at the age of 19 and helped ease partisan divides with her elegant entertaining; and Jerry's sister Kathleen, who rose from the Los Angeles board of education to state treasurer and was once described by Pat as "the real politician in the family."

Then there's Anne Gust, a former corporate lawyer whom Jerry married in 2005. "Anne provided the structure," Ms. Pawel writes, "that Jerry always sought." It was with Ms. Gust as Jerry's de facto chief of staff that Jerry was able to find his way back to Sacramento in 2011, more focused and with a more realistic understanding of what it takes to govern a state that, if independent, would have the world's fifth-largest economy.

Ms. Pawel recognizes the limits of attempting to write the definitive book on a family dynasty while its scion is still in power. "I leave it to future historians," she writes, "to pass judgment on the Brown legacy, which will become clearer with distance." Future historians may not treat the Browns so kindly. But Ms. Pawel, with her extensive interviews, deep archival research and brilliant synthesis, has made an enormous contribution to the historical record.

Ms. Siler is a former WSJ staff writer. Her next book, "The White Devil's Daughters: The Fight Against Slavery in San Francisco's Chinatown," will be out in May.

## Drug Rebates Aren't 'Kickbacks'

By Joseph Antos  
And James C. Capretta

The Trump administration is close to issuing a new rule that could effectively ban rebate payments from drug manufacturers to pharmaceutical benefit managers, or PBMs. The plan is misguided. A full ban would backfire and increase costs to consumers.

The regulation, now under review at the Office of Management and Budget, could remove the safe-harbor protection for rebate payments under an anti-kickback law. But rebates are price discounts, not kickbacks. They reduce prices based on sales volume: Drug companies charge less when more of their drugs are sold to patients.

PBMs are at the center of the debate. Private employers and insurers, faced with rising drug costs, have turned to PBMs to manage their drug benefit programs. PBMs develop lists of covered drugs, or formularies, negotiate discounts and rebates with drug makers, and pay claims. PBMs lower the cost of the benefit by steering patients toward preferred drugs.

PBMs have more leverage than employers or insurers because they negotiate on behalf

of numerous clients. When more than one patented drug is available for an illness, manufacturers offer rebates for preferred placement.

The Trump administration says that because consumer payments are based on prices before rebates, patients don't benefit from the savings. That's only part of the story. PBMs typically require lower out-of-pocket payments from

A rule designed to save patients money would end up having the opposite effect.

patients who use preferred drugs, and they save consumers money by steering them toward generic drugs.

Consumers also benefit directly from rebates paid to PBMs. The Altarum Institute estimates that in 2016 PBMs earned \$11 billion in profits and passed on \$89 billion in rebates to employers and insurers. Health plans in turn have strong incentives to pass on rebate revenue to their enrollees in the form of lower premiums and better coverage.

Not surprisingly, spending for the drug benefit has become distorted. The govern-

ment spent \$37 billion in 2017 covering expenses for beneficiaries above the catastrophic threshold, up from \$9 billion in 2008.

This problem can be fixed not with a ban on rebates, but by requiring insurers and PBMs to pay more of the costs for drugs above the catastrophic threshold. If Medicare plans were responsible for 80% of the cost instead of 15%, they would have an incentive to press for lower prices for their high-cost patients. That would produce a better balance between lower list prices and rebate payments.

Administration officials claim they want to lower drug prices with market incentives, but a broad-based attack on drug rebates is the opposite of a market solution. Streamlining regulations to bring new products more quickly to the market, reforming Medicare's drug benefit design, and removing unnecessary interference that impedes competition would do far more to promote affordable and effective medicines for Americans.

Mr. Antos is a resident scholar in retirement and health policy at the American Enterprise Institute. Mr. Capretta is a resident fellow at AEI.

## John Kerry, Meet George Logan

By Seth Lipsky

G eorge Logan, call your office. That's my reaction to news that former Secretary of State John Kerry has, by his own account, been meeting privately with Iranian officials to try to save the nuclear deal.

Logan was the Pennsylvania politician whose unauthorized efforts to end the Quasi-War between France and America led to the Logan Act of 1799, which outlaws freelance diplomacy.

The New York Post has called Mr. Kerry's conniving a "textbook violation" of the law. President Trump, after all, has pulled out of the nuclear accord and decided on a different course. Iran's leaders, at least for the moment, are hanging onto the deal. Why not? It has brought billions to their coffers as they expand their military campaigns in the Mideast.

Last week the New York Times quoted "experts" as suggesting that the ayatollahs are "gambling" that Mr. Trump will be "crippled" in the midterm elections or swept out of office in 2020.

So have the Democrats

been colluding with them? Or, as radio host Hugh Hewitt asked Mr. Kerry last week, has the former secretary of state been "trying to coach" Iran's foreign minister, Javad Zarif?

"That's not how it works," Mr. Kerry said. "What I have done is tried to elicit from him what Iran might be willing to do in order to change

Is it a crime to meet with Iranian officials? It may well be.

the dynamic in the Middle East." He insisted he'd been "very blunt." Mr. Kerry also told Mr. Hewitt that the administration appears "hell-bent-for-leather determined to pursue a regime change strategy" in Iran. "I would simply caution that the United States historically has not had a great record in regime change," Mr. Kerry said. He added that it makes it "very difficult, if not impossible" for Iran to negotiate.

This is Mr. Kerry's modus operandi. In 1970, as an anti-war Vietnam veteran, he met in Paris with enemy envoys

while American GIs were still in combat. Back in Washington, in his notorious 1971 testimony, he told the Senate Foreign Relations Committee that if the U.S. set a date for quitting Vietnam, the communists would allow GIs safe passage.

Sen. Barry Goldwater suggested Mr. Kerry had violated the Logan Act. No charges were brought. The law hasn't been used in 166 years—how could one compel foreign interlocutors to testify?—and no one has ever been convicted of violating it. That may be because circumstances are often cloudy, or involve members of Congress, such as calls for Logan charges against 47 senators who warned Iran in 2015 of the weakness of any agreement not approved by Congress.

In 2017 Democratic lawmakers even sent a letter to Attorney General Loretta Lynch, asking for an investigation of President-elect Trump for alleged unauthorized diplomacy. They were upset at his phone calls with foreign leaders during the transition.

Yet has there ever been a case as clear as Mr. Kerry? The president tweeted that Mr. Kerry's meetings with "the very hostile Iranian regime" were "illegal." Will he take care that the laws be faithfully executed?

Mr. Lipsky is editor of the New York Sun.

## OPINION

## REVIEW &amp; OUTLOOK

## The Election Tax Divide

**W**ith Democrats focusing every campaign moment on Donald Trump, the policy stakes in November are fuzzy to many voters. House Republicans tried to clarify at least one major difference between the parties last week by proposing a second round of tax reduction.

The core of reform 2.0 is making last year's tax-rate cuts for individuals and families permanent. Congress made the corporate cuts permanent to provide investment certainty, but its weird deficit scoring rules forced the expiration of individual changes at the end of 2025.

Sunset set up a showdown when the expiration arrives, and rarely for the better. By the time the Bush tax cuts expired in 2012, Barack Obama was President and insisted on letting the top individual rate snap back to 39.6% on income above \$450,000 for a couple filing jointly, among other tax increases. The new GOP proposal would avoid a repeat by making all the new rates permanent, including the new 37% top rate.

The bill would also cement the \$10,000 cap on the state and local tax deduction that is so hated by Democrats in New York and California. The cap means more money for Treasury, which Democrats would have to surrender if they want to lift the restriction. But permanence would keep the pressure on liberal states to reform their tax codes.

Republicans have tossed in cats and dogs like making it easier for businesses to set up 401(k)s for employees. They'd also consolidate and expand provisions that allow new businesses to deduct start-up expenses, which is popular and may reduce barriers to capital formation.

Less useful is a "universal savings account" that would let Americans save \$2,500 a year in after-tax dollars that could grow tax-free and be withdrawn without a tax penalty. The idea is to reward saving over consumption, and it would function much like a Roth IRA except the money could be withdrawn at any time for any purpose. If Americans favored this over the Roth, it could mean less saving for retirement.

The vehicle would also be one more account in a menagerie that already includes health-savings accounts, 529 accounts for education, IRAs,

SEP IRAs, 403(b) plans, 401(k)s and more. All have separate contribution and withdrawal limits and varied tax treatment. The House would even expand 529s to allow for spending on apprenticeships or home-school supplies, or even to repay student debt. These accounts let politicians reward certain taxpayer behavior, instead of lowering

rates to promote growth.

Republicans would also let Americans tap retirement accounts for expenses associated with having a baby. Folks could take out up to \$7,500 and replenish the money later above the annual contribution limit. The thinking is that young Americans are likelier to start saving for retirement if they think they can use the money for more purposes. Maybe.

This is at least better than creating a new entitlement or raiding Social Security to finance paid time for having a child. Then again, proponents of government-subsidized paid leave like GOP Senator Marco Rubio or Ivanka Trump will want both. The left will gripe that Americans who don't have access to paid leave also don't have enough money to save. This is a reminder that Republicans who try to outbid Democrats on tax credits or income redistribution will always be outbid. The best redistribution plan is faster economic growth.

The House may vote on the Ways and Means package before the election, though the Senate has no plans to take it up because Republicans lack 60 votes. That's too bad. Senate Democrats in tight re-election contests this year complained that last year's reform didn't include permanent cuts for families.

"I wanted to be able to support a responsible, permanent tax reform bill that stands up for workers, families, and retirees while staying fiscally responsible," North Dakota Democrat Heidi Heitkamp said last year. "But this bill gives large corporations a permanent tax cut, while the tax cuts for working families expire in a few years." How about putting that claim to the test?

If nothing else, the House proposal makes clear that Republicans want to cut taxes while Democrats want to raise them. Voters who want to continue the economy's robust growth should keep that in mind.

## Credit to the Carolinas

**S**ince Friday, when Hurricane Florence made landfall on the coast of North Carolina, the story has been about men and women fighting to survive a death struggle with wind-blown water. So far the people of North and South Carolina and all who have pitched in to help them have given Florence a good fight.

The devastation from the hurricane's 11-foot storm surge and relentless rain is significant. The hurricane had killed an estimated 15 people as of Sunday. Still, it is impossible not to be moved by the determination of North and South Carolinians to survive this storm and the acts of heroism on their behalf.

Deaths have been minimized in large part because, with enough advance warning, most people heeded public directives to move inland. Typically in these circumstances, though,

**The floodwaters are still rising, but the rescue effort is impressive.**

there are individuals who can't flee because of age or health, or didn't flee due to bad judgment. Rescue teams, often led by the National Guard, have worked around the clock to save the stranded. Skilled rescuers have arrived from New York, Texas, Georgia, Missouri and elsewhere. Examples of looting have been rare.

A Journal story Sunday on the Florence rescuers quoted National Guard Sgt. Nicholas Muhar, who captured the simple reality of how so much good work gets done fast. "We've just been running and running and running," said Sgt. Muhar. "It's just: next thing, next thing, next thing. Just do it. Get it done."

The impressive initial fight against Florence has provided a template of civic action for the great and expensive rebuilding that lies ahead for North and South Carolina.

## Big Labor's Deep State

**P**resident Trump has complained about a "deep state," and at least with respect to the National Labor Relations Board he has a point. Consider the shenanigans Democrats are using to enshrine the Obama board's joint-employer standard.

The NLRB on Thursday proposed a rule to reverse the Obama board's 2015 *Browning-Ferris* decision that redefined joint-employer relationships and threatened to destroy the franchise business model. Under longstanding labor law, a company could be held responsible for its contractor's employees only if it exercised "direct and immediate" control over their work conditions.

Unions complained that this made it more difficult to organize workers and draw corporations into labor negotiations. The Obama NLRB proceeded to hold in *Browning-Ferris* that a company was a joint-employer even if it exercised only indirect and limited control over another company's workers. *Browning-Ferris* has no limiting principle. Microsoft could be a joint-employer merely because it requires suppliers to provide 12 weeks of paid leave for new parents.

Typically, the NLRB uses new cases to reverse precedents if it wants to change a legal standard. But the Trump NLRB says a rulemaking is "desirable" to overturn *Browning-Ferris* because of the "recent oscillation on the joint-employer standard" and "the wide variety of business relationships that it may affect." No doubt that's true, but the real reason the GOP has resorted to a new rule is because Democrats have weaponized ethics rules to handcuff the Republican majority.

Last year the Trump NLRB reversed *Browning-Ferris* with its *Hy-Brand* decision. But Democratic Senators and board members groused that Republican member Bill Emanuel should have recused himself because he previously worked for the law firm Littler Mendelson, which had represented the subcontractor Lead-

**Republicans on the NLRB give in to Democratic bullying.**

point Business Services in *Browning-Ferris*.

Board Inspector General David Berry launched an ethics investigation and agreed with Democrats—which is curious since the IG had no qualms with Obama NLRB appointee Craig Becker, who had previously represented the SEIU, hearing cases involving the union's local affiliates.

Yet Mr. Emanuel was under no ethical—let alone legal—obligation to step aside since a White House executive order merely requires agency appointees to recuse themselves from a "particular matter involving specific parties" that are "directly or substantially" related to a former employer or client. Littler Mendelson wasn't a party in *Hy-Brand*.

Nonetheless, Democratic board members took advantage of a Republican vacancy in February to sideline Mr. Emanuel and vacate *Hy-Brand*. NLRB General Counsel Peter Robb has supported Mr. Emanuel's participation, but the GOP majority appears cowed.

Under the Democrats' recusal standard, a Republican majority could never overturn *Browning-Ferris* since employers who were once clients of Littler Mendelson or Chairman John Ring's former law firm Morgan Lewis & Bockius might indirectly benefit. If this same standard were applied across executive agencies, the Trump Administration would be incapacitated.

Surrendering on *Hy-Brand* emboldens Democrats to demand more recusals. Democratic board member Lauren McFerran has teed up a legal challenge to the proposed new rule in her dissent. Unions no doubt are hoping that a liberal judge will issue a nationwide injunction that preserves *Browning-Ferris* until Elizabeth Warren and her labor friends swoop into the White House. You can bet Democrats won't bind themselves with the same rules. If GOP board members really want to restore traditional labor standards, they shouldn't unilaterally disarm.

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

## The GOP wants to make tax cuts permanent. Democrats want repeal.

## LETTERS TO THE EDITOR

## California: All Clean, Green and Alive by '45

Your editorials "100% Certifiable California" (Sept. 10) and "California's Carbon Exorcism" (Sept. 12) note the anticipated increase in electricity cost per kilowatt-hour associated with production without fossil fuels. But the bill paid by the consumer is cost per kWh multiplied by the user's consumption in kWh. California is a leader in reducing that consumption, through the design and installation of energy-efficient heating, ventilation, air conditioning, lighting and appliances. It's estimated that there are over 300,000 jobs associated with installation of that energy-efficient equipment, not counting the installation of solar panels. The burden on Californians associated with 100% fossil-free electricity will be considerably less than you suggest.

You deny that reduced electricity consumption due to efficiency mandates can compensate for increased electricity cost per kWh in California, asserting that low-energy appliances are more expensive. Consider the refrigerator, once a voracious household consumer of electricity. Modern refrigerators use only about 25% of the energy used in 1975.

RILEY NEWMAN  
Irvine, Calif.

The Journal should applaud California for taking the lead against the emission of greenhouse gases. The federal government is working to turn back the clock, so it is refreshing to see that at least some state governments see that action is needed.

LARRY KRAMER  
San Juan Capistrano, Calif.

Building the much-ballyhooed technologies needed to capture and use "free, renewable" wind and solar energy requires removing billions of tons of rock and earth to extract millions of pounds of lithium, cobalt, rare earth and other exotic ores for photovoltaic panels, wind-turbine magnets and backup batteries. Billions more tons must be removed to get millions of tons of concrete, iron, manganese, copper, petroleum-based plastics, composites and other materials for solar panels and frames, wind-turbine blades, nacelles, generators and towers, football-field-sized battery arrays and ultralong transmission lines to carry expensive electricity from renewable-energy "farms" to distant urban centers.

The more exotic raw materials are mined and processed in Mongolia, China and the Democratic Republic of Congo under minimal to nonexistent environmental, health and safety standards. Millions of acres of crop and habitat land are impacted or destroyed in the process and by the huge wind, solar and battery facilities. Millions of birds, bats and other

wildlife, endangered species or not, will be eradicated.

The Nimby attitude also applies to the nuclear, hydroelectric, gas and coal plants the state will need to meet its imported electricity needs. Such plants will no longer be permitted within California's borders.

PAUL DRIESSEN  
Fairfax, Va.

Regardless of the cost of this California folly, efficient technologies that can store excess solar and wind energy must be created for this scheme to work. The first choice would be batteries, and the second would be technology known only to science-fiction writers. The utility of imposing a 100% renewable mandate is evident, as your editorial points out: Elon Musk's 100-megawatt Australian battery could only keep 30,000 homes running on electricity for one hour.

Sales of Tesla's Powerwalls remain extremely low. Why? Because they can only generate enough energy to power an average-size home for less than half a day.

Fossil fuels, particularly coal and natural gas, are the most efficient and affordable energy sources known to humankind.

TIM HUELSKAMP, PH.D.  
President, The Heartland Institute  
Arlington Heights, Ill.

I am a retail customer of Pacific Gas & Electric living 40 miles east of Sacramento. My base rate for the first 441 kWh of usage in a month is 21 cents per kWh. The next 1,324 kWh are billed at 28 cents per kWh and anything over 1,765 kWh is billed at 43 cents per kWh. And this is an average month of usage during summer with the thermostat set at 78 degrees for a three-bedroom home. That's an average of 29 cents per kWh, already 50% more than the alleged California average of 20 cents per kWh. Thank goodness my home is heated by natural gas, but the wackos will surely try to ban gas soon.

If I had an electric car and drove 50 miles a day it would add another 500 kWh a month and my fuel (energy) cost at 43 cents per kWh would be \$215 a month, significantly more than an average, midsize sedan's fuel costs. The weather in Idaho is looking pretty good right now. At least the inmates aren't running the asylum there.

LARRY WEITZMAN  
Placerville, Calif.

We will welcome with open arms all of California's refugees flooding into our state, fleeing their state's expensive utopian policies.

KENT JAMISON  
Huffman, Texas

## Evolutionary Psychology and Paying for Dates

In response to "Who Should Pay on a Date? It's Complicated" (Life & Arts, Sept. 4): There are many very complicated aspects of human relationships, but I disagree that this is one of them. If you ask someone out on a date, you should pay for it.

In my generation, it would have been wholly inappropriate for my date to have to pay for the cost of a date when she may have had no input in the decision-making process. For any of my relationships to work, I expected some sort of reciprocity, meaning the woman would ask me to do something in return. Once, a date asked me to have a picnic lunch with her in the park. Her commitment to the relationship mattered, not how much she spent.

HENRY SCOTT  
Potomac, Md.

This is a debate that has been going on since at least 1970. In that year, I met a hot redhead and asked her out. She initially rejected my invitation,

## A Plea to Bring Back the Hated Gym Rope Climbing

Regarding Mike Kerrigan's "Kids Don't Learn the Ropes These Days" (op-ed, Sept. 10): I, too, remember those ropes. It was one of many challenges that looked much smaller after having accomplished it. Today we have a whole generation that is afraid to risk anything and feels endangered by any challenge. They observe their 40th birthday without having held a job, playing iPhone games in their mother's basement.

Let's bring back the ropes in the gym and shop classes with table saws and lathes. Life is about risk-taking. You don't succeed if you never try.

LARRY BACKER  
Blue Ridge, Texas

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## Pepper ... And Salt

THE WALL STREET JOURNAL



## OPINION

# Why China Is Brutally Suppressing Muslims

By Robert D. Kaplan

**T**he repression of the Turkic Uighur Muslim community in western China—including the reported internment of up to a million people in secret camps—is a key part of Beijing's new imperial policy. Only by understanding the dynamics of Chinese empire can one grasp this brutal campaign.

Xinjiang, a province home to millions of Uighurs, translates to “New Dominion.” The area has been historically and geographically known as East Turkestan. Though the Chi-

## The assault on the Uighurs serves Beijing's imperial ambitions, which require stable land borders.

nese state has existed for more than 3,500 years, Xinjiang first became part of China's Qing Dynasty only in the mid-18th century. Since then it has often been in a condition the British explorer Fitzroy Maclean labeled as “sustained turbulence.”

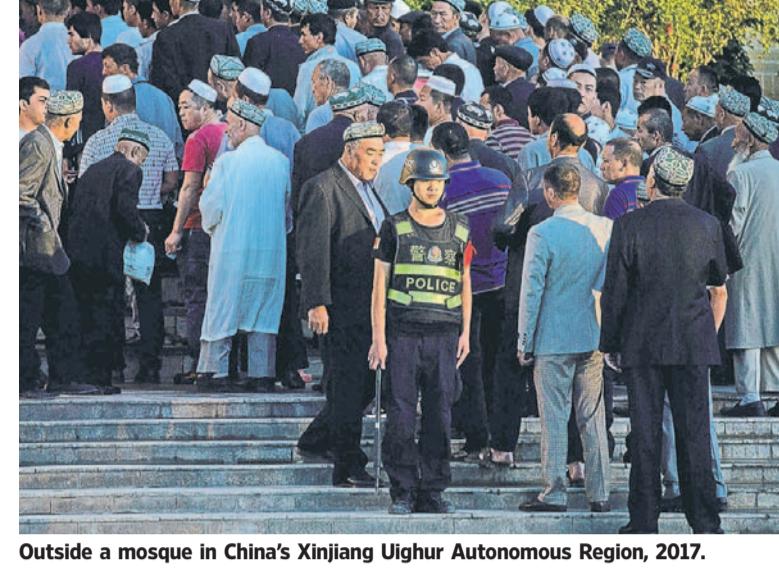
When I first traveled through Xinjiang and interviewed Uighurs in 1994, their hatred of what they considered ethnic Han Chinese occupiers was complete. “This is Turkestan, not China. Chinese don't learn our language, and many of us don't learn theirs. Even on a personal level, relations are bad,” one young Uighur man told me.

Relations have worsened since. A

deep, unspoken reason why China has never liberalized is its authoritarian leadership fears ethnic rebellion. Uprisings of this sort happened in the outer reaches of the Soviet Union after it liberalized in the 1980s. So China has kept its political system closed, while simultaneously pushing into Central Asia through diplomacy and economic interventions. It is building vast infrastructure projects in the region to ally with the Turkic Muslims of the former Soviet Union and deny China's own Muslims a friendly rear base for future rebellion. China's push beyond its borders ultimately has to do with demons within.

Because China historically has never been secure on land, particularly in this western region, it has not had the luxury of going to sea. Except for the Indian Ocean exploits of Adm. Zheng He during the early Ming Dynasty, China has had a demonstrably weak naval tradition. Yet China, mostly secure on land today, aims to possess the world's largest navy. The intensifying suppression of the Uighur Muslims is the final act in this process. The Belt and Road Initiative—forging transportation corridors by land and sea across Eurasia—requires the complete subjugation of the Uighur population.

The heart of this 21st-century Silk Route is Central Asia. By building roads, railways and energy pipelines across the former Soviet Turkic republics, China will connect with Iran. A Chinese-Iranian economic and infrastructure alliance has the potential to dominate Eurasia, sidelining Russia. But this requires a compliant Uighur population, since



JOHANNES EISELE/AFP/GETTY IMAGES

Outside a mosque in China's Xinjiang Uighur Autonomous Region, 2017.

all these road and energy pathways between coastal China and the Middle East must pass through Xinjiang.

The Chinese plan is to dilute traditional Uighur culture by forcing people into regimented apartment blocks and modernizing folkloric markets. They also seek to connect towns with new highways and high-speed rail, as I saw on a return visit to Xinjiang in 2015. And they are placing many thousands of Uighurs in internment camps while raising living standards for others—classic carrot-and-stick tactics. All this is designed to end Uighur Muslim culture as it exists today, to complete the Han Chinese domination of its most contentious borderland.

The media have focused on China drowning countries like Pakistan and Sri Lanka in debt, so that it is

awarded control of the ports and highways it builds there. Undercovered is the ethnic dimension of Chinese grand strategy across Eurasia. It deserves more attention: The desert home of the Uighur is the potential weak link in China's Silk Route nexus.

Don't underestimate national pride and resentment in this process. Hong Kong and Macao have been taken back from the European colonialists, formally ending an era of humiliating foreign intrusion in China's core. Outer Mongolia's sovereignty has been undermined significantly by Chinese economic interests. Tibet has been subjugated. Xinjiang now looms as the last holdout before Greater China is truly realized on land, allowing China to concentrate fully on dominating the

East and South China seas. In turn this will open up the Indian Ocean, where China has been building and helping develop new ports between Myanmar and Djibouti. Who says that the age of empire has passed?

