

# THE WALL STREET JOURNAL.

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WSJ.com

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## What's News

### Business & Finance

**Trump** said he would impose new tariffs on about \$200 billion in Chinese goods and threatened to apply them to hundreds of billions of dollars more. **A1**

◆ **U.S. retailers** are already scrambling to find enough workers to staff their stores for the holiday season. **B1**

◆ **Tyson Foods** said CEO Hayes will leave that role at the end of this month for personal reasons. **B1**

◆ **A pioneer** in the lucrative business of overseas day trading was banned from the U.S. brokerage industry. **B1**

◆ **E-commerce tycoon** Jack Ma used a China-sponsored forum to suggest regulators take a lighter touch with technology companies. **B3**

◆ **Google's Android system** will be used by the Renault-Nissan-Mitsubishi Alliance to power media displays in millions of cars. **B4**

◆ **Natura Cosmeticos** of Brazil recently approached Avon Products about a takeover, but the companies aren't in serious talks. **B3**

◆ **U.S. stocks fell**, sending the Nasdaq to its biggest one-day loss since July. The Dow shed 92.55 to 26062.12. **B11**

◆ **DowDuPont CEO Breen** will assume the top job at the specialty-products company that will be created as part of the conglomerate's split. **B2**

◆ **A senior Deutsche Bank executive** has been interviewed by Singapore authorities as part of their 1MDB probe. **B10**

◆ **SpaceX said** Japanese billionaire Yusaku Maezawa will be its first paying passenger. **B2**

### World-Wide

◆ **A Senate panel** will hold a hearing next week with Supreme Court nominee Kavanaugh and the woman who has accused him of sexual assault. **A1**

◆ **Trump ordered** the declassification of sensitive documents related to the probe into interference by Russia in U.S. elections. **A1**

◆ **Flooding remained** a major concern as North Carolina continued to grapple with Florence's effects. **A1, A6**

◆ **A probe targeting** FEMA's chief has been referred to federal prosecutors to determine whether criminal charges should be pursued. **A6**

◆ **The administration** will slash the U.S. cap for refugee admissions to 30,000 in fiscal 2019. **A2**

◆ **Russia and Turkey** have reached a tentative deal to create a buffer zone in Syria's Idlib province. **A8**

◆ **The U.S. accused** Russia of trying to weaken action against North Korea by blocking a U.N. report on efforts to evade sanctions. **A8**

◆ **Rescue workers dug** through mud and debris in the Philippines, seeking survivors from Super-typhoon Mangkhut. **A10**

◆ **Japan sent a submarine** to join three destroyers in an exercise in anti-sub warfare in the South China Sea. **A10**

◆ **China is raising** pressure on local governments that run up debt, reprimanding officials in one province that has seen its troubles spill into public protests. **A10**

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## U.S. NEWS

## U.S. to Slash Refugee Admissions

**Cap of 30,000 in fiscal 2019 is lowest level since the current program began in '80**

By JESSICA DONATI

**WASHINGTON**—The Trump administration will slash the U.S. cap for refugee admissions to 30,000 in fiscal 2019 to focus on a backlog of cases and efforts that aim to reduce the number of applicants, Secretary of State Mike Pompeo said Monday.

The new ceiling sets a record low for the cap since the refugee program began in 1980. It also represents a reduction of almost one-third after the cap was reduced to 45,000 in 2018.

The president has sole authority to set annual refugee admission caps. President Trump has made reducing refugee admissions a key focus since taking office, citing na-

tional security concerns as the primary motive. The previous low was 67,000.

Mr. Pompeo said the new ceiling reflected the need to focus on the “daunting” operation to process a “massive backlog” of cases. The new cap should not be taken as the “sole barometer” of U.S. assistance to refugees, he added.

Humanitarian agencies criticized the decision to set the cap in 2019 at a new low. “Today’s announcement demonstrates another undeniable political attack against people who have been forced to flee their homes,” Amnesty International said in a statement. “There is absolutely no excuse for not accepting more refugees in the coming year.”

In the early 1990s, refugee admissions topped 110,000 every year, but more recently, the cap hovered between 70,000 and 80,000.

Mr. Pompeo said that the U.S. would focus on helping people to return safely to their



Secretary of State Pompeo will focus on clearing case backlog.

homes and to promote burden-sharing with other countries. He also said the U.S. would focus on ending conflicts that were driving a large flow of refugees.

The U.S. has admitted fewer than 20,000 in the fiscal year 2018 through August, according to data released by the State Department. This compares with less than 54,000 in the 2017 fiscal year.

U.S. refugee admissions stood at almost 85,000 in fiscal 2016, former President Obama’s final year in office.

The State Department has traditionally advocated in favor of higher refugee admission rates, but the decision to lower the ceiling was expected. Mr. Pompeo’s views have typically aligned closely with the hard-line approach toward immigration favored

by Mr. Trump.

Mr. Pompeo said the new cap served the interests of the American people and reflected the need to focus on refugees and asylum seekers already in the country.

The Trump administration introduced tighter vetting procedures last year, saying that more screening was necessary to safeguard the U.S. against the risk of allowing potential terrorists into the country. This has contributed to the backlog as applications take longer to process.

Mr. Pompeo said the U.S. anticipated processing around 310,000 refugee and asylum requests in fiscal 2019. This figure will add to a backlog of over 800,000 cases, he added.

The refugee and asylum programs are similar in that both require applicants to show a well-founded fear of persecution based on race, religion, nationality, political belief or membership in a social group.

## U.S. WATCH

## FEDERAL RESERVE

## Clarida Is Sworn In As Vice Chairman

Columbia University economist Richard Clarida was sworn in as the Federal Reserve’s vice chairman on Monday, the central bank said in a statement.

Mr. Clarida will serve as the No. 2 to Fed Chairman Jerome Powell, who administered the oath of office. Mr. Clarida was nominated to a four-year term as vice chairman in April by President Trump, and the Senate confirmed his nomination in August on a 69-26 vote.

Mr. Clarida was a managing director and global strategic adviser at Pacific Investment Management Co. and an economics professor at Columbia.

—Nick Timiraos

SENATE.

## Bill to Curb Opioid Epidemic Is Passed

The Senate on Monday passed sweeping, bipartisan legislation aimed at combating the opioid epidemic through new research, treatment and help for families affected by addiction.

To become law, the package would need to be reconciled with legislation that passed the House of Representatives in June. Senate aides are optimistic the measures can be reconciled and passed by the end of the year.

The Senate legislation would give money to the National Institutes of Health to research a nonaddictive painkiller. It would also try to stop synthetic drugs from being shipped across the border by requiring foreign shippers to provide electronic data to help U.S. officials target illegal packages.

U.S. overdose deaths from all drugs soared to more than 72,000 in 2017, a record, according to preliminary data released in August by the Centers for Disease Control and Prevention. That compares with about 66,000 deaths in 2016.

—Natalie Andrews

CALIFORNIA

## Two Officers Shot, Suspect in Custody

Two Sacramento County sheriff’s deputies and a bystander were shot during an incident just outside the capital city on Monday afternoon.

Department spokesman Sgt. Shaun Hampton said the suspect is in custody.

Mr. Hampton said the shooting occurred at a Pep Boys auto-parts store on a busy street in Rancho Cordova. He didn’t provide details on the deputies’ or the bystander’s condition.

—Associated Press

## CORRECTIONS &amp; AMPLIFICATIONS

**Step 1 of the recipe** for shrimp ssam that appeared in Off Duty on Sept. 8 calls for a half-tablespoon of sugar for marinating the shrimp. The published recipe incorrectly said to add 1/4 tablespoons of sugar to the marinade.

The version released in July made plain that Mr. Page was in the FBI’s crosshairs and that the Justice Department strongly suspected he might have been working with Russians to help Mr. Trump’s campaign. Mr. Page has repeatedly denied being an agent of the Russian government.

Mr. Trump specified 21 pages of the FISA application be declassified. Those pages, according to the redacted version, focus on Mr. Page’s links to and business dealings with Russia.

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

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Special counsel Robert Mueller, who was appointed last year to lead the probe into Russian election interference after Mr. Trump fired Mr. Comey, is also investigating whether Trump associates colluded with Moscow during the campaign and whether the president sought to obstruct justice in firing Mr. Comey while the FBI’s Russia probe was under way.

Mr. Trump has denied collusion and obstruction of justice, while Moscow has denied election interference.

As president, Mr. Trump has the power to declassify material that he believes is in the public interest. A Justice Department spokesman said such a move triggers a review process to ensure national security and that the department was working to comply with Mr. Trump’s order.

Former government officials said the documents wouldn’t necessarily immediately become public but would instead likely be transmitted to committees in Congress that have requested the information, particularly the House Intelligence Committee.

Lawmakers could then choose to release the information. It also would become subject to freedom of information laws.

David Kris, former chief of the Justice Department’s na-

tional security division and founder of the Culper Partners consulting firm, said Mr. Trump’s action was “especially unprecedented” because he was overruling subordinates who had provided a redacted version of the surveillance application to Congress and because the order pertained to a continuing investigation of which Mr. Trump is a subject.

*There may be some delay before the material is released, experts said.*

The order came three days after former Trump campaign chairman Paul Manafort agreed to cooperate with prosecutors in the Mueller probe. And on Monday, in a signal that Mr. Mueller’s investigation was moving closer to the finish line, his office said it was ready for a federal judge to sentence Mr. Trump’s former national security adviser, Michael Flynn, on Nov. 28.

Mr. Flynn pleaded guilty in December to lying to investigators about his calls with Mos-

cow’s U.S. ambassador a month before Mr. Trump’s inauguration, and prosecutors said he was cooperating in the investigation. If prosecutors are ready to sentence Mr. Flynn, that signals they don’t need his testimony in any trial or prosecution of any other defendant.

The secret surveillance of Mr. Page, which started in October 2016 and continued through at least June of the next year, is at the heart of a partisan battle over whether the FBI went too far in investigating potential ties between Mr. Trump’s campaign and Russia.

The surveillance was autho-

rized under the Foreign Intelligence Surveillance Act, a law used to obtain wiretaps and conduct searches of suspected foreign spies. Because FISA deals with espionage matters, it is one of the most closely guarded processes in the federal government and is overseen by a secret court.

Democrats on Monday contended that the declassification order was another salvo in a partisan battle being waged to protect Mr. Trump and discredit an investigation that has already resulted in guilty pleas or convictions of his former campaign chairman, his former national security adviser and several others involved in his campaign or his business.