Because the U.S. is located half a world away, it is at a distinct disadvantage in thwarting this new imperial rise. Washington still has a geopolitical interest in making sure no individual state holds sway over the Eastern Hemisphere as the U.S. once influenced the Western Hemisphere. A Chinese Silk Route that runs through Iran and beyond, with a naval presence over the navigable southern rimland of Eurasia, would do that.

A policy of zero-sum bilateralism—the current American approach— forfeits the strongest asset the U.S. has in this struggle: a system of alliances undergirded by the American ideals of free markets, civil society and human rights. In this competition, holding China to account for its human-rights violations against the Uighurs is a component in a realist approach that also seeks to limit the Chinese navy in the South China Sea. Just as China's suppression of the Uighurs is part of its grand strategy, America's commitment to human rights in China should be part of its own approach.

*Mr. Kaplan is author of “The Return of Marco Polo's World: War, Strategy, and American Interests in the Twenty-First Century” (Random House, 2018). He is a senior fellow at the Center for a New American Security and a senior adviser at Eurasia Group.*

## Trump's Half-Measures Won't Save the Coal Industry

By Paul H. Tice

**R**aucous West Virginia rallies notwithstanding, President Trump has thus far failed to deliver on his campaign promise to resuscitate the coal industry. This is mainly for lack of political will in his administration to address the climate-change elephant in the room. While Mr. Trump has rolled back key components of the Obama anticoal agenda such as the Paris Agreement and the Clean Power Plan, these moves were part of a broader deregulatory push, with no discussion of whether addressing climate change is a worthy policy goal overall.

But actions that at first might have seemed like careful first steps of rolling back the Obama climate agenda have proved to be mere half-measures. The Affordable Clean Energy rule, proposed last month by the Environmental Protection Agency, made clear that the Trump administration has officially conceded the argument over man-made global warming and the need to reduce carbon-dioxide emissions. This capitulation will seal the fate of the domestic coal industry over the coming years and have broad negative implications for U.S. energy policy over the longer term.

Under the Affordable Clean Energy rule, the EPA will allow states

to set their own emissions standards for coal-fired power plants, in line with federal guidance toward heat-rate efficiency improvements and based on a range of alternative technologies. Such a state-based approach would be positive for the coal industry if the Clean Power Plan and similar regulations had merely been anomalous examples of federal overreach. They weren't. Rather, President Obama's war on coal was the extension of an equally aggressive climate-change-driven regulatory campaign at the state level.

In the early 2000s, there was a concerted push by states to replace fossil fuels by adopting Renewable Portfolio Standards, which require utilities to generate or sell a specified percentage of their overall energy mix from wind and solar. As of this year, 29 states have adopted Renewable Portfolio Standards or a similar renewable-energy mandate. Most renewable-power targets far outpace market demand and are set up to increase over time, with some state goals bordering on delusional. New York, for example, wants to generate 50% of its power from renewable sources by 2030, even though such a goal would require covering nearly 1,000 square miles of the Empire State with wind turbines and solar panels. California recently passed legislation mandat-

ing completely carbon-free electricity by 2045.

Driven by these goals—and fueled by various government tax subsidies—total wind and solar power nameplate capacity grew six-fold between 2007 and 2016, the latest year for which Energy Department data is available. Given flat U.S. electricity demand since the 2008 recession, such excess renewable capacity has served to depress wholesale power prices and

### The EPA is granting more power to states, but most already have committed to quitting fossil fuels.

crowd out sources such as coal that provide continuous power not dependent on weather.

State utility commissions also serve as gatekeepers for the construction of all electricity generation facilities. Because most states' goals are set in percentage terms, they can achieve their goals both by adding wind and solar to the numerator and keeping coal out of the denominator.

A decade ago, coal-fired power plants supplied almost 50% of U.S. electricity. Today, the figure stands between 25% and 30% and contin-

ues to drop. In turn, domestic coal production has declined more than one-third since 2008, to a level not seen since the 1970s.

It has been five years since the last new coal-fired power plant was brought online in the U.S. Any utility executive proposing to build another one in the current political and regulatory environment would be taking on significant risk for his company and his career. Utility management teams have so far responded tepidly to the Trump administration's rule turning regulation over to the states.

While states may be the laboratories of democracy, the low-carbon regulatory experiment will stress the reliability and stability of the national electricity grid. An additional 25% of coal-fired generating capacity is slated for retirement over the next seven years, while a vast amount of new intermittent wind and solar power is projected to come online. The Affordable Clean Energy rule may slow this shuttering process, but it will not change the trajectory of the coal industry.

The Trump administration's new rule explicitly recognizes the goal of reducing carbon dioxide and other so-called greenhouse-gas emissions, tacitly affirming the Obama EPA's 2009 Endangerment Finding. And by punting policy to the states, the administration has legitimized an array of energy in-

rastructure assets—including refineries, processing plants, terminals and pipelines—as potential stationary targets for overzealous regulators at the state level.

The first comprehensive Clean Air Act, the foundation of America's modern environmental policy, was passed in 1970 with bipartisan support—and no mention of carbon dioxide as a pollutant. In the less than 50 years since, judicial and state activism have subjected the U.S. economy to innumerable carbon-dioxide restrictions, with Congress having had no say over the matter. This wave of regulation has progressed unchecked despite the strategic economic importance of the energy sector and Congress's constitutional authority to regulate commerce.

Along the way, this backdoor process has been abetted by Republican complacency, with the Affordable Clean Energy rule being just the latest example. Absent stronger federal leadership, U.S. energy policy will soon become a hodgepodge of state climate-change initiatives, subject to fluctuation with every local election and administrative ruling, with the economic impact felt by the entire country.

*Mr. Tice works in investment management and is an adjunct professor of finance at New York University's Stern School of Business.*

## Happy Constitution Day, if You Can Keep It

By Don Willett

**L**ike most Philly crowds, the one surrounding Independence Hall 231 years ago Monday was amped.

The infant nation was floundering. The United States were anything but. America's first governing document, the Articles of Confederation, had created a “league of friendship” among states, but the former colonies hadn't coalesced into a country. A constitutional reboot was crucial.

For four sweltering months, delegates to the Constitutional Convention huddled behind closed doors.

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ing—no more royal absolutism!—and ominous, because it suggested the survival of freedom depends on people, not parchment.

The Framers were not tinkerers. They upended things. The Constitution inaugurated a revolutionary design. Madisonian architecture infused with Newtonian genius: three separate, coequal branches locked in synchronous orbit by competing interests. Ambition counteracting ambition.

But the truly extraordinary element? These three rival branches derived their power from three unrivaled words, inscribed on the page in supersize script: “We the People.” In an era of kings and sultans, nothing was more radical than the idea that ultimate sovereignty resides not in the government but in the governed.

Popular sovereignty isn't just a theory; it is a duty. “Wherever the people are well informed,” Thomas Jefferson wrote from Paris in 1789, “they can be trusted with their own government.” This prognosis underscored what the Constitution presupposes: An enlightened citizenry is indispensable to American self-government.

Fast-forward more than two centuries, and We the People's civic illiteracy is staggering.

Seventy-one percent of Americans can't identify the Constitution as the supreme law of the land, according to a 2012 Xavier University study.

Ten percent of U.S. college graduates think Judith Sheindlin (a.k.a. “Judge Judy”) sits on the Supreme Court, according to a 2015 American

Council of Trustees and Alumni poll.

Only 32% can name all three branches of government—and 33% can't name a single one, according to this year's Annenberg Constitution Day Civics Survey.

The legendarily good-humored Franklin would be dismayed that the generation of Americans with access to the most information is also the least informed. Madison—Father of the Constitution—warned of this expressly: “A popular Government,

### The long-term survival of the Founders' design depends on people, not parchment.

without popular information . . . is but a Prologue to a Farce or a Tragedy, or perhaps both.”

But even a well-informed populace cannot guarantee good governance. Franklin cautioned, “if you can keep it,” because he knew that an engaged citizenry with its sleeves rolled up was the secret sauce. We the People—not We the Government, We the Judges or We the Subjects.

Citizenship is not a spectator sport. “The only title in our democracy superior to that of president is the title of citizen,” said Justice Louis Brandeis. Our Constitution is an exquisite charter of freedom, but freedom requires patriots, not passersby. It demands fierce defenders, not feeble bystanders.

Let me introduce you to a tena-

cious Texan with a Mensa-level civics IQ named Gregory Watson.

In 1982 Mr. Watson wrote a paper as a University of Texas sophomore arguing that one of Madison's proposed amendments to the Constitution was still eligible for ratification. The proposal barred Congress from raising its salary midterm; it set no ratification deadline. Unconvinced, Mr. Watson's professor awarded him a C.

Fueled by righteous indignation, Mr. Watson spent the next decade writing letters, bending ears and twisting arms in state capitals from sea to shining sea. And in 1992 the 27th Amendment was ratified—203 years after Congress proposed it.

Gregory Watson got a bad grade. So he amended the Constitution. All it took was aptitude and attitude. (In 2017 the university officially changed Mr. Watson's grade from C to A-plus.)

At Disney World recently, my children were mortified when I yelled, “WHOO-HOO!” for animatronic Calvin Coolidge in the Hall of Presidents. But Silent Cal understood the ineffable genius of what happened 231 years ago: “To live under the American Constitution is the greatest political privilege that was ever accorded to the human race.”

That privilege must never be taken for granted. We the People are—and will remain—the world's oldest constitutional republic. If we can keep it.

*Mr. Willett is a judge on the Fifth U.S. Circuit Court of Appeals.*

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## WORLD NEWS

# Saudi Prince Asserts Control Over Clerics

By MICHAEL AMON  
AND SUMMER SAID

DUBAI—Saudi authorities are seeking the death penalty for three prominent clerics, rights activists and a government official say, testing the unwritten code that has kept the kingdom's rulers in power.

Crown Prince Mohammed bin Salman and his father, King Salman, have jailed activists, businessmen and government officials as part of their efforts to reshape Saudi society and economy. But Saudi clerics have long been a power unto themselves, with fame and influence beyond that of others caught up in recent crackdowns.

The jailed clerics are among Saudi Arabia's best-known and most popular Sunni Muslim religious figures: Salman Al-Odah, who has more than 14 million Twitter followers; Awad al-Qarni, a popular and outspoken cleric; and Ali Alomari, a TV preacher.

They were arrested a year ago in a roundup of imams with large followings for not openly supporting the government's pressure campaign against Qatar, activists said.

They are now facing trials in a national-security court on charges that include conspiring against the monarchy and supporting terrorism, and prosecutors are seeking the death penalty, said relatives, activists and the official.

A senior Saudi official said the clerics are "under investigation for constituting a danger to society because they belong to terrorist organizations."

The senior official said Saudi prosecutors and judges were independent and that the crown prince would play no role in a



ALEXEI DRUZHININ/TASS/ZUMA PRESS

**Crown Prince Mohammed is reshaping Saudi society and the economy. With the prosecution of three clerics, he is taking a risky new step.**

verdict or punishment, if any.

The senior official denied the men were originally arrested over their views on Qatar. The men have access to attorneys and the right to appeal, the official said.

The prosecutions are among the riskiest pieces of 33-year-old Prince Mohammed's efforts to consolidate power since June 2017, when he pushed aside another royal to become crown prince.

Moving against clerics could turn public opinion against the rulers and strengthen elements of the royal family who oppose them.

The House of Saud has remained the ruling family for over eight decades through an



**Two of three popular Sunni Muslim clerics facing the death penalty: Ali Alomari, left; and Salman Al-Odah, right**

alliance with imams who adhere to a strain of Islam known as Wahabbism.

The partnership has provided largely stable leadership and resulted in one of the world's most religiously conservative societies—one in

which clerics have significant influence over public opinion.

With the trials, Prince Mohammad is putting the clerics "on notice that the rules have now changed," said Ali Shihabi, founder of the Arabia Foundation, a Washington think tank that often supports the Saudi government.

Mr. Shihabi said he doubted the government would follow through and execute clerics. "This is messaging more than substance," he said.

Mr. Odah faces 37 charges for alleged crimes including spreading discord, incitement against the ruler, and being active in the Muslim Brotherhood, his son said.

His son, Abdullah Odah, a

senior fellow at Georgetown University, called the charges absurd.

"They don't have any rules, they broke all traditions of authority, religion, politics, culture and everything in the country so we really don't know what is next," he said.

Clerics haven't always supported Prince Mohammed as he pursued changes that include allowing women to drive, fashioned a more muscular foreign policy, and moved to diversify the oil-dependent economy by making Saudi Arabia more attractive to foreign investment and tourism.

He has also sought to turn Saudi Arabia—home to Islam's

holiest cities of Mecca and Medina—into a center of a more moderate form of Islam.

Saudi authorities have sought in part to remake the country through prosecutions. Prosecutors are seeking the death penalty for several activists who campaigned for minority Shia Muslim rights; activists who campaigned for women's right to drive and other freedoms have been jailed; and dozens of businessmen and government officials remain detained on undisclosed charges 10 months after the start of the corruption crackdown.

"Since MBS could well be in power for 50 years, there is a strong case for pushing through with the most controversial changes now, before MBS assumes the throne and must accept full blame," said Jim Krane, a Middle East fellow at Rice University's Baker Institute, using a common nickname for the crown prince.

Mr. Odah, 61 years old, was once a hard-core Islamist who led the antimonarchy "Islamic Awakening" movement in the 1990s, which criticized Saudi Arabia's decision to allow the U.S. military into the country to protect it from a potential Iraqi invasion. He went to prison for five years and embraced more moderate views after his release.

Mr. Alomari faces 30 charges related to terrorism, including allegedly forming a terrorist youth organization, according to rights activists.

According to rights activists, Mr. Qarni is charged with supporting the Muslim Brotherhood and other groups in Saudi Arabia designated as terrorist organizations.

## American Is Fatally Stabbed in West Bank

By FELICIA SCHWARTZ

TEL AVIV—A Palestinian teenager fatally stabbed a 45-year-old Israeli-American man in the West Bank, U.S. and Israeli officials said.

The man, Ari Fuld, was a right-wing pro-Israel activist who had a following on social media. He was killed on Sunday at a shopping mall near the Gush Etzion junction that has been the site of similar incidents in recent years.

The Israeli military described the stabbing—the second such incident this summer—as an act of terror. No group claimed responsibility for the attack, and there were no signs that it was related to Mr. Fuld's pro-Israel postings.

The attack comes amid heightened tensions between Israelis and Palestinians. Thousands of Palestinians in Gaza have been demonstrating at the border with Israel to call for the right to return each week, in protests that have often turned violent. Israeli forces have responded with live fire and have killed more than 150 Palestinians since March.

Mr. Fuld, who was married with four children, lived with his family in Efrat, a settlement in the West Bank. He was also a reserve member of the Israeli military.

Videos of the scene circulated on social media show that Mr. Fuld chased and shot at his attacker before collapsing.

An Israeli police spokesman identified the attacker as Khalil Jabarin, 17 years old, from Yatta, a Palestinian city south of Hebron. He was injured and evacuated to a hospital in Jerusalem.

Israel's foreign ministry says more than 60 people have been killed in attacks by Palestinians since September 2015, including stabbings, shootings and car rammings. That count includes two visiting Americans and a British student. In July, a 31-year-old Israeli man was stabbed and killed in his home by a Palestinian attacker.

Hosam Badran, a leader of Gaza ruler Hamas, praised the latest attack and said it showed Palestinians believe in resistance to deter Israel's occupation of the West Bank and Gaza.

—Abu Bakr Bashir in Gaza City contributed to this article.



A photo released on Saturday by the state-run Syrian Arab News Agency is said to show Syrian air defense responding to what state media said were Israeli missiles.

## Israel Strikes Iranian Arms Shipment in Syria

By SUNE ENGEL RASMUSSEN

Israeli missiles are suspected to have struck an Iranian arms shipment at Damascus airport late Saturday, the latest in a string of attacks aimed at eroding Tehran's military foothold in Syria.

The strikes play into a broader conflict unfolding in the Middle East. The fight against Islamic State militants, who have been driven from their strongholds in Syria and Iraq, has given way to a jostling for power among foreign and regional actors.

Israel has watched with concern as Iran has entrenched itself deeper in Syria on the back of its support for the regime of President Bashar al-Assad, which has reclaimed most of the territory once held by antigovernment rebels. The armed opposition is now hunkered down in its final major bastion in the northwestern Idlib province where Syrian government forces have amassed in preparation for what could be the last major showdown of the war.

Over the past year, Israel has sharply increased airstrikes against Iranian assets in Syria, striking targets from its own border area to the far eastern part of the country to neighborhoods near the capital, Damascus.

Saturday's strike seemingly

### Rebel Remnants Hang on in North

Idlib is the last major rebel stronghold in Syria, and the fight for the northwestern province will likely be the last large battle of the country's more than seven-year war.

President Bashar al-Assad has vowed to recapture the entire country, and although small pockets of Islamic State mil-

tants are still able to mount an insurgency, Mr. Assad's forces can claim a near-complete victory against the armed opposition if they capture Idlib.

Control of Idlib province, which lies on the border with Turkey, allows access to the M5 highway, a vital economic thoroughfare that runs all the way from the Turkish border through the main Syrian cities of Aleppo and Damascus, and links to Latakia on the Mediterranean coast.

For international powers, pri-

marily Russia and Turkey, Idlib is one of the last opportunities to deepen or preserve their influence in Syria as it moves into a postwar phase.

United Nations officials warn an offensive in Idlib could result in the worst humanitarian disaster of the 21st century.

Idlib is home to an estimated three million people, nearly half of whom have already been displaced from elsewhere in the country.

—Nazih Osseiran

scribed as the airport being hit. There were no immediate reports of casualties.

The Israeli military, in accordance with its usual practice, declined to comment on individual military actions.

But Israel's Prime Minister Benjamin Netanyahu said Sunday at the beginning of a cabinet meeting that Israel would continue to enforce its red lines, without specifying what they are. He has previously said Israel won't allow Iran to establish a military presence in Syria.

"Israel is constantly working to prevent our enemies from arming themselves with advanced weaponry," he said.

The most recent strikes follow warnings earlier this month from Israel's defense minister, Avigdor Lieberman, that they de-

fined his country would broaden its military campaign against Iran. Israel has accused Iran of seeking to establish a land corridor, allowing it to transport personnel and equipment from Tehran to the Mediterranean through Iraq and Syria.

Israeli officials have said that Israel has conducted more than 200 strikes, using about 800 bombs, against Iranian and Hezbollah targets in Syria since the beginning of 2017. The Syrian Observatory for Human Rights said Saturday's attacks were the third time Israel struck Syria this month.

Tensions between Israel and Iran have grown as the Assad regime, backed by Tehran, has pushed to clear rebel-held areas near the border with Israel. Israel has said it won't allow

militias loyal to Tehran to entrenched near the Golan Heights.

In its largest yet operation inside Syria, Israeli warplanes in May made dozens of strikes against Iranian infrastructure after an Iranian unit in Syria fired about 20 short-range artillery rockets that Israel said were either shot down or fell short of a nearby military base.

Rising hostilities between the two long-term foes have exposed fault lines in the relationship between Russia and Iran. Both countries have fought on the side of the Syrian regime, but Moscow is eager to maintain ties with Israel and enlist its support for an enlarged footprint in the Middle East that won't shrink once the war is over.

Russia has sought to assure Israel that it wants only Syrian forces fighting in the country's southwest. It has made sure that Iranian-backed troops are no closer than 85 kilometers (about 53 miles) from the Israeli border, Russia's special envoy to Syria, Alexander Lavrentiev has said, according to Russian news media.

Russia has even tried to open diplomatic channels between Tehran and Tel Aviv to defuse tensions, The Wall Street Journal reported in May.

—Felicia Schwartz and Nazih Osseiran contributed to this article.

targeted a warehouse and a recently arrived arms shipment from Iran to the Lebanese Hezbollah militia, according to the Syrian Observatory for Human Rights, a U.K.-based monitoring group, which said the launched missiles were likely Israeli.

According to a news report by the Israeli Hadashot TV on Sunday morning, the strike also hit an Iranian cargo plane loaded with weapons, which had recently landed at Damascus International Airport from Tehran.

The state-run Syrian Arab News Agency reported that the country's air defenses repelled some of the incoming missiles, which it said were fired from Israel.

People in Damascus posted footage on social media showing explosions that they de-

fined as the airport being hit. There were no immediate reports of casualties.

The Israeli military, in accordance with its usual practice, declined to comment on individual military actions.

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# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Monday, September 17, 2018 | B1

Last Week: S&P 2904.98 ▲ 1.16% S&P FIN ▼ 0.35% S&P IT ▲ 1.83% DJ TRANS ▲ 1.97% WSJ\$IDX ▼ 0.42% LIBOR 3M 2.337 NIKKEI 23094.67 ▲ 3.53% See more at [WSJMarkets.com](http://WSJMarkets.com)

## Smaller Stocks Power the Market

Tech sector is key, but rally is also supported by wide breadth; risers lead decliners

BY CORRIE DRIEBUSCH

Technology giants get most of the credit for driving this year's stock-market gains, but the quiet strength of smaller companies is a reason to keep betting on U.S. stocks.

Signs of stock-market breadth are everywhere, invest-

tors and analysts say: Smaller-company stocks have climbed more than their larger counterparts this year. When all of the companies in the S&P 500 are assigned an equal weighting, the index is still trading near records. And rising stocks have outnumbered decliners this year.

At the same time, strong earnings growth has cooled the lofty valuations that worried investors at the start of 2018.

These factors bode well for the stock market if its high-

profile leaders such as Amazon.com Inc., Google parent Alphabet Inc. or Netflix Inc. falter, investors say. More than nine years into the bull-market run, many investors are watching for hints of a downturn. Some stumbles over the summer by popular tech stocks, along with recent declines in emerging markets, have stoked fears of a reckoning, but U.S. stocks appear resilient so far.

"Bull markets eventually end, and typically by the time you get to the peak, breadth is gone," said Bob Doll, senior

portfolio manager and chief equity strategist for Nuveen Asset Management. "This is a broad market move. It's a good thing. It's healthy."

Among the quiet winners in the current market are midsize companies. When divided into five groups based on market value, the second and third quintiles of the Russell 1000 index are outperforming the top quintile that houses the biggest stocks, according to data compiled by Strategas Securities LLC. Shares of companies in the second and third

quintiles have risen 13% and 12%, respectively, this year, beating the 8.7% advance by the largest companies in the index, Strategas data show.

Similarly, although the biggest 10 companies in the S&P 500 at the start of the year have gone on to contribute roughly 45.5% of the broader index's 2018 total return through Friday's close, some investors and analysts note that it isn't uncommon for the top companies in the index to provide outsize returns. In the

Please turn to page B2

## Salesforce Founder to Buy Time Magazine

BY JEFFREY A. TRACHTENBERG

Time magazine will have a new home.

Nearly eight months after **Meredith** Corp. completed its purchase of **Time** Inc., the publisher has agreed to sell **Time** magazine for \$190 million to Marc Benioff, co-founder of **Salesforce.com**, and his wife, Lynne Benioff.

The proposed sale is expected to close within 30 days. The Benioffs are buying **Time** as individuals; the agreement is unrelated to **Salesforce.com**, where Mr. Benioff serves as chairman and co-chief executive.

In an interview, Mr. Benioff said, "We're investing in a company with tremendous impact on the world, one that is also an incredibly strong business. That's what we're looking for when we invest as a family."

The Benioffs are optimistic about **Time**'s large audience and growing video business. "The power of **Time** is its unique story telling of the people and issues that affect us all and connect us all," said Mrs. Benioff.

Still, the couple will be taking over a publication whose business has been hammered from ongoing declines in print advertising and newsstand sales. The Benioffs said they won't have a role in day-to-day operations of the magazine or journalistic decisions. Mr. Benioff said the family doesn't plan to acquire any other magazine titles from **Meredith**.

The deal is a much-needed lift for **Meredith**, the publisher of such titles as **People**, **Better Homes & Gardens** and the **Magnolia Journal**. **Meredith** put four **Time** Inc. publications up for sale in March—**Fortune**, **Time**, **Money** and **Sports Illustrated**.

The sales process has dragged on, reflecting the gap between what **Meredith** believes

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## Nike Shows Boycotts Just Don't Do It

BY KHADEEJA SAFDAR

The **Nike** Inc. ad featuring NFL quarterback-turned-activist Colin Kaepernick divided American shoe buyers, with some calling for a boycott of the company and others vowing to buy more of its sneakers.