“President Trump, in a clear abuse of power, has decided to intervene in a pending law enforcement investigation by ordering the selective release of materials he believes are helpful to his defense team and thinks will advance a false narrative,” said Rep. Adam Schiff (D., Calif.), the top Democrat on the House Intelligence Committee.

Republicans allege that the FBI relied, at least in part, on allegations drawn from a dossier compiled by former British intelligence agent Christopher Steele, which was funded by Democratic-linked groups. Republicans have asserted the FBI didn’t fully disclose that fact to the FISA court and noted that Mr. Ohr’s wife worked for one of the firms involved in compiling the material.

The FISA application shows that the FBI told the court it be-

lieved that the person who hired Mr. Steele was “likely looking for information that could be used to discredit Candidate #1’s campaign.” The firm that paid Mr. Steele, Fusion GPS, specializes in opposition research. It was paid for by the Democratic Party and Hillary Clinton’s presidential campaign.

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## U.S. NEWS



Gladys Peña estimates it will cost \$64,000 to tear down and rebuild her San Juan home. The local College of Engineers is helping her.

## Puerto Rico Warns on Rebuilding

By LAURA KUSISTO  
AND ARIAN CAMPO-FLORES

**SAN JUAN,** Puerto Rico—The Puerto Rican government is taking a hard line on rebuilding properties decimated by last year's Hurricane Maria, offering homeowners federal financial assistance only if they move out of flood-prone areas.

Government officials say they don't want to rebuild communities on land that is vulnerable to soil erosion, chronic flooding and destruction from future storms.

"We need to move families to a safe place," said Luis Burdiel Agudo, president of the Economic Development Bank for Puerto Rico, a government-owned bank that is helping oversee the recovery.

Whether to rebuild homes in areas that are likely to flood again is a major issue for communities in places like Texas and Florida, especially as the costs of insuring these homes soar and rising sea levels mean more frequent flooding. The federal government has tried to step up purchases of frequently flooded houses from their owners instead of repeatedly paying out money from the financially troubled federal flood-insurance program.

Now, with floodwaters from Hurricane Florence inundating cities in the Carolinas, the issue of how to get vulnerable homeowners to take buyouts is likely to emerge again. North Carolina Gov. Roy Cooper said in a press briefing Sunday that the state would have to "look carefully" at buyouts of repeatedly flooded properties. "There are places that have been flooded numerous times that you just have to look at and say, It's just not smart to build back," he said.



Benito Lopez is rebuilding his home in Jayuya on a cliff that was eroded by Hurricane Maria. He can't afford structural engineers.

Most local governments offer homeowners a choice between elevating their homes or taking a buyout of their damaged home to move elsewhere. In most cases, families stay and rebuild.

In a buyout program, homes are typically razed, and

*The government gives some homeowners an ultimatum: Move or you won't get funds.*

ederal funds for repairing and rebuilding homes, compared with \$75 million for a voluntary buyout program.

Puerto Rico is opting for a tougher stance. The government is set to receive \$20 billion of federal funding to rebuild from Hurricanes Irma and Maria, and to protect against future storms. It is giving some homeowners an ultimatum: Either move or there will be no funds to rebuild.

This approach is posing a difficult choice for thousands of the more than 100,000 owners whose homes were destroyed or damaged.

Norma Judith Colón, a 43-year-old resident of a flood-prone area, is among those expected to face relocation pressure. Ms. Colón said she won't consider moving and is determined to build back her home. "I wouldn't leave here," Ms. Colón said.

Those who can't rebuild

will be offered a housing voucher to relocate. If properties aren't available, they are eligible for a new home outside the floodplain, the government's plan says.

Proponents of relocation say it is the safer long-term approach. There has to be a way "to incentivize people to want to be in a healthy area," said Sandra Knight, a senior research engineer at the University of Maryland's Center for Disaster Resilience.

Puerto Rico faces particular challenges. Elevating each home would cost in the range of \$44,000, according to the government, which makes little economic sense on an island with a median home value of about \$100,000.

Homeowners who use federal funds to rebuild in place would also be required to obtain flood insurance, a challenge on the low-income island. Those denied federal assistance may go ahead and rebuild themselves, making the homes even more precarious, nonprofit leaders warn.

Maria Rodriguez-Collazo, director of housing programs at PathStone Corp. Puerto Rico, a nonprofit, is working with Benito López, an 81-year-old who has lived more than half of his life in a concrete home on a cliff that was eroded during the hurricane. The home had to be demolished. It would cost \$70,000 to create a retaining wall to rebuild his home safely—not much less than his home was worth.

Mr. López doesn't know where he would find the money for that and instead is going ahead and rebuilding without consulting structural engineers or architects.

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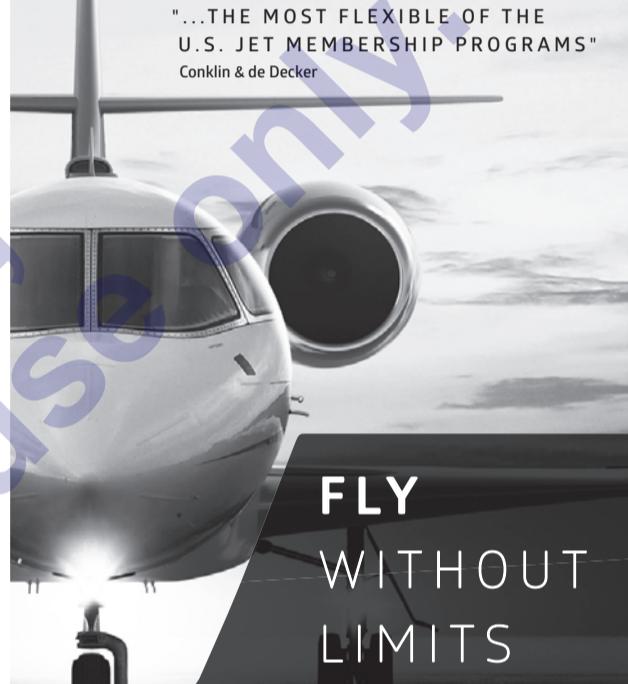
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## U.S. NEWS

# Democrats' Quandary: Turn Anger Into Votes

**CAPITAL JOURNAL**

By Gerald F. Seib

As critical midterm elections approach, here is both a statement of the obvious and a profoundly important observation: Elections are decided not by those who answer polls, or those who complain loudly on social media, but by those who actually show up and vote.

And that could be a cloud marring the otherwise sunny skies Democrats see over November's election, which will determine both control of Congress and the arc of President Trump's term.

The hard reality for Democrats is that they have a harder time than do Republicans in getting voters who show up for presidential elections to turn out for midterm elections. This fall's outcome will turn on whether 2018 is different.

Data from the Federal Election Commission show that in three of the last four election cycles, the drop-off between those who vote for Demo-

cratic House candidates in a presidential election year and those who vote for Democrats in House elections two years later has been bigger than the same drop experienced by Republicans. Notably, the one exception came in 2006, when Democrats took back control of the House and the Senate.

**T**he drop between presidential voting and midterm voting was particularly sharp during the terms of President Obama. In both of the midterms during his time—in 2010 and 2014—the decline in Democratic turnout was about 40% from the prior presidential election, compared with fallbacks of 14% and 32% for Republicans in the same years.

That tells you that Mr.

Obama never quite managed to transfer the considerable energy he produced when running for president into energy to help other Democrats running for Congress. Indeed, the falloff explains how Democrats lost control of Congress two years into his presidency, in 2010, and never won it back.

That, in turn, raises the question of how effective Mr. Obama can be in motivating Democrats to show up this fall now that he has hit the campaign trail on behalf of his party. He remains Democrats' most powerful national spokesman, and his return to campaign mode in recent



Democrats have a harder time than the GOP in getting voters who show up for presidential elections to turn out for midterms.

days excited Democrats longing for someone to give voice to their disdain for the Trump presidency. History, though, says that doesn't automatically transfer into hard votes.

The key constituencies in preventing the usual falloff in Democratic turnout are minority voters and millennials, and, in theory, Mr. Obama can help there. Indeed, there is some hard evidence to suggest Democrats will do better this year on both fronts.

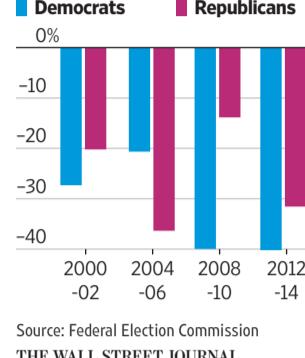
Wall Street Journal/NBC News polling data have shown all year that Democrats are

more enthused about voting this fall than are Republicans—and African-American voters now are showing the same level of interest as are Democrats overall.

The enthusiasm among young voters in those poll findings is markedly lower, which constitutes a giant warning light for Democrats. But here's a countervailing reading: TargetSmart, a political analytics firm, found this summer that registration rates for voters aged 18 to 29 had increased "significantly" in key battleground states

**Dropoff**

The falloff in voting for the House of Representatives between presidential and midterm election years has tended in recent cycles to be larger for Democrats than for Republicans.

**Percentage decline in total national vote in House races**

Source: Federal Election Commission  
THE WALL STREET JOURNAL.

vote was up 24%. That Democratic increase, though, came in part because the party has held significantly more contested primaries, which tend to attract more voters.

**I**n any case, the irony is that the best turnout motivator Democrats have this year probably isn't Mr. Obama or any other Democrat, but rather President Trump himself. He is far and away the most dominant figure on the political scene, and disdain for him seems more likely than anything else to drive Democrats to the polls.

Of course, Mr. Trump will motivate Republicans as well, and he already is using the specter of a Democratic takeover to spur GOP voters.

On that front, here's a cautionary note for Democrats: Their enthusiasm advantage may well erode when the critical bloc of Trump-supporting evangelical votes is energized in this fall's stretch run.

The Faith and Freedom Coalition, an activist group run by longtime evangelical leader Ralph Reed, plans to make two million targeted home visits, distribute 40 million voter guides and send out 28 million video ads before the election, all with the goal of energizing supporters for the midterms.

"Our voters are going to come to the polls," says Mr. Reed. "And they're going to come in big numbers."

**CAMPAIGN WIRE****WISCONSIN****GOP Keeps Ad Funds For Ryan's District**

With so many seats in play in November, Republicans are spending resources for seats they'd otherwise like to consider safe—including Speaker of the House Paul Ryan's. Mr. Ryan is retiring from Congress at the end of this term, and the race for his open seat in Wisconsin is rated lean Republican by the nonpartisan Cook Political Report.