Odds are the activism won't last.

Companies from **Nordstrom** Inc. to **L.L. Bean** have faced controversies that prompted a segment of consumers to boycott or stock up on their products. But research suggests the activism fades quickly, and when it does, shoppers tend to revert to their previous behavior, leaving the companies no worse or better off than before.

After Mr. Kaepernick's involvement in Nike's latest ad campaign was revealed on Labor Day, investors sold shares, critics torched their shoes and supporters raced to stores. The former Super Bowl quarterback became a central figure in a political firestorm when in

Please turn to page B2

## A Startup Is Beating Uber in the Race to Win Africa



EDWARD ECHWALU FOR THE WALL STREET JOURNAL

**BUILT FOR SPEED:** Uber Technologies dwarfs Taxify OU in terms of valuation, but the latter is the more popular ride-hailing option for on-the-go Africans. That is in part because Taxify was first to support motorbikes, which locals favor for cutting through traffic. B4

## Home Buying Goes Algorithmic

BY RYAN DEZEMBER

don't have time to go to thousands of showings.

To help Wall Street buy tens of thousands of houses, Martin Kay and his colleagues taught a computer to spot a sunny kitchen.

Ever since last decade's foreclosure crisis, institutional investors have been gobbling up single-family houses and becoming landlords. They have many places to look: the multiple listing services that Realtors compile, online sellers, lists of nonperforming bank loans and foreclosure auctions.

Mr. Kay, who had built data platforms for the U.S. Energy Department and ConocoPhillips, started buying rental

properties in Texas in 2010 at the depths of the housing crash. He used machine learning to mine mountains of home listings for those that might attract the type of tenants he wanted. For Mr. Kay and like-minded investors, that typically meant families seeking suburban lifestyles.

"Going from 40,000 houses to 12 is a machine problem," he said. "Going from 12 to one is a human problem." Rivals noticed Mr. Kay's knack for snapping up plum rental properties and some asked for help. The company he and his partners

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## INSIDE



### DISTILLERS TRADE SHOTS WITH MILITARY

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### LEHMAN CFO CHANGED LIFE AFTER CRISIS

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## Smaller Stocks Lead Way

Continued from page B1

past decade, the biggest 10 names have contributed an average 30% to the broader index's annual return, according to Jeff Schulze, investment strategist at ClearBridge Investments. In 2015, they contributed nearly 80%, he said.

"It's nowhere close to being a potential danger sign for investors to be concerned about a market top," said Mr. Schulze of the current concentration.

Indeed, even without the 10 biggest contributors—which include Amazon, up 68%—the S&P 500 would be trading higher. The equal-weighted index, which gives the same weight to both the smallest and largest companies in the index, reached a record in late August—the same day as its more closely followed counterpart.

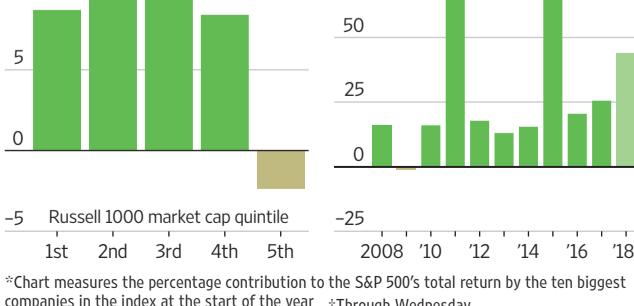
And the NYSE advance-decline line, a popular indicator of market breadth that measures the net companies rising each day since the start of the year, has climbed, a sign of robust participation in the rally.

One reason for the broad gains: Economic data and earnings growth have been solid across a swath of industries. Another: Many investors, worried about trade disputes, are betting on companies with a greater share of domestic earnings. Those firms are typically smaller than their multinational peers and are receiving more benefits from the corporate tax cut.

The Russell 2000, the benchmark index for smaller-company stocks, has climbed 12% in 2018, eclipsing the 8.7% rise by the S&P 500.

## Broad Gains

The second and third quintiles of the Russell 1000 have posted bigger gains this year than the largest companies in the index.



Sources: Strategas (quintiles); ClearBridge Investments (S&P 500)

## BUSINESS & FINANCE



The shoemaker's campaign featuring athlete activist Colin Kaepernick generated buzz but appears to have had little effect on sales.

## Nike Shows The Limits Of Boycotts

Continued from page B1  
2016 he began kneeling on the field during the national anthem to call attention to racial injustice. Some criticized his protest as unpatriotic.

Kenyattia Hackworth, a 25-year-old track athlete in Mobile, Ala., said she went to buy some Nike gear right after the ad was unveiled and then made a second trip to a Nike store later in the week with some friends, who also purchased clothes and sneakers. "I'm going to wear Nike even more now," she said. "I want to show my support."

For a few days, the ad generated more demand for Nike products at **Stadium Goods**, which sells collectible sneakers through its website and a store in New York, Chief Executive John McPheters said. "The campaign resonated with a piece of our audience," he said. "I wouldn't say it's made a massive difference, but there

The strong corporate performance appears set to continue. The estimated earnings-growth rate for the S&P 500 is 20% for the third quarter, while smaller companies are expected to do even better with a 36% increase, according to FactSet. These companies' earnings are growing at a faster rate than their stock prices, too, quelling valuation concerns. The 12-month price/earnings ratio of the Russell 2000 on a forward-looking basis is 22.2 as of Sept. 13, down from 24.2 at the start of the year, while the S&P 500's ratio is down to 16.8 from 18.1.

All 11 sectors of the S&P 500 are expected to report higher earnings in the current quarter, with seven sectors on track for double-digit growth, according to FactSet. And the leaders aren't technology companies, but energy and financial firms. "Earnings growth is broad. Lots of companies, lots of industries are participating, and that's most important," said Nuveen's Mr. Doll.

Continued from the prior page created to work with them, **Entera Technology** LLC, is now one of several racing to apply sophisticated technology to Wall Street's house hunt.

Progress Residential, which has built the third-largest pool of rental homes in the U.S., says its proprietary technology can find properties fitting its investment criteria within minutes of their listing. Following the housing crash, Amherst Residential, which has purchased and manages about 20,000 rental houses, adapted its existing system for valuing mortgage-backed securities to churn out acquisition leads, estimate renovation costs and predict rental yields. A.J. Steigman, a former child chess champion and investment banker, won funding and a prominent business-school competition this spring for a plan to use pattern-recognition software to identify mispriced homes.

"The financial crisis created a catalyst for a lot of institutional capital and minds to tackle the opportunity, but technology is what really transformed this into a business," said Drew Flahive, Amherst Residential's president.

In Amherst's Manhattan office, employees search screens showing available homes in each ZIP Code. At the click of a mouse, the projected rental yields pop up above each property on a map. The estimates arise from a multitude of inputs, including renovation costs, which machine-learning tools constantly adjust to account for the outcomes of completed jobs on similar properties. Amherst has invested more than \$100 million in the system, which has helped the firm pin renovation estimates to within about 5% of actual costs, down from the 20% overruns that were rou-

was a little bit of an uptick in sales." **Foot Locker** said the response from the shoe retailer's customers "has been largely positive."

Nike didn't respond to several requests for comment.

Data from a few days later show that the sales pop didn't last long. Online sales jumped for two days, according to research firm Edison Trends, which analyzed email receipts from three million users. Sales rose 31% from Sunday through Tuesday, topping the 17% increase in the same period a year earlier, but by the end of the week they declined 18% compared with the peak on Tuesday, returning to around the same level they were before the ad.

Similarly, calls for a boycott came quickly after the ad appeared. Some people defaced their Nike gear. A few schools, including College of the Ozarks and Truett McConnell University, vowed to cut ties with Nike. President Trump wrote on Twitter, "Just like the NFL, whose ratings have gone WAY DOWN, Nike is getting absolutely killed with anger and boycotts. I wonder if they had any idea that it would be this way?"

The reaction, however, cooled down a few days later.

Mentions of #NikeBoycott on Twitter and Instagram peaked one day after Labor Day with a tally of more than 203,000 and then fell to fewer than 1,000 a week later, according to data from Brandwatch, a social-media monitoring company. Nike shares, which had fallen about 3% the day after the ad was first revealed, recovered all their losses and Thursday hit a record intraday high of \$83.90.

*The company has a history of making ads that court controversy.*

Boycotts generate buzz and can sometimes cause companies to make concessions if the negative attention poses a reputational risk, but there is little evidence to suggest that they have a meaningful impact on sales, said Brayden King, a Northwestern University professor of management who studied the impact of more than 140 boycotts from 1990 to 2005.

"Consumers aren't as consistent with their behaviors and beliefs as we think," he

said. "People who say they've boycotted a product might not be in the market for buying that product anyway."

Last year, shoppers promised to boycott L.L. Bean after the company's heiress Linda Bean was revealed to be a Trump donor. The same year, supporters of Mr. Trump called for a boycott of Nordstrom after the department store dropped Ivanka Trump's fashion line. Nordstrom has had three consecutive quarters of comparable sales growth. L.L. Bean doesn't report sales figures as it is privately held.

Nike has a history of making ads that court controversy, including one in 1995 that featured an openly gay, HIV-positive runner. In recent years, Nike has been battling with **Adidas** AG and **Under Armour** Inc. for the attention of young shoppers, who tend to be more aligned with Mr. Kaepernick's cause. In total, 44% of U.S. adults who have bought Nike apparel or sneakers in the past three months fall between the ages of 18 and 34, according to YouGov. The survey firm's research shows that recent Nike customers are also more ethnically diverse than the country's population at large.

## High-Tech Home Buys Catch On

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ing photos. It also pores over written property descriptions for keywords. When more detailed information is available, like the location of the kitchen within the house's orientation and looks for any obvious obstructions to light entering, like a big tree outside or a building next door. Want a chef's kitchen? The computer will hunt for multiple sinks or a second refrigerator and possibly compare the square footage to that of the rest of the house, Mr. Kay said.

Several factors go into predicting financial returns and future value, including proximity to Starbucks, yoga studio or tattoo parlor—and whether a

tattoo parlor signals a neighborhood on the upswing. It probably does if exercise studios and coffee shops are nearby, Mr. Kay said.

Entera handles demographic data delicately to avoid violating the 1968 Fair Housing Act, which prohibits discrimination by lenders, sellers and landlords based on race, religion, sex, family status and disability. It applies also to real-estate agents and others who facilitate housing deals.

Once an investor chooses a house, humans take over: Entera dispatches a representative to double-check the property's condition and complete the sale.

Aspects and uses algorithms to predict future value. The mere act of shopping on Entera's platform—including saying no to some prospects—informs the artificial intelligence, which refines its hunt to suit each investor. "The machine will notice they keep rejecting houses on a busy street," Mr. Kay said.

In all, Entera attempts to catalog about 850 characteristics for each property as well as thousands of other data points detailing the neighborhood, the home's location and financial information.



Martin Kay's Entera Technology attempts to catalog about 850 characteristics for each property.

## Photo to Computer: 'This Is a Kitchen, This Is a Kitchen'

To determine whether a house has a sunny kitchen, Entera Technology LLC first taught a computer what a kitchen looks like by feeding it tens of thousands of photos of indoor cooking spaces and telling it, "This is a kitchen, this is a kitchen, this is a kitchen," Entera Chief Executive Martin Kay said. The same was done for brightness and its sources: windows and light fixtures.

Once the computer got the picture, it started scanning list-

ing photos. It also pores over written property descriptions for keywords. When more detailed information is available, like the location of the kitchen within the house's orientation and looks for any obvious obstructions to light entering, like a big tree outside or a building next door. Want a chef's kitchen? The computer will hunt for multiple sinks or a second refrigerator and possibly compare the square footage to that of the rest of the house, Mr. Kay said.

For Entera, the technology became the business. Mr. Kay and his partners have been selling the Texas homes they bought after the crash to fund Entera's transition to a software company, reasoning that their specialty was big data, not collecting rent. Plus, their rivals had much more to spend, and there is a potentially huge market of smaller investors for the company's services.

Early customers included American Residential Proper-

## BUSINESS NEWS

# Shell Plans Targets on Methane Emissions

BY SARAH KENT

LONDON—Royal Dutch Shell PLC said it will announce plans to lay out targets to manage its emissions of the greenhouse gas methane Monday, joining a handful of major oil companies that have made similar pledges this year.

The British-Dutch oil giant said it will disclose objectives to bring down methane emissions related to oil and natural-gas extraction and transportation.

Big oil companies such as Shell and Exxon Mobil Corp. have invested heavily in natural gas in recent years and increasingly touted the fuel as a core tool to combat climate change, because it produces fewer emissions than coal, the fuel it frequently competes with in electricity production.

But methane, the main component of natural gas, is a potent greenhouse gas, and large quantities currently leak into the atmosphere from wells, pipelines, storage tanks and processing plants. Environmentalists and other activists have seized on these fugitive emissions as a problem that must be addressed if companies are going to count on gas as a "bridge fuel" to a cleaner energy future.

Shell said it is aiming to limit methane emissions to less than 0.2% of the total natural gas extracted from any one project.

Currently, Shell has no way of accurately measuring its so-called methane-emission intensity across the entire company, but for some of its projects it is as high as 0.8%, the company says.

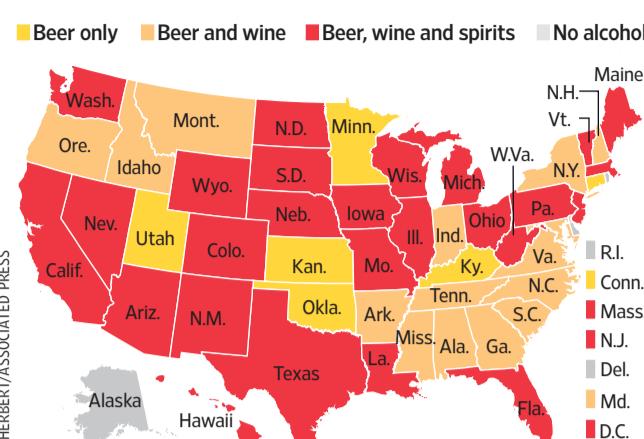
The planned targets come even as the Trump administration moves to roll back Obama-era rules aimed at limiting methane leaks.



Sales of liquor in grocery stores are legal in far fewer states than they are for beer.

## Mixing Drinks

Laws on which alcoholic drinks can be sold in grocery stores vary by state.



Note: Local laws and other requirements may restrict sales of certain alcoholic beverages.  
Source: National Alcohol Beverage Control Association THE WALL STREET JOURNAL.

# Distillers Push for Space at Bases

A bid to allow sale of liquor at military commissaries means fighting perceptions

BY SAABIRA CHAUDHURI

Spirits companies have fought for decades to convince consumers and regulators that liquor should be treated the same as beer and wine. Now they're taking on the U.S. military.

The Defense Department this summer began allowing military commissaries—the equivalent of grocery stores on bases—to sell beer and wine for the first time but not vodka, whiskey and other types of liquor. The ruling sparked an outcry among spirits makers who have since lobbied lawmakers to ensure their products can be sold in commissaries, too.

At stake isn't so much revenue but reputation.

Military bases account for a small slice of liquor sales and spirits are available on bases at exchanges, akin to department stores. But liquor makers bristle at what they see as the stigma tied to being excluded. "If your product is discrimi-

nated against, that sends a very negative image," said Frank Coleman, a senior vice president at the Distilled Spirits Council, a trade body that counts Johnnie Walker owner Diageo PLC and Absolut owner Pernod Ricard SA among its ranks.

Members of the House Armed Services Committee asked the defense secretary for a study on adding liquor to commissary shelves. The findings are due this month.

The Pentagon's ruling is seen as a setback for spirits makers, who have made progress in reducing liquor's association with inebriation and bad behavior. In recent years distillers have won the right to sell liquor on Sundays and offer in-store tastings in many states. Liquor also is increasingly available in grocery stores, helping the industry take market share from beer.

Spirits reached a 35% share of U.S. alcohol servings last year, up from 27.7% in 2000, according to the Beer Institute, a trade body for big brewers. Beer's share over this time dropped to 49.7% from 59.5%.

The Defense Department's reasons for banning liquor sales are multifold: It doesn't want to dislodge essentials

like diapers and fresh vegetables from shelves; spirits aren't sold in all grocery stores; and the move is in line with its strategy to make alcohol less glamorous. A 2015 study from Western Washington University shows that military service appears to encourage young men to consume more alcohol. The spirits trade body argues the decision was misguided because liquor is available in grocery stores across 28 states

*Spirits makers have complained for years that beer gets preferential treatment.*

in some form and that if the government wants to deglamorize alcohol it also shouldn't allow sales of beer or wine.

The Beer Institute said the decision was justified because the alcohol content of cocktails varies, and is often much higher than in a standard drink.

Brewers have been particularly eager to defend their position at a time when spirits are attracting new drinkers,

boosted by a return to TV advertising in the mid-1990s and the liquor industry's increased efforts to woo women.

Spirits makers have complained for years that beer gets preferential treatment stemming from its reputation as the alcoholic beverage of moderation, which they argue is undeserved.

After Prohibition ended in 1933, beer regained its legal status months before other alcoholic beverages.

Alcohol-control measures in many states included stores designated specifically to sell distilled liquor and wine, often not selling food or cigarettes.

Beer, however, was made more widely available at some grocery stores and small markets.

Today, vestiges of those times still hamper the spirits industry, liquor makers say. Big spirits companies have to pay higher taxes than beer or wine-makers on alcohol sold. Grocery-store liquor sales are legal in far fewer states than beer.

"Unfortunately there was this perception that beer was soft alcohol and spirits was hard," said David Culver, chief lobbyist for Distilled Spirits Council on the commissary sales issue. "Modern science tells us alcohol is alcohol. It's

not what you drink, it's how much you drink."

Negative perceptions about spirits in particular still exist.

Earlier this month, the North American Interfraternity Conference, a trade body for male fraternities, voted to ban what it described as "hard alcohol" at chapter facilities and events, saying the move would make campuses safer and prevent alcohol abuse.

"While well-intentioned, implementing a policy that bans distilled spirits products while continuing to permit beer and wine is misguided and not supported by the science," Mr. Coleman said.

On military bases, alcohol can be bought through 122 exchanges and 500 convenience stores. A small handful of commissaries began selling beer and wine in July on a trial basis. The Defense Department plans to gradually roll out beer and wine sales to most of its 237 commissaries in 13 countries.

A spokeswoman for the department said selling some beer and wine at commissaries makes it convenient for shoppers to pick up a bottle of wine for dinner or a case of beer for a weekend cookout with the rest of their groceries."

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# Taxify Overtakes Uber in Africa

Startup gains a leg up on rival by tailoring its ride-hailing service to local-market needs

BY ALEXANDRA WEXLER

KAMPALA, Uganda—In the race to become Africa's dominant ride-hailing app, **Uber Technologies Inc.** is trailing a much smaller rival.

**Taxify OU** has sprouted within just five years from a small Estonian venture into a so-called technology unicorn focused on Europe and Africa. The company, launched in 2013 by then-19-year-old Markus Villig, says it has 2.4 million active users in six African countries—Uganda, South Africa, Nigeria, Tanzania, Kenya and Ghana. Taxify defines an active user as someone who has requested a ride in the past month. Uber operates in those markets as well, claiming 1.3 million active users, or those who have completed a ride within the past month. It also operates in Egypt and Morocco.

Mr. Villig, now 24, said Taxify—which gained “unicorn” status in May with a \$1 billion valuation after raising \$175 million from investors led by **Daimler AG**—plans to spend “hundreds of millions” of dollars to grow on the continent over the next couple of years. Uber declined to provide specific figures for its Africa investment plans but said it has multiple vehicle-financing programs in several countries to help drivers.

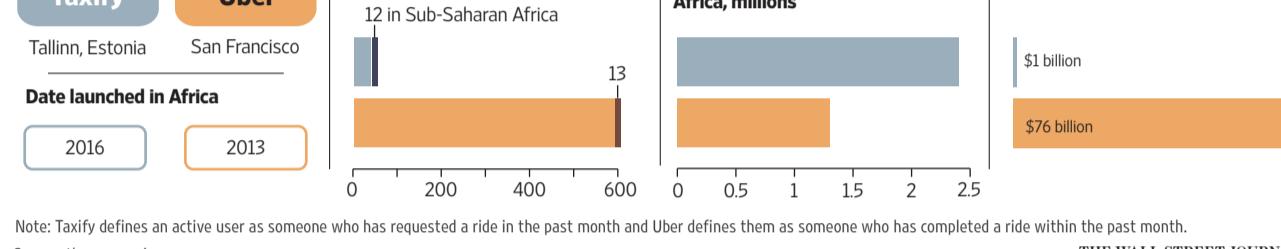
“Demand in Africa for ride-hailing services is a lot bigger than in the developed world and Europe because of the lack of public transport and low car ownership,” Mr. Villig said in an interview. “And due to high unemployment, people look for easy and flexible ways to make money.”

Taxify’s swift expansion in Africa shows vulnerability to smaller and nimbler rivals in some of the world’s fastest-



## Shifting Gears

Taxify has a stronger presence in Sub-Saharan Africa than Uber, even though it entered the market later.



Note: Taxify defines an active user as someone who has requested a ride in the past month and Uber defines them as someone who has completed a ride within the past month.

Source: the companies

THE WALL STREET JOURNAL.

growing markets. In 2016, Uber gave up its costly battle for China’s riders, swapping its local operations there for a minority stake in the country’s homegrown champion, **Didi Chuxing Technology Co.** In March, Uber said it would sell its Southeast Asian operations to **Grab Inc.**, its top competitor in the region, in exchange for a minority stake.

Founded in 2009, Uber dwarfs Taxify on a global scale. Valued at \$76 billion after a \$500 million investment from **Toyota Motor Corp.** in August, the San Francisco-based company has more than 75 million active users worldwide. It operates in over 600

cities, compared with Taxify’s approximately 15 million registered users in more than 50 cities.

But smaller competitors are often able to localize their offerings more quickly, with such tactics as accepting cash payments in countries with low credit-card penetration and offering motorized-rickshaw rides in cities like Mombasa, Kenya.

In Uganda, Taxify got a leg up on Uber by offering motorbike-hailing first. Motorbikes, known locally as boda bodas, are a popular mode of transportation for hire in cities such as Kampala, where cars get bogged down in traffic

snarls resulting from poor urban planning.

Still, Uber waited nearly two years after entering Uganda with its UberX car service before adding boda boda hailing at the end of March. Taxify, which entered Uganda with car-hailing in late 2017, introduced its motorbike service in February.

Uber says it had challenges getting motorbike drivers onto its platform initially. Those who showed up often didn’t have licenses, smartphones or bank accounts. Now, account specialists from local banks sit in Uber’s Kampala offices, ready to sign up new drivers.

Taxify pays its drivers with

mobile money, a technology popular in Uganda and other emerging economies because it allows people to receive and immediately store funds using a mobile phone.

Uber has tried to distinguish its app in Uganda by offering more safety features. For instance, boda boda drivers are required to log into the app with facial recognition software to ensure the correct person is operating the motorbike. Taxify doesn’t have that feature. And while Uber’s insurance covers both drivers and riders, Taxify’s policy applies only to its drivers.

—Nicholas Bariyo contributed to this article.

## Benioffs to Buy Time Magazine

Continued from page B1  
lieved the titles were worth, and what investors have been willing to pay at a time when the magazine business is under pressure.

Negotiations continue for the proposed sale of Fortune, Money and Sports Illustrated.

“For over 90 years, TIME has been at the forefront of the most significant events and impactful stories that shape our global conversation,” said Tom Harty, Meredith’s chief executive, in a statement. “We know TIME will continue to succeed and is in good hands with the Benioffs.”