In a sign that the GOP is taking the race seriously, the Congressional Leadership Fund, a super PAC aligned with House Republican leadership, has reserved \$1.5 million in advertisements in the district. One ad attacks Democrat Randy Bryce's history with the law; Mr. Bryce has been arrested several times, once for driving under the influence of alcohol.

"I was immature and made a horrible, thoughtless decision. I have never forgotten this. I'm not proud of it. I've worked every day since to be a man my son can look up to," Mr. Bryce said in a statement about the DUI arrest.

—Andrew Duehren

**NORTH DAKOTA****U.S.-China Trade Row Shadows Senate Race**

The U.S. trade conflict with China has proven to be a political obstacle for Republicans in some of the most competitive races in the country, and the Trump administration's decision to unveil fresh tariffs on an additional \$200 billion of Chinese imports likely won't help in North Dakota.

The tariffs and retaliatory tariffs from China already in place have caused headaches for farmers across the Midwest, providing political fodder for Democrats. Sen. Heidi Heitkamp (D., N.D.) recently released an advertisement attacking Rep. Kevin Cramer (R., N.D.) for his support of Mr. Trump's trade agenda. The ad features a soybean farmer discussing the difficulties that the trade war with China has caused him.

Mr. Trump won North Dakota by 36 percentage points in 2016, and the nonpartisan Cook Political Report rates the race as a tossup.

—Andrew Duehren

## Court Pick, His Accuser Will Testify

*Continued from Page One*  
ing. The hearing, to be held next Monday, will be Judge Kavanaugh's best chance to rescue his imperiled nomination and respond to the allegations in a public forum.

The hearing will pit his credibility against an explosive accusation made by Christine Blasey Ford, a California college professor, who said he sexually assaulted her when they were teenagers. Mrs. Ford told the Washington Post that when she and Judge Kavanaugh were teenagers at a party in the Washington, D.C., area, he and a friend pulled her into a bedroom. Judge Kavanaugh pinned her down on the bed, groped her and attempted to remove her clothing before she escaped, Mrs. Ford said in the article.

Mrs. Ford, now a professor at Palo Alto University in California, described the episode as aggressive. "I thought he might inadvertently kill me," she told the Post. She said that Mr. Kavanaugh appeared to be intoxicated during their encounter. Efforts to reach Mrs. Ford weren't successful.

Judge Kavanaugh called the accusation "completely false." He added: "I have never done anything like what the accuser describes—to her or to anyone." He said he didn't know who was making the accusation until Mrs. Ford identified herself on Sunday.

Republican leaders spent Monday behind closed doors debating over how to proceed with Judge Kavanaugh's nomination. He was tapped in July to succeed the retiring Justice Anthony Kennedy. The confirmation of a new, conservative justice to the high court is a top priority of both President



Judge Brett Kavanaugh at his confirmation hearing on Capitol Hill earlier this month.

Trump and the Republican leadership in Congress.

After initial signals that Republican leaders would pursue private phone calls with the judge and his accuser rather than a public forum, Mr. Grassley said late Monday the panel would go ahead with a hearing featuring both Mrs. Ford and Judge Kavanaugh. Mr. Grassley said he made the decision after his staff spoke with Mrs. Ford and Judge Kavanaugh in the afternoon.

President Trump indicated he was willing to accept a small delay in the confirmation process to sort out the allegations.

"We want to go through a full process...and hear everybody out," said Mr. Trump, while also praising Judge Kavanaugh. "If it takes a little delay, it'll take a little delay."

Members of Republican Senate leadership expressed cautious optimism that the hearing could put Judge Kavanaugh's nomination back on track. Republicans had been hoping to hold a confirmation vote in

committee this week and move him to the Senate floor next week—in time for him to join the court at the start of its fall session.

Senate Majority Leader Mitch McConnell said he supported the decision to hold a

hearing about the accusations.

"The committee has made a good decision and we're going to go forward with it," he said. Sen. John Thune (R., S.D.), another member of Senate leadership, said of the hearing: "I just think that's the only way that both Dr. Ford and Judge Kavanaugh have the opportunity to make their case."

The path to Judge Kavanaugh's confirmation hinges on

his performance in the hearing. The Republicans control the Senate by a narrow 51-49 advantage, so two Republican votes against Judge Kavanaugh would be enough to sink his nomination if Democrats were to vote against him as a bloc.

Several Republicans have said that they are withholding judgment until the hearing, including key votes like Susan Collins of Maine, Lisa Murkowski of Alaska and Jeff Flake of Arizona. "I need to see them and listen to their answers to the questions in order to make an assessment," Ms. Collins said.

Other Republicans stood by Judge Kavanaugh. Sen. Orrin Hatch of Utah said he had spoken to Judge Kavanaugh and that the nominee denied being at the party in question. "I believe him," Mr. Hatch said. "He's a person of immense integrity."

The planned hearing is reminiscent of the 1991 confirmation hearing of now-Justice Clarence Thomas that featured testimony by Anita Hill, a college

professor, that Justice Thomas had sexually harassed her when he had been her supervisor. Justice Thomas denied the allegation.

This time, a hearing would unfold against the additional backdrop of a growing movement against sexual harassment and the fractious politics of the Trump presidency and the midterm election season.