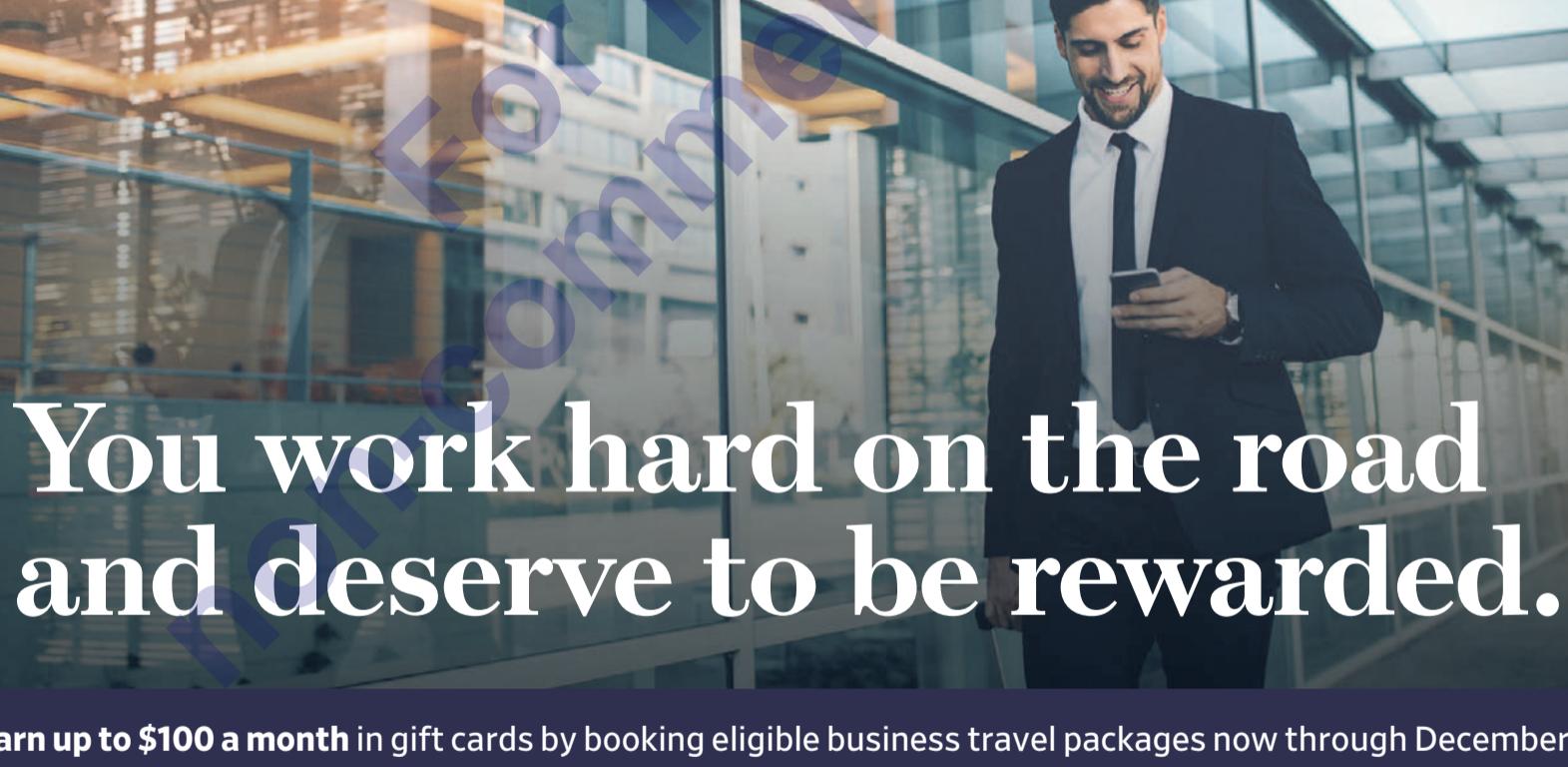
The sale marks a new chapter for a magazine that has been one of the country’s most powerful political and cultural forces.

“Time has resonance because it has always presented a very American point of view,” said Richard Stengel, a former managing editor of the magazine. “It was all about providing analysis, about breaking new ideas, with sophistication and polish.”

Under Time Inc., the magazine sought to cut printing costs while investing in digital opportunities. Time has slashed its circulation significantly to 2.3 million for the six-month period ended June 30, according to the Alliance for Audited Media, down from 3 million in the same period a year earlier.

At the same time, it has tried to expand its digital reach. Time.com’s audience grew to 31.7 million multiplatform unique visitors in July 2018, up from nearly 27.4 million in July 2015, according to media measurement firm comScore Inc.

“We’ve done a lot to transform this brand over the last few years so that it is far beyond a weekly magazine,” said Edward Felsenthal, Time’s editor in chief, in an interview, adding that the business is “solidly profitable.”



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\*LoungeBuddy offer is valid through March 31, 2019. Access is subject to availability and valid only at Loungebuddy locations where the pass costs \$55 or less. For any other Loungebuddy locations a \$55 credit may be applied towards the cost of the lounge. Passes to participating lounges are valid while on your The Wall Street Journal Business Travel trip. Cannot be bartered or sold. Use of LoungeBuddy requires registration including providing a valid credit card and is subject to LoungeBuddy terms and conditions. LoungeBuddy is not a sponsor or otherwise affiliated with The Wall Street Business Travel Service, Upside or this offer. Cannot be combined with any other LoungeBuddy discount offers.

The Wall Street Journal Business Travel Service is operated independently of the Journal’s news department.

## TECHNOLOGY &amp; BUSINESS

## Investors Weigh Sale Of Stakes In Ticketer

BY ANNE STEELE  
AND MIRIAM GOTTFRIED

Private-equity firms **TPG** and **Rockbridge Growth Equity** are exploring strategic options for their stake in ticketing company AXS, including a possible sale, people familiar with the matter said.

The firms, which together hold 62% of the company, could seek a sale valuing AXS at \$250 million, according to the people. Sports and entertainment company **Anschutz Entertainment Group**, which holds the remaining 38% in the ticketing company and operates it, said it isn't interested in selling its stake. AEG is contractually guaranteed to be the operating partner of the company.

AEG hasn't discussed buying out the private-equity partners, according to one of the people.

Rockbridge was founded by Dan Gilbert, co-owner of the National Basketball Association's Cleveland Cavaliers, which uses AXS as a ticketing provider.

There is no guarantee there will be a deal, these people said.

Closely held AEG, controlled by billionaire Philip Anschutz, owns and operates venues including Staples Center in Los Angeles, New York's PlayStation Theater, Target Center in Minneapolis and Sprint Center in Kansas City, Mo., and owns or co-owns sports teams including the National Hockey League's Los Angeles Kings and Major League Soccer's Los Angeles Galaxy. The company is also the nation's second-largest concert promoter and stages the influential Coachella Valley Music and Arts Festival.

AXS is much smaller than Ticketmaster, the industry leader owned by **Live Nation Entertainment Inc.**

## IPO Puts Spotlight on Europe Tech

Dutch payment firm Adyen's success fuels optimism for other startups on Continent

The rousing recent listing of Dutch payments company **Adyen NV** is offering investors hope that Europe's tech scene is finally fertile enough to generate a stream of successful startups.

Adyen, which handles payment processing for companies including **Netflix Inc.**, **Facebook Inc.** and **Uber Tech-**

*By Daniel Michaels in Amsterdam and Sam Schechner in Paris*

nologies Inc.

, has sparked ex-

citement following its initial

public offering in June—one of

Europe's largest this year. Its

shares are up 156% since the

IPO, valuing the company at

more than \$25 billion.

Investors view Adyen, founded in 2006 and profitable since 2011, as a less expensive way to tap into the growth of

its better-known clients, which

also include old-economy re-

tailingers. For startup boosters

across Europe, its success is

evidence of maturing among

both tech firms and their local

business environments.

The trend differs from past

excitement about the European tech scene, which had its

share of false starts over the

past two decades. The number

and variety of startups have

ballooned in recent years, and

they attract a growing amount

of venture capital.

In the first half of 2018, Eu-

ropean venture-backed start-

ups attracted \$8.7 billion in

equity financing, up 13% from

the same period a year earlier

and up 44% from five years

ago, according to Dow Jones

VentureSource. This compares

with \$34 billion in the U.S.

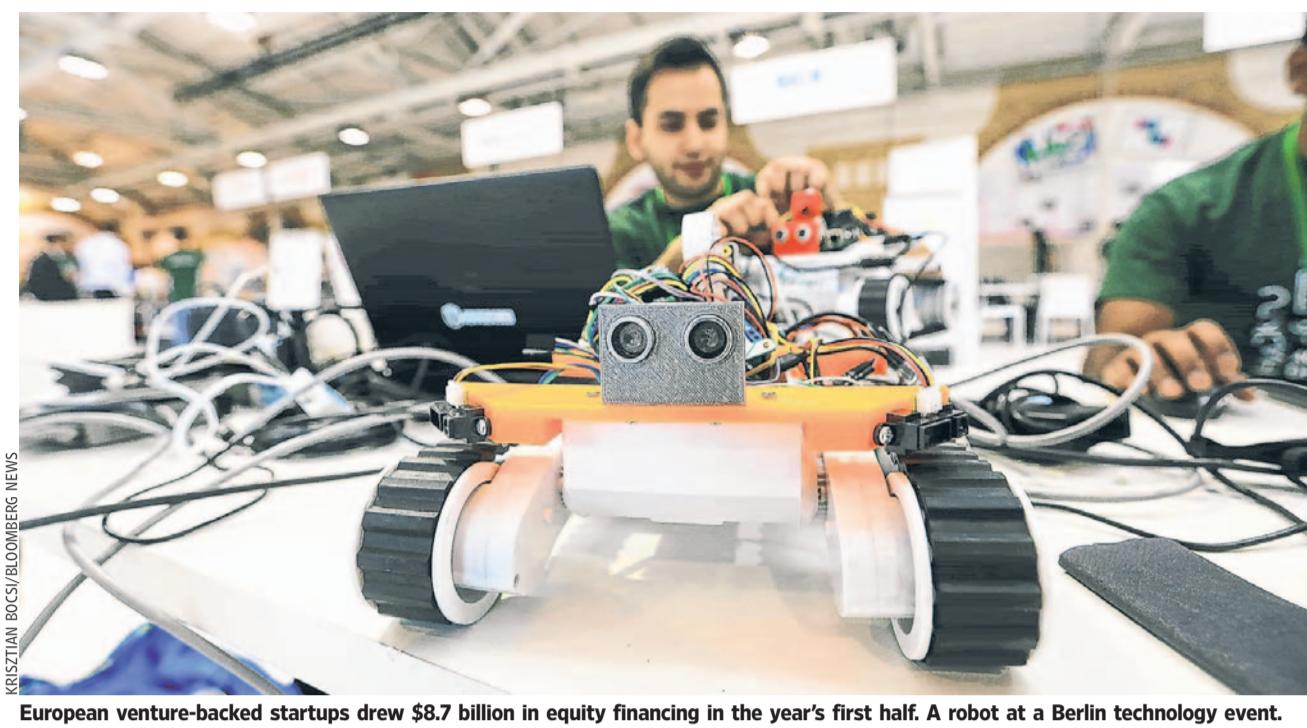
over the same period, showing

how wide the gap between Eu-

rope and Silicon Valley re-

mains.

The Adyen IPO "serves as a



European venture-backed startups drew \$8.7 billion in equity financing in the year's first half. A robot at a Berlin technology event.

role model for other entrepreneurs at high-growth tech companies," said Constantijn van Oranje, special envoy for Dutch tech-entrepreneurship promotion office StartupDelta and a younger brother of Dutch King Willem-Alexander.

Marili 't Hooft-Bolle, chief operating officer at cloud-storage firm WeTransfer, said Adyen's offering proves there is "more willingness from the capital side to invest in Europe as whole."

Adyen was launched by two entrepreneurs who previously built and cashed out of a fintech startup. They are among a growing European wave of serial tech founders who are tapping experience, connections and capital from earlier ventures to establish and finance new ventures.

"There are more examples in the market of how you can do it," said Adyen co-founder and Chief Executive Pieter van der Does. "We started from another startup."

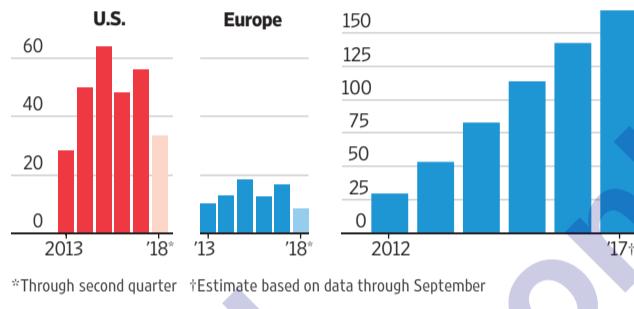
London, Paris and Berlin already have developed tech ecosystems, with growing numbers of local venture-capital

## Startup Pickup

Europe still lags behind the U.S. in funding tech startups but enthusiasm is growing.

## Equity financing for venture-backed tech companies

Europe cities with more than 50 tech-related Meetup events per year



\*Through second quarter †Estimate based on data through September

Sources: Dow Jones VentureSource (Investments); Atomico (analysis of Meetup data)

tal firms and incubators, as well as successful launches.

London has many fintech firms like Revolut Ltd. and Funding Circle Holdings Ltd., which plans an IPO next month; Paris has established firms like carpooling service BlaBlaCar and a mammoth new startup campus called Station F; and in Berlin, startup factory Rocket Inter-

finding exits, like payments firm iZettle, which was bought earlier this year by PayPal Inc. just before it was going to go public. The Estonian creators of Skype have helped promote Tallinn as a tech hub with successes like fintech startup TransferWise Ltd.

"You're now seeing the components come together in a really broad range of cities across the region," said Tom Wehmeier, a partner at London-based investment firm Atomico.

Natalie Novick, an American sociologist who studies European startup ecosystems, has found that 21% of European tech entrepreneurs started their companies outside their home countries. Berlin, she notes, is unusual by German standards in tolerating business failure. In France, initiatives such as changes to capital-gains rules for startup founders and visas for foreign entrepreneurs—some launched almost a decade ago and given new energy by President Emmanuel Macron—have cut red tape and boosted enthusiasm around entrepreneurship.

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THE WALL STREET JOURNAL.

Monday, September 17, 2018 | B5

TECHNOLOGY & BUSINESS

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<div

## BUSINESS NEWS

# Blind Auction for Sky Looms

**21st Century Fox, Comcast would submit secret offers to a third arbiter**

BY STU WOO  
AND BEN DUMMETT

LONDON—The victor in a very public bidding war between **21st Century Fox** Inc. and **Comcast** Inc. for British broadcaster **Sky PLC** is likely to be decided in private.

U.K. corporate-takeover rules could require a sealed-bid auction—also known as a blind auction—to conclude what might otherwise become a never-ending game of ever-sweeter bids.

In such auctions, bidders submit secret offers to a third-party arbiter. They are common in all sorts of commercial transactions, including home sales, cellular-airwave auctions and bidding for professional athletes.

They are very rare, however, when it comes to high-profile deal making involving a big public company. Sky is a British broadcasting giant with a stock-market value of \$26.8 billion (\$35 billion).

"The scale and magnitude of the potential auction is something we haven't seen in recent history," said Tyler Tebbs, a London-based analyst at Olivetree Financial Ltd., which focuses on analyzing deals.

Britain's Takeover Panel, a regulatory body that polices corporate deals, last conducted one in 2008. Wisconsin-based Manitowoc Co. beat Illinois Tool Works Inc. with a \$2.7 billion bid for British food-equipment manufacturer Endis.

Rupert Murdoch's 21st Century first proposed buying the



British broadcasting giant Sky is one of the broadcasters of the popular English Premier League.

61% of Sky that it doesn't already own in December 2016 for £10.75 a share. After the proposed deal hit regulatory and political hurdles, Comcast in February announced its own bid to buy all of Sky for £12.50 a share, or \$31 billion.

In July, Fox sweetened its offer to £14 a share—only for Comcast to counter the same day with £14.75, valuing Sky at \$34 billion. On Friday, shares closed at £15.78, as investors anticipate a higher offer from one side or the other.

Amid all that, Comcast and **Walt Disney** Co. separately traded bids to buy Fox. Disney won that contest, agreeing in July to buy a chunk of Fox assets, including its existing Sky stake, for \$71 billion.

That leaves a deal for Sky the only bit of unfinished business between the three media giants—pitting Fox, backed by Disney, against Comcast. Disney and Comcast have both said they covet Sky's interna-

tional footprint and its ability to sell both telecom services and original TV programming.

Mr. Murdoch and his family are major shareholders in both Fox and News Corp, which publishes The Wall Street Journal.

Under U.K. takeover rules, Fox and Comcast could still avoid an auction if one or both submit a "best and final" offer by Sept. 22. Neither side is likely to do so, according to people familiar with each company's thinking. Either side could also still drop out of the auction.

Sealed-bid auctions are more typical in lower-stakes sales. Major League Baseball used them for Japanese players. In 2006, the Boston Red Sox won the rights to Daisuke Matsuzaka with a \$51 million sealed bid that beat out the New York Yankees and other rivals.

Telecommunications regulators also hold blind auctions for spectrum, or the airwaves that wireless carriers need. Carriers sometimes hire game theorists to help strategize how to outbid rivals.

In Britain, there are guidelines, but no firm rules, governing a sealed-bid auction related to a corporate deal. The Takeover Panel typically works privately with the two bidders to agree on specific procedures, including how companies would submit bids and how those bids would ultimately be disclosed. If two sides can't agree with the Takeover Panel on auction rules, the regulator can adopt its own procedures.

In the event of an auction between Fox and Comcast, such rules could be publicly disclosed sometime next week. An auction could happen shortly after that—even before the Sept. 22 deadline.

The Takeover Panel declined to comment on the Sky bidding.

# 'Predator' Eats Lunch Of Box-Office Rivals

Associated Press

LOS ANGELES—"The Predator" is at the top of the food chain in its first weekend in theaters.

Twenty-first Century Fox said Sunday that the film earned an estimated \$24 million from more than 4,000 North American theaters.

But with an \$88 million production price tag, the Shane Black-directed installment in the 30-year-old franchise will be looking to international receipts to offset the cost. This weekend, it earned \$30.7 million from 72 foreign markets, bringing the global total to \$54.7 million.

Domestic audiences were largely male (62%) and white (45%), and underwhelmed, giv-

ing the movie a C+ CinemaScore that echoed the tepid critical response.

Fox parent 21st Century Fox and News Corp, owner of The Wall Street Journal, share common ownership.

Starring Olivia Munn, Sterling K. Brown and Boyd Holbrook, "The Predator" made headlines just weeks before opening when the studio cut a scene that featured an actor who was a registered sex offender.

It didn't appear to have affected the film's box office performance.

"Any conversation raises awareness," said comScore senior media analyst Paul Dergarabedian. "If people are talking about it then they're aware of the movie."

## Estimated Box-Office Figures, Through Sunday

SALES, IN MILLIONS

FILM	DISTRIBUTOR	SALES	WEEKEND <sup>*</sup>	CUMULATIVE % CHANGE
1. <i>The Predator</i>	Fox	\$24	\$24	--
2. <i>The Nun</i>	Warner Bros.	\$18.2	\$85.1	-66
3. <i>A Simple Favor</i>	Lions Gate	\$16.1	\$16.1	--
4. <i>White Boy Rick</i>	Sony	\$8.8	\$8.8	--
5. <i>Crazy Rich Asians</i>	Warner Bros.	\$8.7	\$149.6	-34

<sup>\*</sup>Friday, Saturday and Sunday. Source: comScore



Global receipts for 'The Predator' reached \$54.7 million.

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There are Settlements with Citibank, HSBC and Barclays that impact lending institutions headquartered in the United States, including its fifty (50) states and United States territories, that originated loans, held loans, held interests in loans, owned loans, owned interests in loans, purchased loans, purchased interests in loans, sold loans, or sold interests in loans with interest rates based upon U.S. Dollar LIBOR between August 1, 2007 and May 31, 2010.

The litigation alleges that certain banks (see list of Defendant banks on settlement website) unlawfully suppressed U.S. Dollar LIBOR, which caused lending institutions to lose money in connection with loans they held and their loan transactions. Plaintiffs assert common-law fraud and conspiracy to commit fraud. Citibank, HSBC, Barclays and the other defendants deny all claims of wrongdoing. Although the Court has sustained the fraud claims asserted by the plaintiff, the Court has denied the plaintiff's motion for class certification, and the Court of Appeals has denied the plaintiff's petition to review the Court's denial of class certification prior to a final judgment. The Berkshire Bank is continuing to pursue only its individual claims.

#### Am I included?

You are included in the Settlements if you (lending institution) are:

- Headquartered in the United States; and
- Originated loans, held loans, held interests in loans, owned loans, owned interests in loans, purchased loans, purchased interests in loans, sold loans, or sold interests in loans with interest based upon U.S. Dollar LIBOR between August 1, 2007 and May 31, 2010.

#### What do the Settlements provide?

The Settlements will create a \$31 million Settlement Fund that will be used to pay eligible Class Members who submit valid claims.

#### How can I get a payment?

You must submit a proof of claim to get a payment. You can submit a proof of claim online or by mail. The deadline to submit a proof of claim is **November 20, 2018**. You are entitled to receive a payment if you have a qualifying U.S. Dollar LIBOR-based loan. At this time, it is unknown how much each Class Member who submits a valid claim will receive.

#### What are my rights?

Even if you do nothing, you will lose your right to sue Citibank, HSBC and Barclays for the alleged conduct and will be bound by the Court's decisions concerning the Settlements. The Settlements will not result in a release of your claims against any Non-Settling Defendant, and the litigation against Non-Settling Defendants is ongoing. If you want to keep your right to sue Citibank, HSBC or Barclays you must exclude yourself from the Settlement Class by **November 20, 2018**. If you stay in the Settlement Class, you may object to the Settlements by **November 20, 2018**.

The Court will hold a hearing on **December 20, 2018** to consider whether to approve the Settlements and approve Class Counsel's request of attorneys' fees of up to one-third of the Settlement Fund, plus reimbursement of costs and expenses. You or your own lawyer may appear and speak at the hearing at your own expense.

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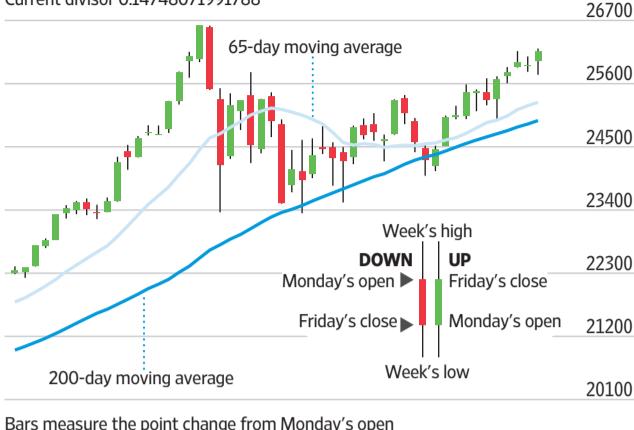
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## MARKETS DIGEST

## Dow Jones Industrial Average

**26154.67** ▲ 238.13, or 0.92% last week  
High, low, open and close for each of the past 52 weeks

Trailing P/E ratio 23.63 20.38  
P/E estimate \* 16.89 18.80  
Dividend yield 2.06 2.31  
All-time high 26616.71, 01/26/18



Current divisor 0.14748071991788

Bars measure the point change from Monday's open

S O N D J F M A M J J A S



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

## S&amp;P 500 Index

**2904.98** ▲ 33.30, or 1.16% last week  
High, low, open and close for each of the past 52 weeks

Trailing P/E ratio \* 24.40 24.11  
P/E estimate \* 17.87 19.10  
Dividend yield 1.81 1.99  
All-time high 2914.04, 08/29/18



General Electric Co.'s GE Commercial Finance unit agreed to buy most of Deutsche Bank's financial-services unit for \$450 million plus assumption of \$2.45 billion in debt.

**Financial Flashback**  
The Wall Street Journal, September 17, 2002

Nasdaq Composite

**107.50**, or 1.36% last week

Offer price(\$)  
Offer amt (\$ mil.)  
Through Friday(%)  
Lockup provision

Expected pricing date	Filed	Issuer/business	Symbol/ primary exchange	Shares (mil.)	Pricing Range(\$) Low/High	Bookrunner(s)
9/17	8/24	Bank7 Commercial bank.	BSVN	3.0	18.00/ 21.00	Sandler O'Neill & Partners
9/20	8/2	Elanco Animal Health Manufacturer of animal health-related products.	ELAN	63.0	20.00/ 23.00	GS, JPM, MS, Barclays, BNP Paribas, BofA ML, Citi, DB, Evercore, SunTrust, Stifel
9/20	8/23	Eventbrite Provider of online ticket services for live events.	EB	10.0	19.00/ 21.00	GS, JPM, Allen & Co., RBC Cptl Mkts, SunTrust, Stifel
9/20	8/20	Farfetch UK Men's and women's clothing retailer.	FTCH	38.0	15.00/ 17.00	GS, JPM, Allen & Co., UBS, Credit Suisse, DB, WFS
9/20	7/16	Remora Royalties Holder of royalty interests in oil & gas properties.	RRI	5.0	19.00/ 21.00	RBC Cptl Mkts, WFS, UBS, Stifel
9/20	8/24	Y-mAbs Therapeutics Developer of new cancer treatments through immunotherapies.	YMAB	5.0	14.00/ 16.00	BofA ML, Cowen & Co
9/20	8/17	Zekelman Industries Manufacturer and distributor of pipes, valves and fittings.	ZEK	42.0	17.00/ 19.00	GS, BofA ML, BMO Cptl Mkts, Credit Suisse, Stifel

## New to the Market

## Public Offerings of Stock

## IPOs in the U.S. Market

Initial public offerings of stock expected this week; might include some offerings, U.S. and foreign, open to institutional investors only via the Rule 144a market; deal amounts are for the U.S. market only

Expected pricing date	Filed	Issuer/business	Symbol/ primary exchange	Shares (mil.)	Pricing Range(\$) Low/High	Bookrunner(s)
9/17	8/24	Bank7 Commercial bank.	BSVN	3.0	18.00/ 21.00	Sandler O'Neill & Partners
9/20	8/2	Elanco Animal Health Manufacturer of animal health-related products.	ELAN	63.0	20.00/ 23.00	GS, JPM, MS, Barclays, BNP Paribas, BofA ML, Citi, DB, Evercore, SunTrust, Stifel
9/20	8/23	Eventbrite Provider of online ticket services for live events.	EB	10.0	19.00/ 21.00	GS, JPM, Allen & Co., RBC Cptl Mkts, SunTrust, Stifel
9/20	8/20	Farfetch UK Men's and women's clothing retailer.	FTCH	38.0	15.00/ 17.00	GS, JPM, Allen & Co., UBS, Credit Suisse, DB, WFS
9/20	7/16	Remora Royalties Holder of royalty interests in oil & gas properties.	RRI	5.0	19.00/ 21.00	RBC Cptl Mkts, WFS, UBS, Stifel
9/20	8/24	Y-mAbs Therapeutics Developer of new cancer treatments through immunotherapies.	YMAB	5.0	14.00/ 16.00	BofA ML, Cowen & Co
9/20	8/17	Zekelman Industries Manufacturer and distributor of pipes, valves and fittings.	ZEK	42.0	17.00/ 19.00	GS, BofA ML, BMO Cptl Mkts, Credit Suisse, Stifel

## Lockup Expirations

Below, companies whose officers and other insiders will become eligible to sell shares in their newly public companies for the first time. Such sales can move the stock's price.

Lockup expiration	Issue date	Issuer	Offer price(\$)	Offer amt (\$ mil.)	Through Friday(%)	Lockup provision
Sept. 18	March 22, '18	Dropbox	DBX	21.00	869.4	24.2
	March 22, '18	Sunlands Online Education Group	STG	11.50	149.5	-45.7
Sept. 23	March 27, '18	GreenTree Hospitality Group	GHG	14.00	142.8	-20.8
	March 27, '18	Homology Medicines	FIXX	16.00	165.6	28.2
	March 27, '18	OneSmart Intl Education Group	ONE	11.00	179.3	-20.8

Sources: Dealogic; WSJ Market Data Group

## IPO Scorecard

Performance of IPOs, most-recent listed first

Company	SYMBOL	Friday's close (\$)	% Chg From IPO date/Offer price	Offer price (\$)	Offer amt (\$ mil.)	1st-day close	Company	SYMBOL	Friday's close (\$)	% Chg From IPO date/Offer price	Offer price (\$)	Offer amt (\$ mil.)	1st-day close
Principia Biopharma	PRNB	32.65	92.1	...			Gores Holding III	GRSHU	10.18	18	1.3		
Qutoutiao	QT	15.97	128.1	...			Longevity Acquisition	LOACU	10.23	2.3	1.0		
111	YI	13.99	-0.1	1.4			Megalth Financial Acquisition	MFACU	10.01	0.1	-0.1		
NIO	NIO	9.90	58.1	50.0			Bionano Genomics	BNGOU	7.24	18.1	17.7		
NIO	111	10.08	0.8	0.3			Tenzing Acquisition	TZACU	10.06	0.6	0.3		

Sources: Dow Jones Market Data; FactSet Research Systems

## Other Stock Offerings

Secondaries and follow-ons expected this week in the U.S. market

Expected	Issuer/Business	Symbol/ Primary exchange	Amount (\$ mil.)	Friday's price (\$)	Bookrunner(s)
Sept. 19	Revere Bank Finance	REVB OTC	43.6	29.10	Sandler O'Neill & Partners

## Off the Shelf

"Shelf registrations" allow a company to prepare a stock or bond for sale, without selling the whole issue at once. Corporations sell as conditions become favorable. Here are the shelf sales, or takedowns, over the last week:

Issuer/Industry	Takedown date/ Registration date	Deal value (\$ mil.)	Registration (mil.)	Bookrunner(s)
Pacific Biosciences of CA	Sept. 11	\$60.0	\$150.0	Cowen & Co,
Healthcare	Aug. 2/17			Cantor Fitzgerald & Co
Endocyte	Sept. 11	\$201.0		Jefferies, WFS, RBC Cptl Mkts
Cadence Bancorporation	Sept. 11	\$333.0		MS
Finance	May 21/18			
Xenon Pharmaceuticals	Sept. 12	\$63.0		Jefferies, Stifel
Floor & Decor Holdings	Sept. 12	\$428.0		GS
Retail	May 23/18			
DJ Commodity	579.76	667.35	2.93	
TR/CC CRB Index	180.90	206.38	3.49	
Crude oil, \$ per barrel	49.29	74.15	38.28	
Natural gas, \$/MMBtu	2.55	3.63	-8.50	
Gold, \$ per troy oz.	1176.20	1362.40	-9.50	
U.S. Dollar Index	88.59	96.73	3.35	
WSJ Dollar Index	82.70	90.39	5.31	
Euro, per dollar	0.7996	0.8816	2.80	
Yen, per dollar	104.73	114.17	1.10	
U.K. pound, in dollars	1.27	1.43	-3.86	

Company	SYMBOL	Friday's close (\$)	% Chg From IPO date/Offer price	Offer price (\$)	Offer amt (\$ mil.)	1st-day close
Pacific						

# CLOSED-END FUNDS

[wsj.com/funds](http://wsj.com/funds)

Listed are the 300 largest closed-end funds as measured by assets. Closed-end funds sell a limited number of shares and invest the proceeds in securities. Unlike open-end funds, closed-end generally do not buy their shares back from investors who wish to cash in their holdings. Instead, fund shares trade on a stock exchange. **NA** signifies that the information is not available or not applicable. **NS** signifies fund not in existence. **Pmt** indicates the date dividends are computed and the amount of income dividends paid (during the previous twelve months for periods ending at month-end or during the previous fifty-two weeks for periods ending at any time other than month-end) by the latest month-end market price adjusted for capital gains distributions.

Source: Lipper

Friday, September 14, 2018

Fund (SYM)	NAV	Prem	Ttl
	Close	/Disc	Ret
<b>General Equity Funds</b>			
Adams Divers Inv Fd <b>ADX</b>	19.22	16.55	-13.9
Boulder Growth & Income <b>BIF</b>	13.32	11.23	-15.7
Central Securities <b>CET</b>	35.48	29.49	-16.9
Coh Steer Opprty Fd <b>FOF</b>	13.67	13.20	-3.4
Etn Vn TaxAdvOp <b>EVT</b>	24.37	24.37	0.0
Gabelli Dividend & Incm <b>GDV</b>	25.10	23.79	-5.2
Gabelli Equity Trust <b>GAB</b>	6.55	6.49	-0.9
Gen American Investors <b>GAM</b>	43.51	36.52	-16.1
Hnck John TxAdv <b>HTD</b>	25.17	23.35	-7.2
Liberty All-Star Equity <b>USA</b>	6.99	6.72	-3.9
Royce Micro-Cap <b>RMT</b>	10.98	10.26	-6.6
Royce Value Trust <b>RVT</b>	17.77	16.49	-7.2
Source Capital <b>SOR</b>	45.38	40.13	-11.6
Tri-Continental <b>TY</b>	31.57	27.93	-11.5
<b>Specialized Equity Funds</b>			
Aberdeen Gbl Prem Prop <b>AWP</b>	6.70	6.34	-5.4
FT Energy Inc & Growth Fd <b>FEN</b>	23.42	22.18	-5.3
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## A Week in the Life of the DJIA

## MARKETS

# Former Lehman CFO on Life After Crisis

Witness to company's collapse champions work-life balance after personal hardships

BY ANNE TERGESEN

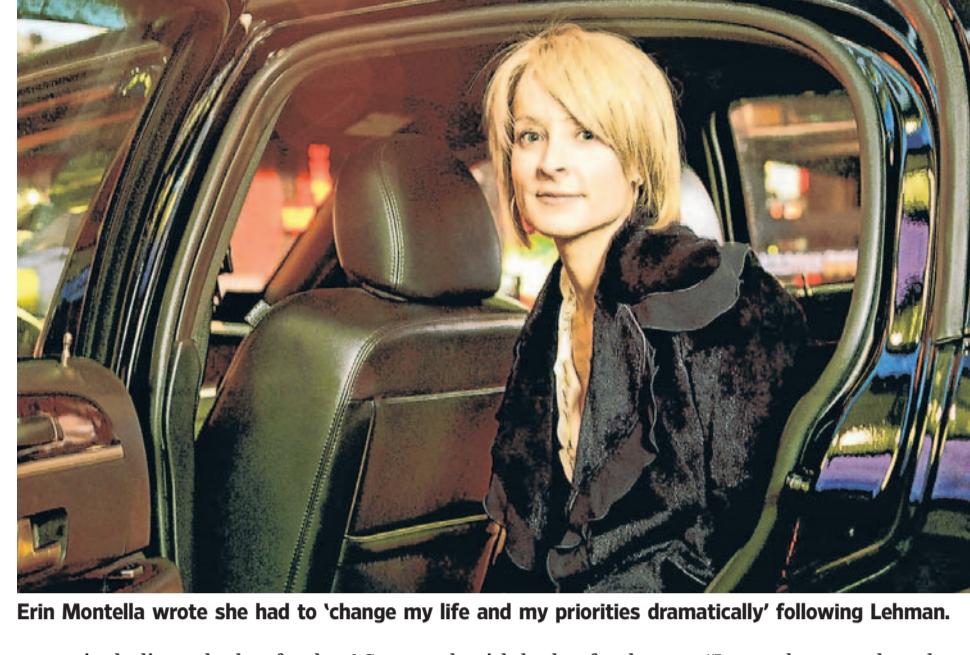
Erin Montella says her life today is the antithesis of the life she led in 2008.

Then, she was known as Erin Callan. She was chief financial officer for Lehman Brothers Holdings Inc. in the months before the company's September 2008 collapse.

Ms. Montella—as she prefers to be called since adopting her husband's surname a few years ago—ascended to the CFO role at age 41 in December 2007, just as the financial crisis was gathering momentum.

Some considered the investment banker an unorthodox choice because she had never worked as an accountant or in the finance department. She quickly became the public face of the firm, striving to make the case that the business was sound through the media and in conference calls and meetings with investors.

The highest-ranking woman on Wall Street at the time, Ms. Montella also became a lightning rod for anger from investors.



Erin Montella wrote she had to 'change my life and my priorities dramatically' following Lehman.

tors including hedge-fund manager David Einhorn, who had bet Lehman shares would decline. In June 2008, after Lehman posted a \$2.8 billion second-quarter loss, Ms. Montella resigned. Three months later, the firm was gone, too, when Lehman filed for the largest bankruptcy in U.S. history.

Following her resignation, the Harvard University graduate, who started her career as a corporate tax attorney, moved to Credit Suisse Group

AG to work with hedge funds. But in early 2009, she left both Credit Suisse and Wall Street behind.

In her 2016 memoir "Full Circle: A Memoir of Leaning In Too Far and the Journey Back," Ms. Montella chronicles her career and her efforts, following a suicide attempt in late 2008, to build a new life with Anthony Montella, a former New York City firefighter whom she had met in high school in Queens, N.Y. The two reconnected in 2007.

"I was depressed, sad and angry all bundled up in one little firecracker ready to explode," Ms. Montella wrote in her memoir. "The way I looked at the world, what I did was the totality of who I was. And if I wasn't doing it, then was I anybody, really? Was there any value to me without my job?"

Ms. Montella concluded she "had to change my life and my priorities dramatically so that I would never again make a decision" like that.

These days, Ms. Montella, 52, spends most of her time in Sanibel Island, Fla., where she and Mr. Montella live with their 3-year-old daughter.

"I have led a very low-profile life since I left Wall Street," Ms. Montella said in an interview. "I spend my time at this point raising my daughter."

In 2013, after the publication of "Lean In: Women, Work and the Will to Lead" by Sheryl Sandberg, Ms. Montella wrote an op-ed article in the New York Times in which she cautioned against giving too much to a job.

"When I left my job, it devastated me," she wrote. "I couldn't just rally and move on. I did not know how to value who I was versus what I did...Until recently, I thought my singular focus on my career was the most powerful ingredient in my success. But I am beginning to realize that I sold myself short. I was talented, intelligent and energetic. It didn't have to be so extreme."

The volume of response from readers, she said, prompted her to write the memoir.

Ms. Montella warns that small decisions—to spend an hour on Sundays catching up on email, for example—can quickly establish "a new

norm" that results in work crowding out other parts of life.

Achieving balance between work and personal life, she said, isn't simple. "It's not, let's lean in all the way and it's going to work out. The struggle to have two top priorities isn't easy. That doesn't mean you don't try, but you shouldn't feel that if it's not easy you are doing something wrong."

The Montellas recently launched a charitable foundation called the Life Balance Foundation. They started raising money this year to support programs including grants to families who can't afford to take maternity leave. The broader goal, Ms. Montella said, is to help people establish balance between work and family life.

Ms. Montella declined to comment on her final months at Lehman beyond what she wrote in her book.

One highlight: a 2015 phone call from Lehman's chief executive Richard Fuld Jr., who said "he felt he had left me on my own to handle things and shouldn't have," she wrote. "As much as I appreciated the call, and I genuinely did, I put it in its proper place. A final closing for that chapter of my life, leaving it with a better ending."

# Women Rarely Run Big Four's Biggest Audits, Study Says

BY MICHAEL RAPORT

Three of the Big Four accounting firms in the U.S. now have women in the corner office, but auditing still has a large gender gap.

A forthcoming study suggests women are underrepresented among the accounting-firm partners who head the outside audits of America's biggest public companies. Only 15% of the "engagement partners" in charge of each S&P 500 company's audit are women, according to the study by the CFA Institute, which represents chartered financial analysts. The study is expected to be published this week.

In addition, according to the study, women are even less likely to head the audits of the largest companies—only 11% of the engagement partners for the audits of S&P 100 companies are women—as well as old-line companies that have been with their current audit firms for decades.

The big accounting firms often serve as "a natural pipeline" to train people who later become chief financial officers, controllers and audit-committee members at public companies, said Sandra Peters, the CFA Institute's head of financial-reporting policy. If there aren't enough women among engagement partners

trained in complex financial matters, she said, not as many women could show up in senior financial positions in the corporate realm.

**Women tend to enter the accounting field in numbers close to those of men.**

The Big Four firms say they are taking steps to improve opportunities for women and increase the number of female partners.

PricewaterhouseCoopers LLP said women accounted for 30% of the 2018 partner class and it is "laser-focused on enhancing female representation on all of our teams at every professional level."

Women also made up 30% of newly promoted partners at Ernst & Young LLP in the Americas this year. The firm said it is "committed to even greater representation of women and diversity."

Deloitte LLP said it continues "to invest significantly to develop, sponsor and mentor women as our lead client engagement partners." KPMG LLP declined to comment.

The CFA Institute study

draws on newly available data about engagement partners, whom the firms have had to identify since a new regulation requiring it went into effect last year. The new rule from the Public Company Accounting Oversight Board is intended to improve audit partners' accountability and give investors a sense of their track records.

The dearth of women among engagement partners "is something we wouldn't have been able to see before without this data," Ms. Peters said.

Women tend to enter the accounting field in numbers close to those of men, and

Cathy Engelbert at Deloitte, Lynne Doughtie at KPMG and Kelly Grier at EY head their firms. But that hasn't translated into equality at the partnership level: Women make up 51% of the full-time staff at U.S. accounting firms but only 24% of partners and principals, according to data from a separate study earlier this year from the Accounting MOVE Project, which promotes more women in accounting.

Various possible reasons have been cited, from a lack of role models to a desire for more work-life balance as women ascend through the ranks.

# Metals Fall on Concerns About Tariffs

BY PAUL GARVEY

Metals prices received a battering on Friday after fresh reports of more China tariffs spooked investors and sent the U.S. dollar higher.

Gold and copper both opened higher on Friday but ended in the red after Bloomberg reported that President Trump had instructed aides to push ahead with tariffs on around \$200 billion of Chinese products.

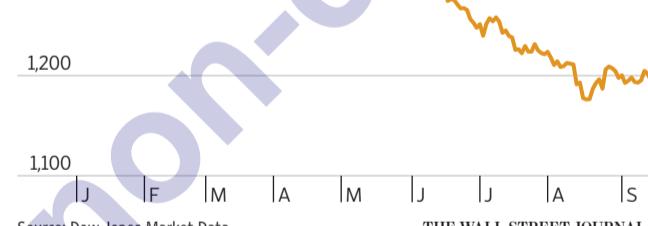
Both metals had been edging higher earlier in the week on hopes that fresh talks between the U.S. and China could help resolve the trade dispute.

The price of gold for September delivery fell 0.58% to \$1,195 a troy ounce on the Comex division of the New York Mercantile Exchange on Friday, unwinding some of its

## Tarnished

Gold prices slipped Friday after signs of rising trade frictions.

\$1,400 per troy ounce



Source: Dow Jones Market Data

THE WALL STREET JOURNAL.

gains from earlier in the week. Copper for September delivery also was down, falling 1.39% to \$2.40 a pound on the Comex division.

The rise in the U.S. dollar

has weighed on the gold price in recent months, but weakness in the currency earlier in the week had helped gold make up lost ground. That recovery was wiped out on Fri-

day as the dollar climbed on the latest tariff news alongside positive economic data.

The WSJ Dollar Index—which measures the currency against a basket of 16 others—gained 0.4% on Friday after falling earlier in the day.

Gold prices and the dollar tend to move inversely to one another, with a rise in the dollar making dollar-denominated commodities more expensive to other currency holders. Economic data released Friday morning also boosted the dollar, with industrial output and consumer sentiment figures both coming in above expectations.

Among other metals, silver dropped 0.71% to \$14.042 a troy ounce, zinc fell 1.1% to \$2,334 a metric ton, aluminum lost 1.02% to \$2,043 a metric ton, and nickel gained 0.4% to \$12,655 a metric ton.

## Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Country/currency	Fri in US\$	Fri per US\$	US\$ vs. (%)	Country/currency	Fri in US\$	Fri per US\$	US\$ vs. (%)
<b>Americas</b>				<b>Europe</b>			
Argentina peso	.0250	39.9557	<b>114.8</b>	Czech Rep. koruna	.04563	21.916	<b>3.0</b>
Brazil real	.2395	4.1752	<b>26.1</b>	Denmark krone	.1558	6.4187	<b>3.4</b>
Canada dollar	.7668	1.3041	<b>3.7</b>	Euro area euro	1.1622	.8605	<b>3.3</b>
Chile peso	.001456	687.00	<b>11.6</b>	Hungary forint	.003575	279.73	<b>8.0</b>
Ecuador US dollar	1	1	<b>unch</b>	Iceland króna	.009093	109.97	<b>6.2</b>
Mexico peso	.0529	18.8912	<b>-4.0</b>	Norway krone	.1211	8.2567	<b>0.6</b>
Uruguay peso	.03044	32.8500	<b>14.1</b>	Poland złoty	.2700	3.7039	<b>6.5</b>
Venezuela b. fuerte	.000004248519.9501	240.9512		Russia ruble	.01469	68.080	<b>18.0</b>
<b>Asia-Pacific</b>				Sweden krona	.1105	9.0495	<b>10.6</b>
Australian dollar	.7152	1.3982	<b>9.2</b>	Switzerland franc	.10324	.9686	<b>-0.6</b>
China yuan	.1455	6.8705	<b>5.7</b>	Turkey lira	.1621	6.1703	<b>62.6</b>
Hong Kong dollar	.1274	7.8463	<b>0.4</b>	Ukraine hryvnia	.0355	28.1570	<b>0.04</b>
India rupee	.01387	72.105	<b>12.9</b>	UK pound	.13068	.7652	<b>3.4</b>
Indonesia rupiah	.0000675	14815	<b>9.9</b>				
Japan yen	.008925	112.05	<b>-0.6</b>				
Kazakhstan tenge	.002687	372.18	<b>11.9</b>				
Macau pataca	.1237	8.0836	<b>0.5</b>				
Malaysia ringgit	.2416	4.1385	<b>1.9</b>				
New Zealand dollar	.6544	1.5281	<b>8.4</b>				
Pakistan rupee	.00807123.845	111.9					
Philippines peso	.0185	54.110	<b>8.3</b>				
Singapore dollar	.7277	1.3741	<b>2.8</b>				
South Korea won	.0008915	1121.66	<b>5.1</b>				
Sri Lanka rupee	.0061054	163.79	<b>6.7</b>				
Taiwan dollar	.03205	30.772	<b>3.7</b>				
Thailand baht	.03059	32.690	<b>2.0</b>				
Vietnam dong	.00004301	23249	<b>2.4</b>				

Close Net Chg % Chg YTD % Chg

WSJ Dollar Index 89.59 0.36 0.40 4.20

Sources: Tullett Prebon, Dow Jones Market Data

THE TICKER | Market events coming this week

## Monday

Empire Manufacturing Aug., previous 25.6 Sept., expected 22

Earnings expected\* Estimate/Year Ago(\$)

FedEx 3.82/2.51

Oracle 0.68/0.62

## Tuesday

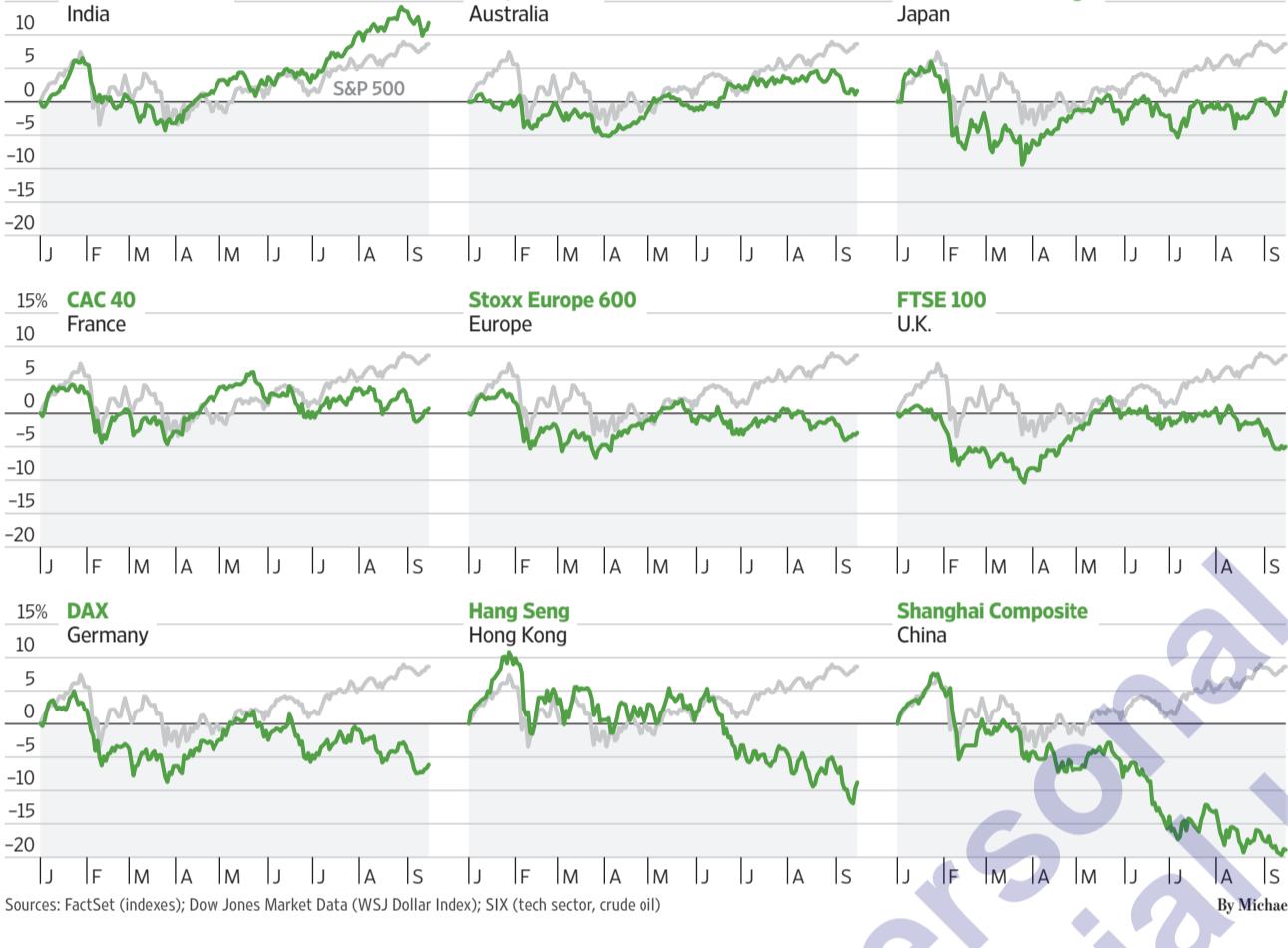
Earnings expected\* Estimate/Year Ago(\$)

## MARKETS

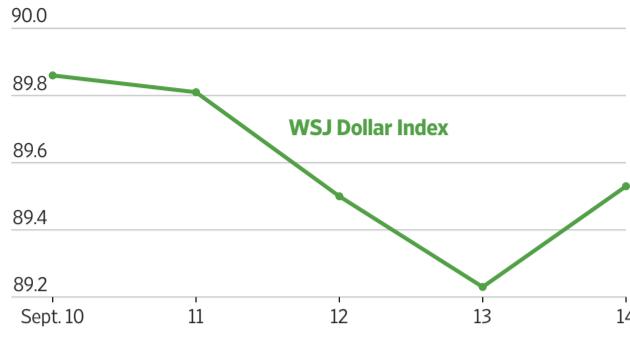
## U.S. Stocks Take the Global Lead

The S&P 500 notched its best week since mid-July after investors took the U.S.'s latest overtire to China as a sign that trade tensions might be receding. Booming economic growth and a run of strong corporate profits have supported stocks in the U.S.