Judge Kavanaugh visited the White House Monday and spoke by phone to senators, fielding questions about the sexual-assault allegations, a White House official said.

Mrs. Ford first contacted Congress with her allegations in July, hoping to remain anonymous. The matter spilled into public view several days ago when Sen. Dianne Feinstein of California, the top Democrat on the Senate Judiciary Committee, said she had reported a matter involving Judge Kavanaugh to the Federal Bureau of Investigation. Mrs. Feinstein didn't initially name Mrs. Ford, saying the individual had requested confidentiality.

Democrats have been seeking to slow down the Kavanaugh confirmation process, which they argue has been rushed in an effort to get the judge seated before the midterms. Republicans, including Mr. Trump and Mr. McConnell, see their success in putting conservatives on the bench, especially the Supreme Court, as a strong campaign message to their base voters.

Liberal activists have also put heavy pressure on Democrats to oppose the nomination, concerned about Judge Kavanaugh's views on abortion rights, executive power and government regulation.

Most Senate Democrats have already signaled opposition to the nomination, though several who are running for re-election this year in states won by Mr. Trump were believed to be possible "yes" votes before the accusations of sexual assault were made public.

—Peter Nicholas contributed to this article.

## New Owner Could Buoy Las Vegas High-Speed Rail

By JIM CARLTON

A Florida company has agreed to acquire the operator of a planned high-speed rail system connecting Las Vegas and Southern California, in a deal that may breathe new life into the long-delayed project.

Brightline Trains LLC, based in Miami, was expected to announce Tuesday that it had agreed to acquire XpressWest, a private rail project developed and owned by famed Las Vegas Strip contractor Tony Marnell.

Financial details weren't disclosed.

XpressWest has secured most of the state and federal approvals needed to develop a

185-mile route for electric trains to travel at speeds up to 150 miles an hour between Las Vegas and Victorville, Calif., a high-desert city on the outskirts of the Los Angeles metro area.

Brightline already runs the nation's first privately financed, high-speed train network, which opened in the Miami metro area earlier this year. The company has plans to expand it to Orlando, 230 miles away, with a total project cost of \$3.5 billion.

The Las Vegas venture first got under way in 2005 and has had trouble raising the money needed to start construction. Earlier projections estimated its cost at up to \$7 billion, but



An artist's rendering of a Las Vegas-to-Southern California train.

Brightline officials say they expect to build it for about half that. They expect to achieve some of the savings by

investment has a meaningful role to play in developing transportation infrastructure," Wes Edens, co-founder and chief executive officer of Fortress Investment Group, which manages funds that own Brightline, said.

The sale comes as U.S. high-speed rail projects have run into problems, including rising construction costs. One of the more controversial is California Gov. Jerry Brown's proposed bullet train linking Los Angeles and San Francisco, where the estimated costs have risen above \$60 billion. Those trains would travel more than 200 mph, much faster than the ones being deployed by Brightline.

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<sup>1</sup>Fidelity now offers the Fidelity ZERO Total Market Index Fund (FZROX), Fidelity ZERO International Index Fund (FZILX), Fidelity ZERO Large Cap Index Fund (FNILX), Fidelity ZERO Extended Market Index Fund (FZIPX). Fidelity ZERO Index Funds, the industry's first self-indexed mutual funds with a permanent zero gross expense ratio available directly to individual investors who purchase their shares through a Fidelity retail brokerage account.

<sup>2</sup>As of August 1, 2018, Fidelity contractually lowered fund operating expense ratios. See [Fidelity.com/indexinvesting](http://Fidelity.com/indexinvesting) for more detail.

<sup>3</sup>Fidelity beats Vanguard on expenses on 18 of 18 comparable stock and bond index funds, across all Vanguard share classes with a minimum investment of less than \$3 billion. Total expense ratios as of August 1, 2018. Please consider other important factors including that each fund's investment objectives, strategy, and index tracked to achieve its goals may differ, as well as each fund's features and risks.

<sup>4</sup>Vanguard offers other share classes of these funds with different investment minimums and expense ratios.

Zero minimums generally apply to Fidelity share classes that previously required investment minimums of \$10k or less and for stock and bond index fund classes that previously had minimums of up to \$100 million.

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Keep in mind that investing involves risk. The value of your investment will fluctuate over time, and you may gain or lose money.

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## U.S. NEWS



Russell Jordan walked away from his home in Trenton, N.C., Monday after visiting to feed his dog. Mr. Jordan said for now, the water was too deep to get the dog out.

## Prosecutors Get Probe Of FEMA Chief Long

By MICHAEL C. BENDER

WASHINGTON—An investigation targeting President Trump's top emergency-management official has been referred to federal prosecutors to determine whether criminal charges should be pursued, according to people familiar with the probe.

Brock Long, the administrator of the Federal Emergency Management Agency, and two other federal employees may have broken as many as six laws as they commuted frequently between Washington and Mr. Long's home in Hickory, N.C., at taxpayers' expense, said one of the people briefed on the investigation.

Mr. Long has said he is cooperating with the investigation, which has been led by the Department of Homeland Security's inspector general. Mr. Long declined to comment through a FEMA spokesman.

The inspector general's office and U.S. attorney's office in Washington also declined to comment. A White House spokesman didn't return a request for comment.