But many indexes around the world have struggled with a slowdown in economic expansion and a stronger dollar. The dollar's recent rise has showed signs of stalling, relieving some of the pressure on emerging-market economies and multinational corporations.



Even after a rally Friday, the U.S. dollar has stalled near its lowest levels since late August. The currency has been weighed down recently, in part by worries over an expected rise in the country's trade and budget deficits. Further declines could ease pressure on multinational corporations, whose earnings have suffered because they need to convert foreign profits into dollars, while boosting exporters by making their products more competitive abroad.



Recent gains in software firms including Oracle Corp. have helped the technology sector trim some of its month-to-date losses and offset declines in chip makers. Investors will monitor earnings from Oracle, Red Hat Inc. and Micron Technology Inc. in the coming week to see if fresh results can further boost the year's best-performing sector.



Energy stocks rose alongside oil prices last week. The gains left the S&P 500 energy sector roughly flat for the month, as traders prepare to weigh weekly U.S. inventory data and figures pointing to rising production from the Organization of the Petroleum Exporting Countries. Some analysts think fallout from Hurricane Florence could also affect demand for energy products.



Sources: FactSet (indexes); Dow Jones Market Data (WSJ Dollar Index); SIX (tech sector, crude oil)

By Michael Wursthorn and Amrit Ramkumar, Graphics by Tristan Wyatt/THE WALL STREET JOURNAL.

## HEARD ON THE STREET

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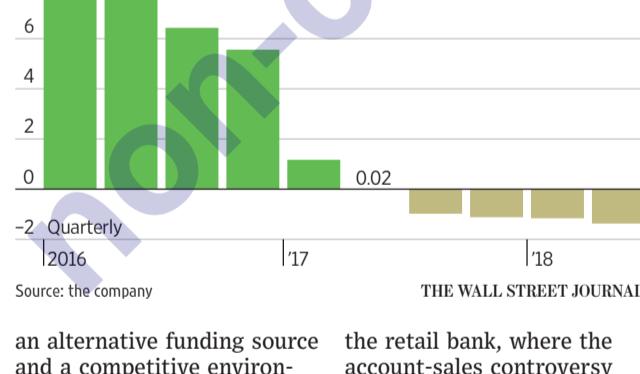
## Wells Fargo's Woes Are Spreading

## OVERHEARD

## China's NIO Makes Tesla Look Cheap

## Not Growing

Wells Fargo total loans outstanding, change from a year earlier



ments without their consent as recently as this year.

Given all this negative news flow, it isn't surprising that some companies would rather borrow from someone else if pricing and terms are similar.

Asked at Friday's conference when the bad news might abate, Mr. Shrewsberry was blunt. "A lot of these negative headlines refer to things that have been previously really well aired and vetted, but it's a very reliable ad seller, I think, and it's a business model for some people," he said, making clear he was referring to journalists.

Shifting blame to those who helped bring its lapses to light is unlikely to reassure potential clients or investors that Wells Fargo is taking its issues as seriously as it should. The bank's competitors are pulling ahead while it remains stuck in the mud. Despite this, its shares are still relatively expensive at 1.5 times book value.

There is still no reason for investors to hold this stock.

—Aaron Back

NIO, China's answer to Tesla, is off to an electrifying start. Its sky-high valuation, however, makes even Elon Musk's company look like a bargain.

Counting after-hours trading, the share price almost doubled Thursday, two days after the electric-vehicle maker raised \$1 billion from an initial public offering on the New York Stock Exchange. That lifted NIO's market value to \$14 billion, topping the likes of Korea's Kia Motor and Japan's Mazda Motor.

Investors are betting NIO could become Beijing's chosen national EV champion. But the stock looks risky. NIO has generated revenue for only a few months and only began delivering its sole model in June. With a price around half that of Tesla's Model X, it is a money loser. NIO could burn through its cash on hand by next year.

Reservations and deliveries about match those of the then-new Model S in 2012, according to Bernstein. But back then Tesla's market value was just \$4 billion. Tesla's current enterprise value equates to 1.8 times expected 2020 sales. For NIO, that would translate to \$8 billion in revenue in two years, suggesting output of 110,000 cars—an ambitious target for a company that last month delivered 1,121.

And NIO didn't even make them. Its plants remain under construction so it relies on a state-owned car maker. And, where Tesla had a head start, NIO faces abundant competition from other startups like Xiaopeng Motor, as well as traditional car makers from BMW to Volvo.

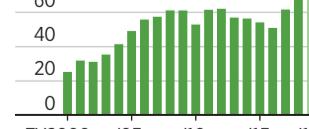
Investors should hop off NIO while it is still accelerating.

—Jacky Wong

## Dell Must Make Case It Can Succeed Where HP Failed

## Upscaled

Dell's annual revenue for fiscal years ended January



the \$100 billion mark in its latest fiscal year.

But size isn't everything, and it is sometimes a hindrance. Dell's arch rival HP spent the past few years divesting and ultimately splitting into two smaller companies after its size became unwieldy. Dell will make the case that it is a different kind of giant with a better mix of businesses.

The timing is good. Dell's overall revenue rose 18% year-to-year to \$44.3 billion for the six-month period ended Aug. 3. The company is benefiting from a strong PC cycle, and server revenue jumped 34% year over year

to hit a record \$5.1 billion in the most recent fiscal quarter. The addition of EMC's higher-margin data-storage business has improved profitability. And Shannon Cross of Cross Research notes that the merger provided very strong cross-selling opportunities, as the two companies' core markets had little overlap previously.

Dell also has a stronger collection of software assets than HP did. This most notably includes its 82% ownership stake in VMware, which has been growing at a double-digit rate over the past six quarters.

That still may not be

enough for activists who are reportedly unhappy with the price Dell is offering for the tracking stock it created to help finance its EMC acquisition. Dell's current plan to go public involves buying out that tracking stock for a mix of cash and shares in the resulting Dell entity, so enough opposition by holders of the tracking stock could stymie its efforts.

A source close to Dell says the company won't raise its price, so Dell will need to make an especially strong case on why it can succeed where HP failed. It is at least off to a good start.

—Dan Gallagher

Dell went private in 2013 and has since merged with EMC Corp., resulting in a company on track to generate more than \$90 billion in annual sales for its current fiscal year, compared with about \$57 billion when it left the public stage. At that

level, Dell would rank as the fifth-largest publicly traded tech company in the U.S. by annual revenue, just below Microsoft, which surpassed

## JOURNAL REPORT

# INNOVATIONS IN HEALTH CARE

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THE WALL STREET JOURNAL.

Monday, September 17, 2018 | R1



BY LAURA LANDRO

**A**wave of innovation in newborn care is giving infants a better start in life—and could improve Americans' health far into the future. These advances cover a range of conditions and treatments. Maternal- and fetal-medicine specialists are finding new ways to prevent premature birth, which affects one in 10 infants and can cause serious disabilities. In the neonatal intensive-care unit, doctors are adopting new procedures, devices and techniques to diagnose and treat complications that can harm future development.

At the same time, researchers are gaining new insights into genetic and environmental influences on the fetus, such as a mother's obesity or exposure to toxic substances. And a growing movement to provide better postpartum care aims to help all new mothers better care for themselves—and thus their babies.

All of which may improve health not only during pregnancy and infancy, but for years to come. "Research on pregnant women and children is informing our understanding of adult diseases," says David K. Stevenson, co-director of the Child Health Research Institute at Stanford University.

"If we can make interventions early in life before people are burdened by chronic disease and the diseases of aging, we could have a profound impact on public health and set the stage for much greater savings later on," Dr. Stevenson says.

Here's a closer look at some of the research and innovations taking place in infant care.

### Preventing preterm birth

The leading cause of infant death is preterm birth, and those who survive face serious challenges. Premature infants are more likely to suffer from obesity, high blood pressure, heart disease and stroke later in

# The New, Improved World of Infant Care

A host of high-tech advances are giving newborns a better shot at avoiding a wide range of ailments. The long-term impact could be profound.

life, especially if they are very preterm, born at 28 to 32 weeks.

With funding from the March of Dimes, six prematurity research centers, including one at Stanford, are trying to identify the causes of premature birth and find ways to prevent it.

One problem is that the best available tests to predict premature birth generally work only for women at highest risk and are correct only about 20% of the time. In June, researchers led by a team at Stanford reported that a new blood test for pregnant women can detect with 75% to 80% accuracy whether a baby will be born prematurely. The technique can also be used to estimate the actual amount of time the baby has been in the womb—and thus the mother's due date—as reliably and less expensively than ultrasound.

Rates of premature birth—defined as delivery at less than 37 weeks' gestation—declined from 2007 to 2014, but increased for the second consecutive year in 2016, according to the Centers for Disease Control and Prevention. While the reason is unclear, researchers are studying the role of environment, prenatal care and genetic issues. For example, studies at Stanford have found associations between very preterm birth and exposure to air pollutants during the end of pregnancy, and researchers there are now investigating a potential link between residential proximity to agricultural pesticides and preterm-birth risk.

### Reducing risks to the infant brain

During delivery, even full-term babies can face the risk of brain injury if oxygen and blood supply are compromised. A lack of oxygen can cause seizures, and infants with brain injury can go on to develop cerebral palsy and developmental problems. For infants born prematurely, the risk of long-term problems from brain injury may be even greater.

Researchers are seeking ways to detect such injuries early and develop treatments and strategies to prevent and reduce subsequent disabilities. At the same time,

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For starters: What happens to the sample you submit?

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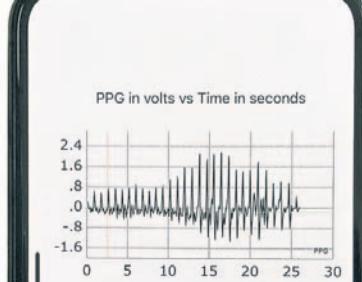
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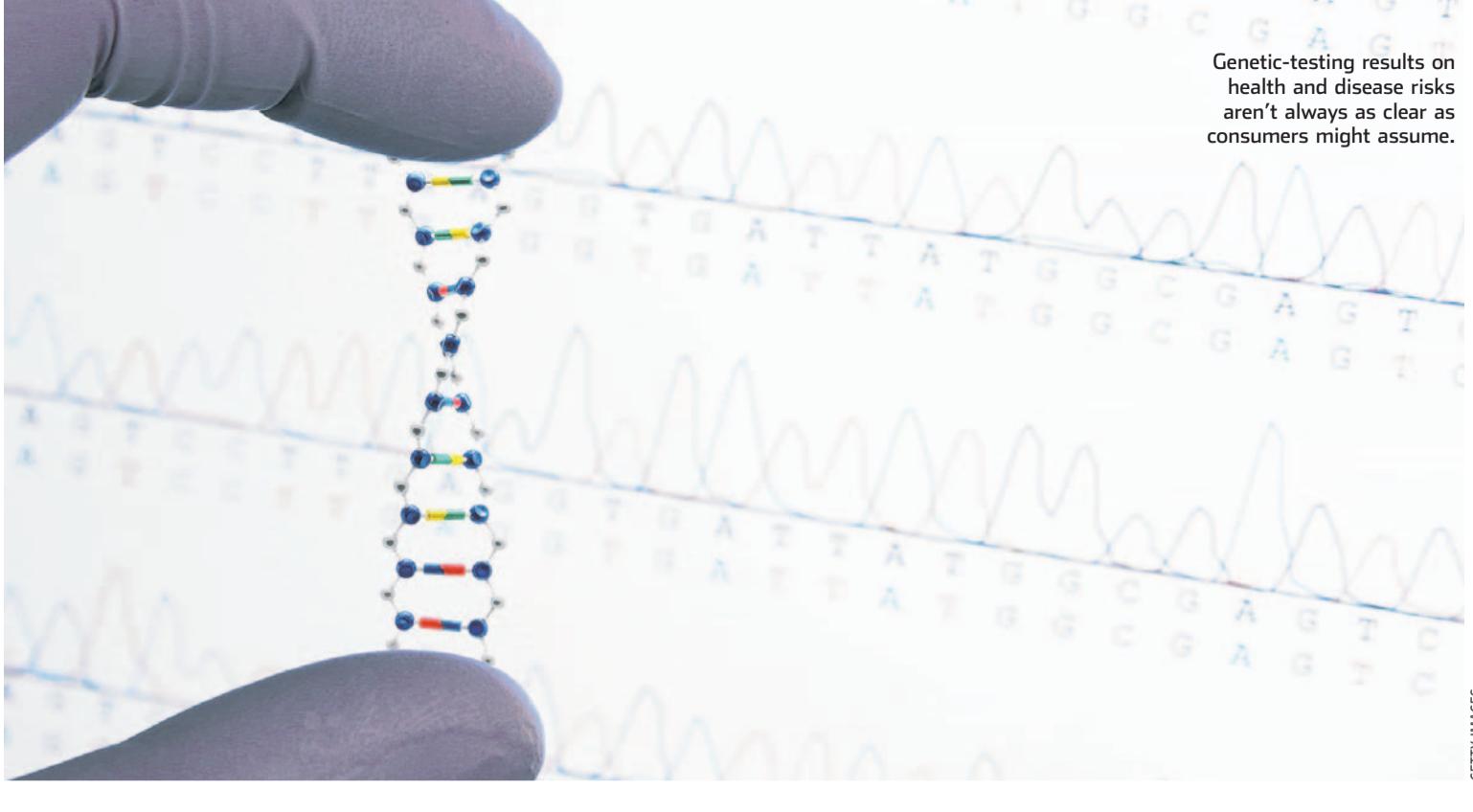
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## JOURNAL REPORT | INNOVATIONS IN HEALTH CARE



## Before Ordering a DNA Kit...

What happens to the sample I submit after it's tested—and other questions you should consider

BY AMY DOCKSER MARCUS

**LESS COSTLY** genetic testing has let millions of people unlock the information in their DNA. Yet there's a lot about these tests they don't know—but should.

The popularity of direct-to-consumer testing continues to surge as more people order testing kits or receive them as gifts. Many are available for under \$100, making genetic tests increasingly affordable.

Lately, however, consumer genetic testing has come under greater scrutiny. Consumers are sometimes surprised by the many ways genetic information can be used. Earlier this year, police in California disclosed they tracked down a suspect in a decades-old string of serial murders with help from the genetic information of a distant relative, which was available in a public database. Investigators have applied similar methods to solve other old criminal cases.

Businesses are also beginning to get attention for how they use people's genetic information. Drugmaker GSK announced in July that it was investing \$300 million in 23andMe and embarking on a multiyear collaboration to mine genetic information in the testing company's database to accelerate drug development and identify candidates for clinical trials. 23andMe says it shares only aggregated information with collaborators, not any individual information.

Consumers also worry that the results of testing might be used to discriminate against them when trying to get insurance. There are federal and state laws that govern different aspects of genetic testing, but not all apply to consumer companies or cover all forms of insurance.

There are efforts to help. Over the summer, the Future of Privacy Forum and several consumer testing companies, including 23andMe, Ancestry, Helix, MyHeritage and Habit, released a set of best practices they agreed to follow and say can help the burgeoning industry. Among the principles: providing consumers with an overview of key privacy protections.

Genetic counselors and privacy researchers advise people to read the companies' policies carefully.

They also offer some questions to consider:

### How heavily can I rely on health and disease-risk results I get?

Direct-to-consumer genetic testing can provide information about potential health risks. But the results aren't always as clear as consumers

might assume. Just because someone is at higher risk for a disease doesn't mean he or she will get it. Diet, environment, lifestyle, family history and other factors play a role. Stacey Detweiler, a genetic counselor at 23andMe, says consumers should always consult with a physician or genetic counselor before taking any action based on test results.

Some companies say they will test DNA to give advice about the best diet or most suitable romantic partner. These claims aren't "scientific," experts say, and may raise false expectations.

### Why are my ancestry-test results different depending on the company?

Companies rely on proprietary databases and algorithms to make their

assessments. Results may vary depending on how many people a company has in its database, as well as how diverse their backgrounds are. Some groups, including people of African and Southeast Asian descent, are often underrepresented in databases.

And companies may update their own methods for making estimates about people's ethnicity, leading to new interpretations. In September, Ancestry announced it was using a new algorithm that would analyze longer segments of people's DNA and offer more specific geographic results.

Political and geographic borders of countries have shifted over history, and tribes and people migrated to different places. How companies define ethnicity or national origin may differ from people's own definitions or their oral family traditions.

### Will I be paid if a testing company sells or licenses my genetic information to someone else?

Overall, the answer is no. But if you consent to participate in research, some companies may compensate you for your time through gift certificates, discounts on future purchases or small charitable donations, depending on the circumstances and their legal and ethical guidelines.

### What happens to my DNA sample after the test is run?

When people request a kit, companies will often ask whether they want to have their DNA sample stored or discarded. If the customer

chooses to store the sample, it may be retained anywhere from one to 10 years. Customers can change their minds and opt to discard the sample at a later date.

Some people want the sample destroyed because they want to minimize the risk of misuse or unauthorized disclosure of data, Vanderbilt University researcher James W. Hazel says, or they simply have a change of heart. But others may choose to store the data, hoping to learn more from a reanalysis down the line as understanding of genes continues to improve.

### If I consent to allowing my DNA to be used in research and later change my mind, can I withdraw my consent and remove my data?

Individual company policies should be checked, but in general, the rule is: Yes, you can. Instructions on how to make a request can be found on company websites. But many companies also state that while you are free to withdraw your consent for participation in future research studies, data that have already been entered into a study won't be pulled out.

### Can genetic information that I find out through testing be used to discriminate against me?

A federal law called the Genetic Information Nondiscrimination Act bars health insurers from using genetic information to determine someone's eligibility or coverage. But the law doesn't prevent genetic discrimination by life, disability or long-term-care insurers.

**Ms. Dockser Marcus is a Wall Street Journal reporter in Boston. Email [amy.marcus@wsj.com](mailto:amy.marcus@wsj.com).**

GETTY IMAGES

## Benefits Of Density

People in compact areas live longer, a study finds

BY HEIDI MITCHELL

URBAN SPRawl may be bad for your health.

So says a recent study published in the International Journal of Environmental Research and Public Health that found, all other things being equal, Americans who live in compact metropolitan counties live longer on average than those who reside in more sprawling ones.

For years, the U.S.'s life-expectancy ranking has been falling compared with other developed nations, and sociologists have been looking at factors such as gender, race, education, income, population, environment and behavior to determine why. This study, conducted by Shima Hamidi, the director of the Institute of Urban Studies at the University of Texas at Arlington, identifies a potential new factor: the effect of urban sprawl on residents' health.

Using 2010 census data, Dr. Hamidi measured the compactness of almost 1,000 urban, suburban and exurban counties in America, with the average score being 100. Areas that scored above 100 are considered more compact, those below 100 more sprawling, she explains.

After controlling for income and other socioeconomic variations among counties, as well as behavioral and environmental factors, the study found that a doubling of a county score was associated with a 3.5% increase in its residents' life expectancy. For the average American with a life expectancy of 78 years, this translates into a 2.7-year difference.

"There are disparities of more than 20 years between counties with the highest and lowest life expectancies, but we found that the impact of sprawl amounts to about a 2.7-year difference on average," she says.

For Dr. Hamidi, three main factors stood out in her research. First, while compact counties have more car crashes, they are 15% less likely to be fatal, due to slower speeds and quicker care. Another factor, as she expected, is obesity. "Compact areas provide opportunities for being physically active and being less car-dependent, not to mention having better access to healthy food," she says. The third factor, surprisingly, is air quality, "because denser places are more reliant on public transit systems or walking and biking in mixed-use areas," she says.

"It isn't an easy fix," Dr. Hamidi says. "But if we can get started thinking about quality-of-life aspects of sprawl now, perhaps we can prioritize enacting zoning codes that encourage what we call smart growth: mixed-use developments, downtown residency and investment around transit stations."

**Ms. Mitchell is a writer in Chicago. Email [reports@wsj.com](mailto:reports@wsj.com).**

## New, Improved Infant Care

Continued from the prior page

they are learning more about how a baby's early experiences—like exposure to a mother's voice, the room environment and painful experiences like the needles used to place an IV—might affect brain development. "It's not just brain injury, but the experience of the baby in the NICU and the amount of infant stress that cause deviation and disturbance in brain development," says Terrie Inder, chair of the department of pediatric newborn medicine at Brigham and Women's Hospital in Boston.

In a newly expanded NICU at Brigham and Women's, the hospital recently installed the Embrace neonatal MRI, a system designed specifically for the NICU. Dr. Inder says it will let researchers track how infants' brains are developing, assess whether brain injury has occurred and guide which treatments may help prevent disability.

### Studying infant genomes

A blood test known as the "heel stick" for newborns screens for about 30 conditions. But with funding from the National Institutes of Health, researchers at Brigham and Women's, Boston Children's Hospital and Massachusetts General Hospital are investigating a more extensive screening: genome sequencing, which examines large numbers of genes within the DNA of these infants. The study, called the BabySeq Project, is exploring how to analyze and present this information, and tracking how parents and doctors will understand and use it.

The project recently completed the first phase of enrollment, recruiting and enrolling 325 families and randomizing them to receive sequencing or usual care. Families of infants who will receive sequencing learned the results and will remain in contact with the study team

for the first year of the baby's life; they may be asked to fill out surveys about how the results play a role until the child is 18.

Results will be shared with primary-care providers, and families and providers will be surveyed about how the results affect the baby's medical care and how participation has affected stress or family relationships. "Sequencing at birth could provide a template—a book of life, if you will—to predict conditions or decide what medications to use for an entire lifetime," says Robert Green, a medical geneticist at Brigham and Women's and professor at Harvard Medical School who is co-leading the study.

In addition, parents have been told when their infant carries a change in DNA that confers risk for any of several thousand childhood-onset diseases caused by a single gene.

Dr. Green notes that "it has been extremely controversial to sequence healthy babies because no one knows what you will find" or how it might trigger unnecessary testing, interfere with parent-child bonding or create distress for parents. Concerns about privacy, as well as potential insurance discrimination, have been barriers to some families who declined to participate.

Researchers are also investigating the role of epigenetics—external modifications to DNA that switch genes on and off—in the inheritance of traits such as obesity. They're studying whether weight-control genes could be switched from obese to lean by supplementing diet, minimizing stress or using drug therapies.

### A low-tech breathing aid

After a baby is delivered, more hospitals are delaying cutting the umbilical cord for up to a minute—a practice known as delayed cord clamping, which provides extra blood and nu-

trients from the placenta.

However, each year about 10 million babies are born not breathing, and six million of those need to be resuscitated. In those cases, the cord is cut right away and the babies handed off to a special resuscitation team. But animal studies have shown that clamping the cord before a baby breathes can cause the heartbeat to slow and decrease the amount of blood being pumped out of the heart each minute.

Obstetricians are now testing whether there is any benefit to providing extra blood from the placenta at the time of delivery to nonbreathing infants. With funding from the federal Eunice

Kennedy Shriver National Institute of Child Health and Human Development, researchers led by a team at Sharp Mary Birch Hospital in San Diego are investigating whether they can reduce NICU admissions and later developmental problems by using a technique called umbilical-cord milking on babies who are not breathing.

Anup Katheria, lead researcher on the study and director of the neonatal research institute at Sharp, says umbilical-cord milking will be used for full- and near-term infants who are born needing resuscitation at birth. Delivery teams will leave the cord intact and squeeze the cord quickly "like a tube of toothpaste" four times toward the baby, without delaying resuscitation procedures, he says.

"That blood is full of billions of stem cells the baby will have for the rest of their lives, so why not give them the extra cord blood when they need it most?"

### Improving postpartum care

Maternal-health experts have developed the concept of the "fourth trimester" to describe the weeks following birth, a critical period for a mother and infant that can set the stage for long-term health and well-being.

In May, a presidential task force overseen by the American College of Obstetricians and Gy-

necologists recommended a number of improvements in postpartum care, saying the current system leaves many women to navigate physical and emotional challenges on their own until the traditional postpartum visit as many as six weeks after delivery—and as many as 40% of women don't attend those.

Part of the problem is that the visits don't cover many issues women need help with, including emotional well-being, physical complications from giving birth, sleep and fatigue. They also may fail to provide counseling on breast-feeding or assess a mother's confidence in caring for the newborn.

"These visits aren't providing value," says task-force co-chair Alison Stuebe, associate professor of obstetrics and gynecology at the University of North Carolina School of Medicine. "A patient comes in, and the doctor may say it's OK to have sex again, but that's not necessarily all women want to hear about."

The task force recommends reimbursement policies that cover postpartum care as a continuing process. New mothers should have an assessment within the first three weeks after birth and ongoing care as needed, concluding with a comprehensive well-woman visit, not later than 12 weeks postpartum.

More broadly, the task force says provisions for paid parental leave are essential to enable women to recover after birth and nurture their infants. During the first few months of newborns' lives, the researchers say, they require intense, womblike nurturing. Viewing the mother and infant as a unit—and supporting the mother's needs more effectively—may be one of the most important factors in ensuring newborns get the care and development they need.

**Ms. Landro**, a former Wall Street Journal assistant managing editor, is the author of "Survivor: Taking Control of Your Fight Against Cancer." Email [reports@wsj.com](mailto:reports@wsj.com).



Terrie Inder's team in Boston is seeking ways to prevent or minimize brain injury.



Anup Katheria's team in San Diego is trying a technique called umbilical-cord milking.

SHARP HEALTHCARE

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## JOURNAL REPORT | INNOVATIONS IN HEALTH CARE

# Are Eggs Bad for You?

For years, eggs were synonymous with a healthy breakfast. Then the tables turned. Doctors and nutritionists started saying not to eat eggs, particularly if you wanted to avoid heart disease.

The problem: Eggs contain unwanted

cholesterol, and diners ingest more saturated fat when they consume eggs prepared in typical ways.

But eggs also are rich in protein and other important nutrients, leading some scientists to argue that the benefits of eat-

ing eggs outweigh the risks.

The American Heart Association and the U.S. Department of Agriculture both have increased their estimates of the amount of eggs that can be safely consumed each day, suggesting that warnings about eggs

have been overdone.

And yet to many scientists, concerns about cholesterol and fat in our diets are as valid as ever.

So, about those eggs: Sunny-side up? Or thumbs down?

## YES: They Are Tasty, but Not Worth the Increased Risk of A Heart Attack

BY WILLIAM C. ROBERTS



ATHEROSCLEROSIS, which includes blockages and hardening of the arteries, is caused by cholesterol, and the higher the blood-cholesterol level, the greater the chance of having a heart attack.

The human food that has the highest concentration of cholesterol is the egg.

There are at least four factors that support the idea that cholesterol causes atherosclerosis: 1) atherosclerosis is easy to produce experimentally. If a high-cholesterol diet is given to herbivores (rabbits, monkeys), plaque develops rapidly in the animals' arteries; 2) cholesterol is present in the arterial plaques; 3) societies with high blood-cholesterol levels have far more atherosclerotic events than societies with low blood-cholesterol levels; and 4) lowering the blood cholesterol level, and specifically the low-density lipoprotein, or LDL, cholesterol level, lowers the frequency of atherosclerotic events.

The typical "large" egg weighs about 60 grams (2 ounces) and contains 215 to 275 milligrams of cholesterol. The American Heart Association recently withdrew its recommendation to limit the dietary intake of cholesterol to less than 300 mg in healthy adults and less than 200 mg daily in adults with a "high risk" of an atherosclerotic event, because many studies have shown no effect or little effect on the blood LDL cholesterol levels for adults who eat no more than one egg a day.

But is this result indicative of the harmless effect of dietary cholesterol on our arteries? Or does it reflect the difficulty in doing studies focused on a single food item? Many studies are only several weeks in duration, and some very-long-duration studies—longer than 20 years—usually don't take into consideration changes in dietary cholesterol intake over time or consumption of cholesterol in processed foods, or cakes, or cookies, or salad dressings. Many studies relied on self-reporting of the eggs consumed.

Maria Luz Fernandez and her colleagues at the University of Connecticut have done several studies, each involving 50 or fewer healthy or unhealthy adults or children, determining the effect of eating one, two or three eggs daily for one to three months (usually four to six weeks). They have found that, although the LDL cholesterol may increase, the HDL cholesterol, "good" cholesterol, does as well, such that the ratio between the two is usually unchanged. And

while it is true that everyone absorbs dietary cholesterol at different rates, few of us know whether we are superabsorbers or poor absorbers. Lifelong recommendations based on studies of roughly 50 patients and for no longer than three months seem a bit chancy. Also, some of these studies have been funded by the Egg Nutrition Center, an advocacy group for the egg industry.

Adults rarely consume one egg by itself. Eggs often come with bacon or sausage, buttered toast, french fries, and are often cooked in butter or other oils high in fat. They are sometimes covered with ketchup, the sugar content of which is higher than that of ice cream. It is the saturated fat (mainly from animal muscle, cheese, milk and butter, or from oils) that raises our blood cholesterol level the most. Thus, the company that eggs keep may be more detrimental to our health than eggs themselves.

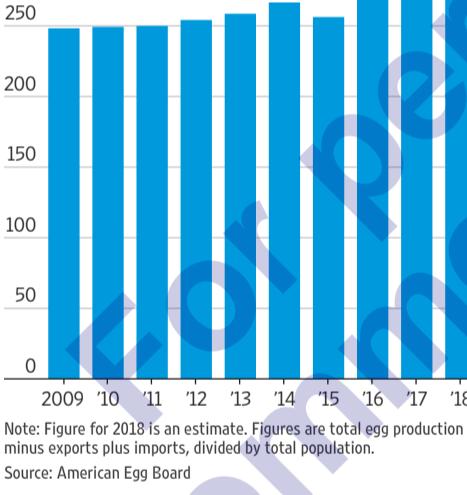
Eggs do have some positive characteristics. They are high in protein and low in fat, only a third of which is saturated. They are relatively low in calories (about 75), high in minerals and vitamins. Nevertheless, eggs, in my view, should not be eaten daily. The risk is not worth the pleasure.

I recommend limiting eggs to special occasions and taking a statin—a miracle drug that is to atherosclerosis what penicillin is to infectious diseases—along with the egg!

*Dr. Roberts is executive director of the Baylor Scott & White Heart and Vascular Institute at Baylor University Medical Center; dean of the A. Webb Roberts Center for Continuing Medical Education for Baylor Scott & White Health System; a professor at Texas A&M College of Medicine, Dallas Campus; and editor in chief of the American Journal of Cardiology and Baylor University Medical Center Proceedings. Email him at reports@wsj.com.*

## Growing Appetite

U.S. egg consumption per capita



## NO: There Is No Direct Link Between Diet and Cholesterol Levels

BY MARIA LUZ FERNANDEZ



IT'S TIME WE PUT to rest the fallacy that eggs are bad for you.

A vast amount of research has clearly proved that there is no correlation between consuming eggs and increased risk for heart disease. The U.S. Department of Agriculture agrees, and, accordingly, in its latest dietary guidelines, released in January 2016, no longer recommends an upper limit for cholesterol in one's diet.

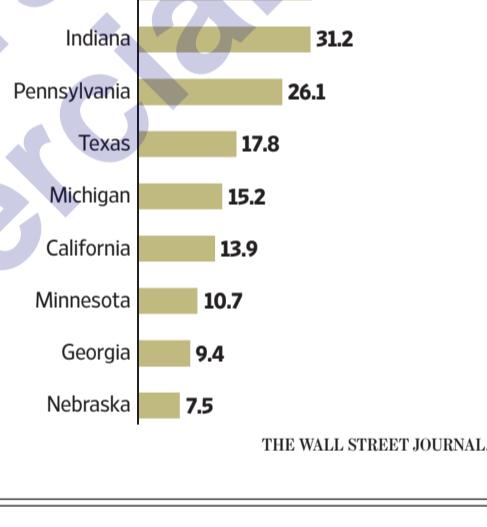
Two important points: First, there is no direct link between cholesterol levels in the blood and eating foods with cholesterol. Cholesterol that we eat doesn't necessarily end up in our blood because our digestive system eliminates most of it. The average person absorbs into their bloodstream only 20% to 60% of the cholesterol they eat, and some absorb as little as 5%.

Second, our bodies naturally produce and regulate levels of cholesterol, so even vegans who don't consume any cholesterol will always have cholesterol in their blood. But even if a person consumes high amounts of cholesterol, the body has a mechanism to compensate by instructing cells to make less cholesterol, keeping the concentration of blood cholesterol the same.

In some cases, eating eggs can raise high-

## Biggest Producers

The top 10 egg-producing states, based on number of hens in millions



THE WALL STREET JOURNAL.

# Scientists Put Sound Under the Microscope

They are looking at what kinds of noise most annoy us—and what kinds can make us feel better

BY ADRIENNE ROBERTS

PUBLIC OFFICIALS and scientists are increasingly absorbed in the study of how sound affects our health.

Negative effects, such as stress from the roar of traffic, are getting most of the attention. But sound experts also are looking at ways that sound can be engineered to both soothe spirits and serve safety needs.

Much of the concern is driven by the increasingly urban, and noisy, environments in which so many people live. A World Health Organization study in 2011 made the case that at least one million West Europeans could expect to lose on average about a year of good health over the course of their lives due to traffic noise. Traffic noises cause high blood pressure, interrupt sleep and increase stress, the study found.

Noise at street level in New York City was found to average about 73 decibels in a 2015 study published in the journal Environmental Health. The Environmental Protection Agency has found that outdoor noise levels above 55 decibels can be dangerous to one's health, and that chronic exposure to noise levels above 70 decibels can lead to hearing loss and health problems.

### Layers of noise

As a result, some researchers are gathering data that they hope can help bring urban noise to a healthier level. Erica Walker, for one, a researcher in the Boston University School of Public Health, is attempting to compile detailed sound maps of cities around the world, starting with Boston. She has recorded sound levels across the city and interviewed residents about what noises and neighborhoods are the worst.

Ms. Walker says that with her research, she also wanted to "take a step back and peel back the layers of what is noise."

"I found that there are components of sound we don't regulate and don't measure,"

she says. For instance, Ms. Walker has found that sound frequency—the speed of the vibration that determines the pitch of the sound—is what bothers residents the most, such as when people waiting at a bus stop can feel the reverberations when a bus passes by.

Ms. Walker has designed an app, called NoiseScore, that she hopes will help her measure detailed noise levels in cities around the world. In addition to measuring noise levels, the app shows the precise location and gives users the ability to report the event with photographs, video and descriptions of the noise. While the app is still in the pilot phase, Ms. Walker says she envisions the data it gathers being used by city officials around the world to better understand and manage noise in their cities and to improve residents' health.

For instance, in Boston neighborhoods with lots of parks and trees, residents report less noise and related stress than they do in some other neighborhoods—even when measured noise levels aren't much different. In response, Ms. Walker says, Boston and other cities could

plant trees and take other inexpensive measures to make residents happier and more relaxed.

In New York City, where noise is one of the most frequent complaints on the city's 311 hotline, scientists at New York University's Center for Urban Science and Progress, or CUSP, are measuring noise levels in Manhattan, Queens and Brooklyn using small recording devices installed on buildings. More than 50 sensors have been installed so far.

Justin Salamon, a senior research scientist at CUSP working on the project, says that while New York has a fairly advanced noise-control program compared with other cities, it is difficult to enforce noise violations. By the time the city's Department of Environmental Protection sends an inspector to the scene of a complaint, he says, the noise is often gone.

The sensors can help remedy this, Mr. Salamon says, by constantly measuring noise levels and recording sounds. The sounds are fed into computers that use machine learning to identify the sources of noises, whether it is a dog barking or a construction worker drilling. The sci-

tists plan to create a real-time noise map with the data to better identify hot spots and make it easier for the city's environmental protection officials to uncover and resolve problems.

### Using 'soundscapes'

Some smaller cities, meanwhile, are attempting to improve residents' health and quality of life by creating "soundscapes."

Rex Parris, mayor of Lancaster, Calif., hired the U.K.-based sound consultant Julian Treasure to create a composition of music and bird sounds to play on speakers along a mile of the city's main street. Mr. Parris says people initially thought he was "mentally deranged" but have since warmed to the sounds. Next, he plans to install a trolley on the same street and remove vehicles so that traffic noise doesn't interfere with the audio.

Efforts elsewhere to reduce noise caused by traffic include experiments by the states of Texas and Arizona with different types of highway pavements in a bid to reduce tire noise.

Sound innovations by the auto industry itself, meanwhile, could contribute to public safety and health. Because electric vehicles are silent when traveling at low speeds, they sometimes pose a danger to cyclists and pedestrians. Regulations in the U.S. and elsewhere are expected soon to require that electric and hybrid vehicles make noise. Thus, automotive engineers and designers are trying to create an appropriate and unique sound.

Nissan Motor Co. hired the composer Joel Beckerman, founder of the firm Man Made Music, to create a sound for its electric vehicles. Mr. Beckerman, whose client list includes AT&T Inc. and "The CBS Evening News," ultimately created a sound that he says has warm, inviting and musical qualities—a sound that is recognizable as a vehicle but not unpleasant to pedestrians.

He says when he was designing the sound, he was thinking both about the noisy city landscape of today but also a quieter future.

The vehicle of tomorrow, he says, should be enriching the aural environment."

*Ms. Roberts is a reporter for The Wall Street Journal in Detroit. She can be reached at adrienne.roberts@wsj.com.*

## JOURNAL REPORT | INNOVATIONS IN HEALTH CARE

# Health Care Looks Beyond Medicine

Providers put more focus on social issues—such as housing and nutrition—that can make fighting disease more difficult

BY BRIAN GORMLEY

**THE LATEST EFFORTS** by health organizations to fight disease extend well beyond medical care.

With a growing body of research showing that social and economic forces play a significant role in health, many medical groups are investing in programs to help needy patients secure basics such as affordable housing, transportation and nutritious food. By tackling such non-medical issues, often called the social determinants of health, they aim to ease the burdens that make battling disease more difficult.

Their efforts coincide with the shift toward value-based health care spurred by the Affordable Care Act. Things like bundled payments—in which providers receive a single sum for an episode of care—have incentivized the medical community to focus on patient outcomes instead of performing procedures. Medicare penalties for excessive hospital readmissions, in effect since 2012, also have encouraged a closer look at social forces contributing to disease.

#### Thinking outside the clinic

"This movement toward paying for outcomes is making people raise their heads up from just looking inside the clinical walls to looking outside to see what else can be done," says Sanne Magnan, a senior fellow with HealthPartners Institute and an adjunct assistant professor of medicine at the University of Minnesota.

The U.S. health-care system is geared toward medical treatments, yet an analysis of the external forces that contribute to a population's health found that clinical care accounts for just 20%, according to County Health Rankings & Roadmaps, a collaboration between the Robert Wood Johnson Foundation and the University of Wisconsin Population Health Institute.

Social and economic forces such as income, education and community safety exert a much greater influence,



Geisinger health system in Pennsylvania provides nutritious foods to some adults with Type 2 diabetes.

at 40%, while healthy behaviors and physical environment account for the rest, the group estimates. (It derived the percentages by considering, among other things, the historical influences these forces have had on health, along with its own analysis of publicly available data, says Director Julie Willems Van Dijk.)

"We've placed a high value and have invested heavily in building our care-delivery system," says Paul Roth, head of the University of New Mexico Health Sciences Center. "We've shortchanged our health outcomes by neglect of these other factors."

Several studies tie social needs to poor health and heavy use of medical services. Unstable housing, for example, is associated with increased risk of diabetes-related emergency-department and inpatient use, according to a study published in May in the journal Diabetes Care. Similarly, homeless people have frequent hospitalizations and emergency-department visits, according to a 2015 paper published in the American Journal of Public Health.

Efforts by health systems to address patients' social needs are still in the early stages, says Dr. Magnan. Health organizations are testing a variety of approaches to find the

programs that will have the greatest effect on health outcomes and costs.

Community health workers, case managers and nurses at UnitedHealthcare, the health-benefits and care-services arm of **UnitedHealth Group** Inc., screen patients for social needs and use software from New York startup **Healthify** to connect them with community groups who can assist them and coordinate with

medical appointments and the resulting delays in care cost the U.S. medical system \$150 billion a year, the American Hospital Association reported last year.

Rush University Medical Center in Chicago is using technology from local startup Higi to learn about the social needs of the community around the hospital. Higi kiosks in pharmacies and other community locations allow consumers to check their blood pressure, pulse and other health measures. The stations also can be used to gather data about users' housing, transportation and other social needs. Rush uses the information to connect people with community resources in an effort to resolve problems that contribute to illnesses or interfere with treatment.

Some research indicates that medical costs decline when patients' social needs are met. **WellCare Health Plans** Inc., based in Tampa, Fla., operates a call center for people seeking help with social needs such as transportation and housing. Call-center staff refer callers to community organizations.

A study published in the journal Population Health Management this year examined the program's financial impact. Researchers compared callers who received social referrals

#### Several studies tie social needs to poor health and heavy use of medical services.

service providers to ensure their needs are met, says Jeffrey Brenner, senior vice president, clinical redesign, for UnitedHealthcare Community & State. "When a patient gets admitted to the hospital because they couldn't pick up their meds or are homeless, that's a waste of societal resources," he says.

Others are using technology from Boston-based **Circulation** Inc. to coordinate nonemergency transportation for patients who lack it. Missed

and said they went on to have their needs met with a control group of people who reported their needs weren't met. By comparing medical expenses for the year before and the year after the referrals, they found that those saying their needs were met had an 11% reduction in second-year total health-care costs, while callers who said their needs remained unmet had a 1% decrease.

Why callers who said their needs remained unmet had lower health costs is unclear, but one possibility is that they faced obstacles not measured in the study that hindered their use of social and medical services, the authors said.

Health system **Geisinger**, based in Danville, Pa., has seen savings from a program providing free nutritious foods, along with other health services, to adults with Type 2 diabetes who need food assistance. Geisinger, which is funding the program, saw medical costs drop by two-thirds on average for participants in the program, according to an article co-written by Andrea Feinberg, chief health officer for the Steele Institute for Healthcare Innovation at Geisinger, and published in Harvard Business Review last year.

Geisinger plans a larger study to further evaluate the program.

#### Community investment

Some health systems are even investing in affordable housing, betting it will lead to lower health costs in the communities they serve.

In May, **Kaiser Permanente**, Oakland, Calif., said it would invest up to \$200 million in projects to preserve and construct affordable housing and revitalize neighborhoods, among other things. **SBH Health System** in New York is building a Bronx development with affordable-housing units, a fitness area, pharmacy and rooftop farm, with a goal of improving health in the area and cutting medical costs.

And Boston Medical Center in December pledged to invest \$6.5 million in affordable housing by supporting community partnerships. Investments include a \$1 million fund that provides grants to groups that help people avoid eviction.

**Mr. Gormley** is a reporter for The Wall Street Journal in Boston. Email [brian.gormley@wsj.com](mailto:brian.gormley@wsj.com).

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## JOURNAL REPORT | INNOVATIONS IN HEALTH CARE

# Cancer Patients Get Aid From Coaches

Advisers can help with the challenges that arise during and after treatment

BY BARBARA SADICK

TOM LOESWICK has faced a series of illnesses in his life, but when he was diagnosed with stage 3 lymphoma in 2012 at the age of 61, he felt helpless, emotionally drained and disconnected.

Overwhelmed, Mr. Loeswick turned to cancer coach Shariann Tom. Ms. Tom, a five-time cancer survivor and former executive coach, helped Mr. Loeswick understand the emotions he was feeling—especially anger—and helped him move forward, he says.

"I was angry at being sick, and I was angry at God," says Mr. Loeswick, now a coach for people with chronic illnesses such as cancer and diabetes in Los Gatos, Calif. "But with Shariann helping me prevent myself from sinking into deep potholes, I was able to make it through the experience."

For a growing number of cancer patients, cancer coaches—some of whom have had cancer themselves—offer help with the physical, emotional and intellectual challenges that can arise during and after treatment. The coaches give advice in such areas as nutrition, exercise, weight management and other health issues. They also address spiritual concerns and the nuts and bolts of going back to work after treatment is done.

## Help focusing

"It's a hard feeling when cancer gets better and support disappears," says Dean Felsher, a professor of oncology at the Cancer Institute at Stanford Medicine, the medical school of Stanford University. "That's when a person needs to focus on how they have been affected by the experience and its treatment; cancer coaching is a good option to do just that."

For patients and families, however, a lack of regulation and certification can make it challenging to identify and assess such specialists. What's more, their services can be expensive, costing \$100 to \$300 a session, and typically aren't covered by insurance. In the U.S., there are several groups that offer training and certification for health and other kinds of coaching. A recent partnership between the International Consortium for Health and Wellness Coaching and the National Board of Medical Examiners launched a National Board for Health and Wellness Coaching to create requirements and standards. The International Coach Federation is another certification board. But these groups don't offer certifications specifically in cancer coaching.

In addition, some critics argue that cancer centers already provide much of the support that cancer coaches say they offer without



USA/WISEMAN FOR THE WALL STREET JOURNAL

When Tom Loeswick was overwhelmed by his cancer diagnosis, a coach helped him come to terms with it.

charging for it.

"If the hospital oncology team is doing a good job, patients should be getting all the medical and supportive services they need before, during and after treatment without having to pay for it," says Lillie Shockney, an oncology nurse navigator and administrative director of the Johns Hopkins Breast Center in Baltimore.

Cancer coaches, though, say hospitals sometimes fall short, which is where they come in. "Hospitals often have limited resources, so when coaches are available to support patients in taking a more active role in their cancer care, it benefits everyone," says the American Cancer Society's Dawn Wiatrek, strategic director, cancer treatment access.

The society recently received a \$1.5 million grant from the Merck Foundation to offer coach training to patient navigators at cancer centers.

"We are providing our navigators with tools that allow them to better tailor the support they are providing to patients, while encouraging patients to become more engaged in managing the barriers they are facing in accessing quality care," Ms. Wiatrek says. "This approach offers benefits for the patient, the navigator and the health system."

## Residual trauma'

In addition, there are those instances where individuals seek out, or are referred to, independent coaches for extra help.

Paula Holland De Long of Fort Lauderdale, Fla., certified by the International Coaching Federation as an associate certified coach, helps people recover from cancer. Ms. De Long, a cancer survivor herself, says she got her start as a volunteer for the American Cancer Society in Texas, where, among other roles, she

became a trainer for breast-cancer visitation programs. During that time, Ms. De Long says, she discovered that the emotional challenges of recovering from cancer are universal.

"Survivors who are ending treatment and creating new normal lives benefit most from my work," she says. "The residual trauma of the chaotic experience and loss of regular contact with the health-care team

\$100 per hour.