On Monday, House Oversight panel Chairman Trey Gowdy (R., S.C.) asked Mr. Long for documents related to each of his trips home and any communications with FEMA employees who traveled with him.

During one of those trips, a federal employee was driving a government vehicle that was involved in an accident, the people familiar with the probe said.

By midday Monday, the North Carolina Department of Environmental Quality reported two waste lagoons that had been breached, seven where heavy rain caused spillage over the top, and four that were inundated with floodwaters.

Reports continue to come in and, as soon as the environment is safe, the department will send staff to evaluate those reports, department Secretary Michael Regan said, speaking at a news conference.

Duke Energy reported a second breach of a coal-ash pond at its L.V. Sutton Power Plant near Wilmington, N.C., said Reggie Cheatham, director of the Environmental Protection Agency's office of emergency management.

He said the agency didn't know the size or severity of that breach. Coal ash can contain toxic mercury, arsenic and lead.

The first breach, reported over the weekend, didn't cause coal ash to leave the facility, Mr. Cheatham said.

The second one has the potential to reach water sources that lead to the Cape Fear River, but the EPA had no reports of an impact on the river, he said.

—Scott Calvert, Kris Maher and Ben Kesling contributed to this article.

—Ben Kesling contributed to this article.

# Florence Taxes Vulnerable Dams

BY JON KAMP  
AND ERIN AILWORTH

**NEW BERN, N.C.**—Flooding remained a major concern Monday as North Carolina continued to grapple with Florence's effects and officials monitored vulnerable dams for potential breaches, even as the storm moved north.

Florence, now a tropical depression, has been blamed for at least 32 deaths in the Carolinas and Virginia since it began battering the region as a hurricane late last week, according to authorities in both states. While the storm moved toward the Northeast, swollen rivers were still a problem, with some not forecast to crest until later this week.

"The next few days will be long ones as the flooding continues," North Carolina Gov. Roy Cooper said at a news conference Monday.

At least 25 storm-related deaths have occurred in North Carolina, including a 3-month-old boy killed when a falling pine tree crushed a mobile home on Sunday. Authorities on Monday found the body of a 1-year-old boy who was carried away by rushing waters in Union County on Sunday.

A tornado near Richmond, Va., Monday afternoon caused a building collapse that killed a man, the local fire department said. Authorities in South Carolina have counted six storm-related deaths.

The storm has prompted thousands of rescues from floodwaters, sent at least 17,000 people in the Carolinas into shelters, derailed a freight train, plunged hundreds of thousands of homes into darkness and flooded roadways from small streets to major interstates.

About 390,000 power customers were still offline in North Carolina late Monday,

### The Forces That Made the Storm Linger

Florence was caught between high-pressure systems to the north and to the west until at least Saturday. This slowed the storm down and pushed it slightly southwest as it was moving over land.

After Saturday, the high-pressure system to the west began moving north and then east, allowing Florence to move north.

While the storm moves toward the Northeast, swollen rivers are still a problem, with some not forecast to crest until later this week.



Source: National Center for Atmospheric Research

according to utilities. **Duke Energy Corp.** on Monday said it had restored power to more than 1.2 million customers. The storm caused more power problems as it moved north. About 12,000 customers were recently offline in Virginia.

Authorities have been keeping a close eye on dams as floodwaters rise and have ordered evacuations near several dams in North Carolina, from the state's northwest corner to its south-central border.

These include evacuations of residents living near the dams at Richmond Mill Pond and Fair Lakes in Scotland County, where authorities declared a state of emergency Sunday evening and ordered about 500 people to evacuate.

Elsewhere, authorities on Sunday urged residents down-river from dams in Creston and Hoke County, N.C., to evacuate.

"We're not letting people go back into the area below the dams until we have confirmation it is safe and secure," Mr. Hammond said.

In heavily flooded New Bern, N.C., City Manager Mark Stephens said the storm has caused at least \$6 million in damage. Preliminary estimates show about 4,300 homes and at least 300 businesses were damaged or destroyed by the storm, he said at a news conference Monday.

Emergency responders have rescued more than 800 people there from floodwaters, he said.

"Our city has suffered, obviously, one of the most devastating storms in its 308-year history this past week," Mr. Stephens said. "As you can expect, this is a significant setback at the hands of mother nature."

In Wilmington, a city near the coast that has been cut off by flooding, authorities said they were able to open up a single route into town and send in 23 trucks with food, water and supplies.

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Moisture the storm picked up from warm ocean waters played the biggest role in the amount of rain Florence generated and in preventing it from weakening.

Dylan Moriarty/THE WALL STREET JOURNAL

**Authorities have ordered evacuations near several dams in North Carolina.**

uate due to vulnerable dams.

A CSX Corp. freight train derailed on washed-out tracks in Anson County, southeast of Charlotte, sending nine locomotives and five railcars off the tracks Sunday evening. Some diesel and motor oil spilled from locomo-

tives, according to CSX.

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—Scott Calvert, Kris Maher and Ben Kesling contributed to this article.

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## City Is Isolated By Storm

**Continued from Page One**  
supplies, such as water and tarps and other necessities, by air to Wilmington.

Before Florence, Wilmington's downtown bustled, with a promenade along the Cape Fear River typically crowded with tourists. But the bars and restaurants are largely boarded up, and the rain and overflow from the river fill many roads.