Ms. Tom, the coach who helped Mr. Loeswick, is a co-founder of Cancer Journey, a San Francisco-based company that coaches its clients—patients, survivors or caregivers—on dealing with the challenges of cancer. The service, which started in 2007, offers counseling by phone or in person if a coach is available where a client lives. Clients generally use the service three times a month for three to six months, and, depending on the type of coaching, pay \$100 to \$167 for each 45-minute session, Ms. Tom says. The company also trains coaches, with training typically taking 10 months and costing \$9,000.

When Ms. Tom was first diagnosed with cancer in 1998, she says, she couldn't cope or figure out how to proceed with a meaningful life, and her family, friends and cancer professionals were unable to help her. She later discovered life coaching and entered the Coaches Training Institute. Not long after that, she says, she and co-founder Keri Lehmann created Cancer Journey.

Alison Gause, an oncology patient navigator at the Cancer Institute of Marin General Hospital in Marin County, Calif., says she sometimes refers patients to cancer coaches when they are finished with treatment. Because cancer patients are often faced with their own mortality, they want to move forward in ways that are new and different from before, Ms. Gause says.

"It's about being mindful of how a person wants to live after treatment is over," she says, "and working with a trained coach can help people tap into their own inner strengths and resources."

**Ms. Sadick is a writer in New York. Email: reports@wsj.com.**

# Learn, Bike, Then Sleep

A new study offers a clue to how to best retain a new skill

BY LISA WARD

SCIENTISTS ARE discovering new connections between learning, exercise and sleep.

A new study suggests that when learning a new task, people improve the long-term retention of those skills when they exercise intensely for as little as 15 minutes immediately afterward—provided this is followed by a good night's sleep. The study was published in March in the medical journal *NeuroImage*.

"Very little research looks at the relationship between exercise, sleep and memory formation, though there is clearly a connection between the three," says Marc Roig, one of the March paper's co-authors and an assistant professor at McGill University's School of Physical and Occupational Therapy.

The findings could help speed up recovery from stroke or injury, or be used to assist anyone learning a new motor skill, the scientists involved say.

In the study, participants learned to use a joystick-like device called a dynamometer to play a videogame. Immediately afterward, half the participants rested, while the other half biked intensely for 15 minutes. For those who underwent the short bout of exercise, Dr. Roig says, the researchers observed the brain operating with increased efficiency, which may have helped them retain the skill they just learned. The study was the first to show how exercise affects the brain after motor learning.

Eight hours later, the researchers asked all of the participants to repeat the task they had learned, and again, 24 hours later. At the eight-hour mark there was no difference between the group that had exercised and the group that had rested. But 24 hours later, the skill-retention rate was about 25% better for the group that had exercised, compared with the group that had not exercised.

Past research shows that if someone learns a motor skill during the day, the motor cortex, the region of the brain associated with executing movement, is active at night during certain stages of sleep. Dr. Roig says he wants to do a follow-up study to better understand how this contributes to memory formation.

**Ms. Ward is a writer in Mendham, N.J. She can be reached at reports@wsj.com.**

# First-Aid Training Targets Mental Health

A growing program teaches people to identify and respond to others who are in emotional distress

BY BONNIE MILLER RUBIN

FIRST-AID TRAINING equips anyone to help people who are injured or physically ill. Which raises the question: Could mental-health first-aid training enable anyone to help people with panic attacks, suicidal thoughts or hallucinations?

"I have a lot of friends who struggle with depression and anxiety," says Agata Jasinska, a nanny and part-time catechism teacher in Chicago. "If there's any way we can help," she says, "we should train ourselves."

Ms. Jasinska was one of 14 people who paid \$65 to attend a recent eight-hour class in Chicago offered by Mental Health First Aid, a fast-growing program that trains people to identify, understand and respond to others who are in emotional distress—whether on the job, in community spaces, on the streets, or at home.

Since its introduction in the U.S. a decade ago, Mental Health First Aid, or MHFA, has trained more than one million people across the country. Since 2014, the Substance Abuse and Mental Health Services Administration, part of the U.S. Department of Health and Human Services, has provided more than \$15 million to state and local education agencies to implement MHFA programming.

"People understand that mental-health problems are common," says Myra Rodriguez, who has conducted 30 MHFA courses in Chicago since becoming a certified instructor last year.

"Everyone has been touched by it, whether it's your own experience or someone close to you," she says.

"There's an appetite for knowledge and to have the skills to help someone in need."

## A debate on efficacy

The program's impact on mental illness, however, is hard to measure. Bruno Anthony, a professor of child and adolescent psychology at the University of Colorado School of Medicine, published a study on MHFA earlier this year in the *American Journal of Health Promotion*. While participants showed an almost 30% increase in knowledge about mental-health issues and confidence in offering assistance, there's scant data on how such interventions benefit the recipients, says Dr. Anthony. "The impact on those who are touched by MHFA trainees is still to be determined," he says.

Some critics say the program diverts attention and resources from efforts to help those with severe mental illness. The national priority, they say, should be removing barriers to care, such as a shortage of clinicians, insurance disparities, and laws that make it almost impossible to compel someone to get treatment.

"Identifying mental illness is not the problem; getting services is," says DJ Jaffe, who runs Mental Health Policy Org., a nonprofit that provides policy analysis. As for the MHFA program, "there's absolutely no evidence on how this affects the very people they're trying to help," he says.

Supporters of the program stress the value of educating the general population about mental-health disorders. "Making Americans aware that mental illnesses are exactly that—illnesses—and that people can and do recover should lead to better



TAYLOR GLASCOCK FOR THE WALL STREET JOURNAL

Myra Rodriguez says people want 'the skills to help someone in need.'

funding," says Peter Earley, an activist who writes frequently about the mental-health system. "Just as knowledge about the AIDS epidemic prompted more research and treatment."

Linda Rosenberg, chief executive of the National Council for Behavioral Health, which sponsors MHFA training nationwide, rejects the idea that the program siphons attention and resources away from other mental-health issues. "Are we so poor a country that we accept the forced choice of education versus treatment?" she asks. "Do we do that with other diseases? I understand the dedication to people with the most serious mental illness, but I refuse to believe that all else needs to be sacrificed."

In a typical MHFA training session, participants role-play various scenarios, following a template for how they should respond called Algee, for the five steps it includes: assess for risk; listen nonjudgmentally; give reassurance and information; encourage professional help when needed; and encourage self-help.

For example, if a co-worker seems unusually withdrawn or isn't com-

pleting work, there's a big difference between saying "What's wrong with you?" versus "I'm concerned about you. I've noticed a change. Is there something you'd like to share?" says Betsy Schwartz, vice president for public education and strategic initiatives at the National Council for Behavioral Health. "One sounds accusatory, while the other is creating empathy without being overly intrusive."

At the conclusion of the program, trainees leave with phone numbers for referrals. They are reminded to use their skills to de-escalate situations, but to never put themselves at risk.

"If you take CPR, you are not trained to be a cardiologist; you are learning how to help someone until they can get professional care," Ms. Schwartz says.

## Help for students

At the University of Chicago, more than 500 staff, faculty and students have taken the MHFA course since 2015, according to Julie Edwards, director of health promotion and wellness at the university. She says the class became a requirement

## How to Help

Mental Health First Aid's basic plan, known as Algee, as taught in its courses

<b>A</b>	Assess for risk of suicide or harm
<b>L</b>	Listen nonjudgmentally
<b>G</b>	Give reassurance and information
<b>E</b>	Encourage appropriate professional help
<b>E</b>	Encourage self-help and other support strategies

Source: Mental Health First Aid USA

last fall for resident assistants—students who advise dorm residents on virtually everything, from roommate problems to planning dorm activities.

The academic environment can be intense, filled with high achievers who hold themselves to rigorous standards, says Hamilton Wilson, who is starting his second year as a resident assistant at the university. A senior majoring in sociology, Mr. Wilson is responsible for 100 students on three dorm floors. He has never dealt with a suicidal student, he says, but the MHFA training has still come in handy—in helping not just students, but also friends and family. "I was able to talk them through what they were feeling," he says.

The training also has given him resources and people to turn to for help. "When one of those situations comes up, I can always reach out to someone who is better equipped," he says. "The community is always there."

**Ms. Rubin is a writer in Chicago. She can be reached at reports@wsj.com.**

## JOURNAL REPORT | INNOVATIONS IN HEALTH CARE

# A New Solution to Cartilage Damage

Instead of surgically fusing bones or replacing joints, some doctors are opting for synthetic substitutes

BY LAURA JOHANNES

CARTILAGE, a rubbery tissue that acts as a cushion between bones of joints, doesn't come with a lifetime warranty.

When it wears down with age, or is damaged, the pain may be so severe that the patient ends up fully replacing a joint such as a knee. For the big toe, a common option is to surgically fuse bones together, reducing pain but leaving the patient with no motion in the joint.

A disarmingly simple solution, replacing the cartilage with a synthetic substitute, is rapidly coming into its own—with one product for big-toe arthritis already on the U.S. market, and alternatives for the thumb, knee and shoulder either being tested in trials or being used by doctors in Europe. Doctors who have begun putting such implants in their patients say they can provide faster recovery than traditional surgeries, and have other advantages—such as potentially delaying a full knee replacement or allowing the patient to retain motion of the big-toe joint, handy for some sports and wearing high heels.

A toe joint that can bend after a synthetic cartilage implant has "a lot more function than one that's rigid and stiff" after a fusion, says Michael Campbell, a surgeon in Virginia Beach, Va. "That makes a big difference for things like yoga, Pilates, running."

But others urge caution, because the traditional surgeries may provide better pain relief, and have longer-term data behind them.

"What I'm worried about is the long-term risks about having [synthetic cartilage] in the body," says epidemiologist Stephen Lyman, an associate scientist at the Healthcare

Research Institute at the Hospital for Special Surgery in New York. Recently released five-year clinical-trial results on one product showed no ill effects, but safety issues from having foreign objects in the body can sometimes be rare, so additional larger studies are needed to be sure of safety, Dr. Lyman adds.

## Strong but soft

To replace cartilage, a material must be strong enough to withstand forces on a joint, but soft enough so it doesn't destroy surrounding tissue, says Gordana Vunjak-Novakovic, a biomedical engineer at Columbia University in New York. The substitute material also must be porous and behave like a sponge—releasing fluids when it is pressed, then recovering by reabsorbing them.

Cartiva, a cylinder about as squishy as a pencil eraser and somewhat larger, gained Food and Drug Administration approval in 2016 for treating big-toe arthritis. Dutch medical device company **Wright Medical Group NV** agreed last month to acquire the company behind it, **Cartiva Inc.**, of Alpharetta, Ga., for \$435 million. The product, made from 60%



water and 40% polyvinyl alcohol—the material in soft contact lenses—is "very promising," but longer-term data is needed to prove that it maintains its properties over time, Dr. Vunjak-Novakovic says.

Other options to replace cartilage are on the horizon. An article in Advanced Materials summarizing lab



Cartiva cartilage is inserted (below left) into a hole drilled into the bone behind the big toe, cushioning the joint.

findings earlier this year described a blend of polyvinyl alcohol and strong fibers made from the same material as bulletproof vests. Scientists hope eventually to commercialize the blend, says Nicholas Kotov, a University of Michigan engineering professor and lead author of the paper.

**BioPoly LLC**, Fort Wayne, Ind., is rolling out partial knee and shoulder replacements in Europe. Like other partial joint replacements, the company's implants attach to bone with a metal plate. But molded to the BioPoly metal is a plastic blended with hyaluronic acid, a molecule present in natural cartilage. The implant attracts joint fluid to help it behave more like real cartilage, says Herb Schwartz, president and founder of the company, adding that BioPoly hopes to bring its products to the U.S.

Cartiva is gaining popularity as a treatment for arthritis of the big toe—a condition that, according to scientific literature, affects 2.5% of people over age 50. About 15,000 implants have been performed worldwide, says Cartiva Chief Executive Tim Patrick, who adds that the product typically costs \$3,500 in the U.S.

To insert Cartiva in the big toe, surgeons drill a hole in the metatarsal bone at the base of the big toe. No glue or screws are required as the implant fits snugly, says Dr. Campbell, who has done about 80 of

the surgeries. A small part of the implant protrudes from the bone, serving—as natural cartilage would—as a spacer in the joint.

In data from a Cartiva-funded study presented at the American Foot & Ankle Society meeting in Boston in July, about 15% of the original 152 patients did not get and maintain the hoped-for pain relief and ended up converting their Cartiva implant to a fusion by the five-year mark. But there were no safety concerns from the material, and of those who kept it, 97% had significantly reduced pain, and 93% said they would have the operation again, according to study co-author Judith Baumhauer, professor and associate chairwoman of orthopedic surgery at the University of Rochester Medical Center in Rochester, N.Y. She is a paid consultant to Cartiva.

## The fusion option

Some doctors caution that fusion provides better pain relief and is more reliable. Glenn B. Pfeffer, director of the Foot and Ankle Program at Cedars-Sinai in Los Angeles, says that while a fusion "sounds horrible," patients who choose it can perform nearly all daily activities just fine—including walking, dancing and doubles tennis. However, if it's important to patients to have toe extension for activities such as yoga or competitive sports—or if they want to wear

heels more than 2.5 inches—Cartiva may be the best option, he adds.

Cartiva is also being tested for thumbs that are painful and shortened by arthritis, says Phillip Sauvé, an orthopedic surgeon at Queen Alexandra Hospital in Portsmouth, England. The implant alleviates pain, restores the thumb to its normal length and gives patients more leverage for tasks such as turning a key in a door, says Dr. Sauvé, a paid trainer of surgeons for Cartiva.

For the knee, Cartiva isn't marketed in the U.S., but the same material is being used by some surgeons worldwide. An 18-person study published in the European Review for Medical and Pharmacological Sciences found that the implant helped improve knee function and pain for as long as eight years.

And earlier this year, Brazilian scientists published results of a two-year, 38-patient study in patients with knee arthritis, finding that Cartiva provided equivalent pain relief and improvement in daily functioning as another alternative, implantation with the patients' own cells. The Italian study was not funded by Cartiva; a former distributor for the company provided product and some funding for the Brazilian study, says the Cartiva CEO, Mr. Patrick.

*Miss Johannes is a writer in Boston. Email reports@wsj.com.*

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## JOURNAL REPORT | INNOVATIONS IN HEALTH CARE

# A Status Report On Health Apps

The newest wearable monitors track heart health, monitor glucose levels and measure blood pressure. But which ones actually do what they say?

BY DEBORAH GAGE

**THE EXPLOSION** in smart devices—phones, watches, fitness gadgets and the like—has unleashed a wave of apps designed to manage chronic illnesses, detect behavioral diseases and manage pain. Most recently, Apple announced that apps due later this year will allow its Series 4 watches to perform electrocardiogram readings, or ECGs, and notify users of irregular heart rhythms.

The problem for consumers is knowing which apps—if any—actually work.

The Food and Drug Administration cleared the ECG app and irregular-rhythm notification feature on the Apple watch, but noted that the apps aren't intended to replace traditional diagnosis methods. The agency said the ECG data displayed on the Apple watch is for informational purposes only and isn't intended to be interpreted by the user without consulting a healthcare professional.

Most apps on the market lack approval from the FDA, which hasn't been able to keep up with the health apps being released, raising concerns that some apps could expose consumers to harm.

The FDA last September started working with Apple and eight other tech and medical-device companies—including Fitbit, Samsung and Verily Life Sciences, a subsidiary of Google parent Alphabet—to streamline approval of mobile medical apps. In the meantime, here is a status check on some of the areas where health-monitoring tools might make the most difference.

## Measuring Heart Health

Smartphones and watches can collect data on the heart continuously,



which promises to improve detection and treatment of heart disease.

For instance, devices that track heartbeat data can help doctors identify atrial fibrillation, a leading cause of heart failure and strokes. With a-fib, the upper two chambers of the heart beat erratically and at dangerously high speeds. Since symptoms come and go, it can be hard to detect, but watches worn for long periods have a chance of spotting it outside of a doctor's office.

An ECG, the standard method of detecting a-fib, requires placing 12 electrodes on a patient's body. The

Apple Watch Series 4 will have electrodes built into the watch's digital crown, which users touch for 30 seconds after opening the app to get an ECG reading, Apple says.

Another device, the KardiaBand watchband, also offers ECG capabilities and was cleared by the FDA in November. It was most effective in detecting a-fib when physicians looked at the results, rather than relying solely on the watch's algorithms, according to a study by the Cleveland Clinic. The device's instructions tell wearers to place their thumb over a spot on the watchband embedded with an electrocardiogram sensor, which records their heart rhythm. But in the Cleveland Clinic study, about 35% of the recordings couldn't be read by the watch's algorithms, possibly because people didn't press their thumbs down for the required 30 seconds. Electrophysiologists, however, looking at the same data, were able to accurately identify people with a-fib 100% of the time and people without a-fib 80% of the time. The electrophysiologists also beat the algorithm's performance on recordings that it could read, correctly identifying people with a-fib 99% of the time, compared



with the algorithm's 93%.

"It's a reminder for all of us in dealing with digital health that the patient is an active component of the equation and is part of the end results on how good these recordings are," says Khalidoun Tarakji, an electrophysiologist who led the study. Dr. Tarakji says that with smartphone-based electrocardiogram monitors, the clinic can access recordings of patients' heart rhythms no matter where they are. Doctors can also use the monitors to diagnose patients with intermittent episodes of a-fib, which are hard to catch, and follow up on patients who have had ablations, a procedure that removes diseased tissue from the heart to try to stop a-fib symptoms.

## Glucose Monitor

For more than 50 years, researchers have looked for ways to monitor glucose that don't require people to prick their fingers and draw blood. Bodily fluids including urine, sweat, saliva, ocular fluids like tears, and interstitial fluids, which bathe cells, also contain glucose and are easier to get to than blood. But they can be challenging to work with.

Several companies are investigating minimally invasive or noninvasive glucose monitors, and a few have been approved by the FDA, but developing systems that don't penetrate the skin has been challenging.

A glucose monitor from Dexcom

Inc. that the FDA authorized for marketing in March uses a sensor about the width of a human hair that sits just under the skin and detects glucose in the interstitial fluid. It generates an electrochemical signal that's read by a processor and converted into data that's transmitted to a Dexcom receiver or a smartphone or watch. In 2016, a previous generation of monitors was recalled by the FDA because the receiver's alarm didn't sound when the glucose reading was high or low. But the company has since developed new technology, says CEO Kevin Sayer.

The new monitor uses some finger pricking, says Mr. Sayer, because "we've not seen anything sitting outside the body that delivers the accuracy that patients require."

## Tracking Blood Pressure

Researchers have long tried to improve on the traditional arm cuff to measure high blood pressure, which causes heart attacks and strokes.

By 2020, three billion people will have smartphones,

The KardiaBand (far left) collects heart data. Dexcom's glucose monitor (left) uses a tiny under-the-skin sensor (not shown). An app in development can turn some smartphones (below) into blood-pressure monitors.

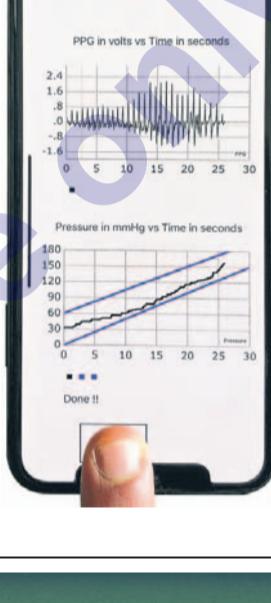
"and a lot of people in this world have high blood pressure and don't know it," says Ramakrishna Mukkamala, a professor of electrical and computer engineering at Michigan State University.

Recently, a group he led created a way to take blood pressure with a phone, using the same principle as the blood-pressure cuff, which varies pressure on the arm. In a study published in March, the group used a modified smartphone case with two sensors, one that measured blood volume and one that measured applied pressure. Users steadily pressed their fingertips against the case to get a reading. The data was transmitted via Bluetooth to an app, which calculated blood pressure and displayed it.

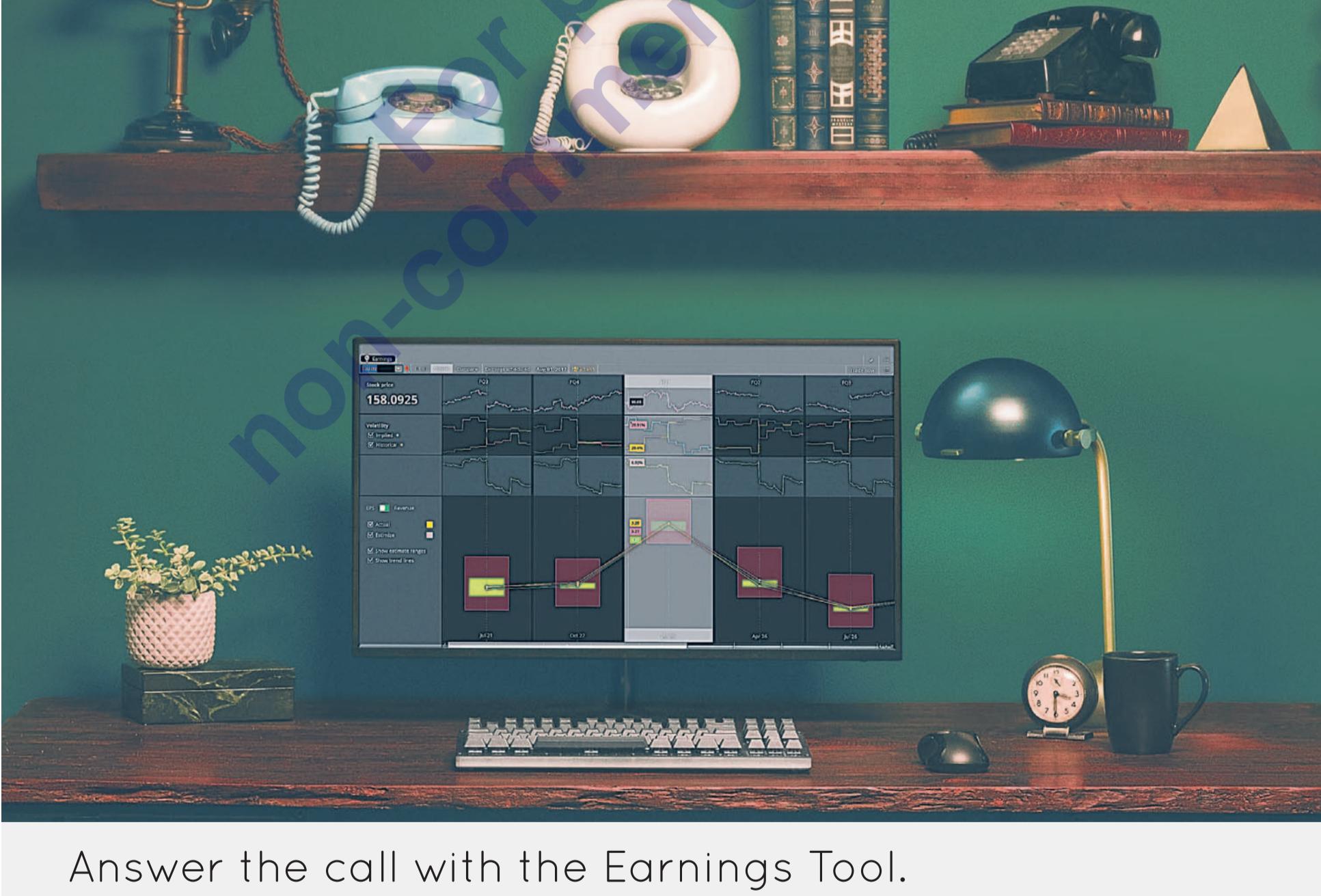
In September, however, a proof-of-concept study done by Dr. Mukkamala and another set of authors showed that the same finger-pressing method can be applied to optical and force sensors that are already built into some phones—one sensor for taking selfies and one for displaying a 3-D touch feature.

The group has developed an iPhone app that guides fingertip placement and calculates blood pressure. Comparing the results against a traditional blood-pressure cuff, the app was less accurate than the arm cuff. But Dr. Mukkamala says it was comparable to a finger cuff, a device that's been cleared by the FDA for measuring arm blood pressure but used primarily so far in research. Dr. Mukkamala hopes to market the phone technology, though he says it needs more work before it can be approved.

**Ms. Gage is a writer in San Jose, Calif. Email her at [reports@wsj.com](mailto:reports@wsj.com).**



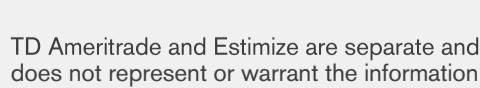
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