Now, most businesses are closed. A Family Dollar store was looted over the weekend, with residents reporting theft of food, diapers, toilet paper and children's clothes.

Even when roads do open, life won't be the same: the docks are damaged, roads torn up, homes wrecked.

Cars wrapped around the Sam's Club parking lot long before the pumps were set to open Monday. On College Road, one of the city's main arteries, a line of hundreds of cars stretched for a quarter-mile to get gas from one of the few open stations.



People formed a line around the block for ice at Rose Ice & Coal in Wilmington, N.C., after the company's electricity returned Monday.

Hourlong lines await those trying to get in the handful of open grocery stores, which are selling the few items left from before the storm. When power came on at Rose Ice & Coal Co., which makes ice, a line immediately formed around the block Monday afternoon. People jostled for position as police officers monitored to ensure order.

Tom Mills gave up on the power coming back at his Little Pond Caterers business and

sent word from house to house that he was serving sliders and barbecue chicken that were going to go bad without electricity to his industrial refrigerators and freezers.

Besides, he said, all the neighbors had been helping one another all week. They took turns using one generator by moving a long extension cord from house to house, powering sump pumps and keeping refrigerators cool as

best they could.

Two women walked their dogs, taking note of who on their street had food to pool for a meal.

One of them, Deborah Phillips, had managed on Sunday night to scrape together what she called "Hurricane Florence soup."

"It had hambone, a few vegetables and a tomato," she said. "It was pretty good."

A few hours of sunshine on

Monday had many people scrambling to get outside, moving debris and surveying their surroundings.

One neighbor cut up pieces of the Millses' 60-foot pecan tree, which split and fell during the storm. Karin Mills said she was sad to lose the tree but felt fortunate to be safe.

A mother and 8-month-old baby were killed a few miles away when a tree fell on their house, two of the at least 32 fatalities in the

Carolinas and Virginia that authorities blame on Florence.

Ms. Phillips said she welcomed the sound of chain saws as workers clear the thousands of oaks, pecans and pine trees clogging Wilmington's streets. But she flinched every time she heard a tree fall in her Forest Hills neighborhood.

Caryn LaVere couldn't find her yard gloves, but didn't want to miss the sun after nearly four days of rain, so she pulled on her black winter Isotoner gloves and grabbed a rake. She and her husband David hung their U.S. flag to the front fence after it was ripped from a tree.

School has been out here since Sept. 11 and will be out the rest of the week.

Ten-year-old Kajuan Redd and his 7-year-old brother Ky'Heim said they have enjoyed their "hurricating." Kajuan said he liked sitting on the front porch and letting the rain blow in his face. His brother said he liked jumping on the bed, making a fort and playing cards.

"It's been like camping, but it's fun camping," Kajuan said.

Ms. Smith said the inability to get on with daily life—from taking a hot shower to sleeping in a cool room—is wearing on her. "I'm ready to get back," she said. "After a while, what can you do?"

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## Haggar Clothing Co Partners With Pro Football Hall of Fame

Two things are certain each year at the Pro Football Hall of Fame Enshrinement festivities: football greatness is recognized and the iconic Gold Jacket, made by Official Jacket Provider Haggar Clothing Co., is bestowed.

This proud tradition began in 1978 when the Pro Football Hall of Fame commissioned Haggar to create custom suit jackets for its newest class of enshrinees.

"For decades, Haggar has been honored to individually construct

### Gold Jacket Facts

- Debuted in 1978
- Custom made in one of two American Factories
- Each jacket is individually numbered.
- The fabric's color is a trade secret and closely guarded.

and tailor each Gold Jacket for Pro Football Hall of Famers, and we feel tremendous pride when we see our jackets on the sport's greatest legends," said Haggar CEO Michael Stitt. "To those who wear it, the Gold Jacket symbolizes years of hard work and craftsmanship in mastering their craft. We are honored to have Hall of Famers in our 2018 class on their enshrinement."

Haggar's Hall of Fame jacket team worked with newly enshrined Hall of Famers Bobby Beathard, Robert Brazile, Brian Dawkins, Jerry Kramer, Ray Lewis, Larry Little, Terrell Owens and Brian Urlacher beginning in February to design and create their Gold jackets.

"Haggar has been a valued Pro Football Hall of Fame partner for the past 40 years and we know how important those jackets are to each legend who wears them," said Hall of Fame President David Baker.

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The newest members of the Pro Football Hall of Fame are tributary Bobby Beathard, linebacker Robert Brazile, safety Brian Dawkins, guard Jerry Kramer, linebacker Ray Lewis, wide receiver Randy Moss, wide receiver Terrell Owens, and linebacker Brian Urlacher.

# KOHL'S

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## Haggar News

For seven consecutive quarters (Q2-2018), Haggar has produced both the **No. 1-selling dress pant style<sup>1</sup>**, the Premium Comfort Dress Pant & E-CLO™ Dress Pant, and the **No. 1-selling casual pant style<sup>2</sup>** in America, the Premium No Iron Khaki.

"Innovation is the driving force behind our success. We continually elevate our designs through technologies that include state-of-the-art fabrics and comfort features that our customers have come to expect from Haggar," said Haggar Chief Executive Officer Michael Stitt.

Haggar is the **No. 1-selling golf pant brand** in its third-quarter rankings for 2017\*. Haggar's Cool 18® Pro pant offers performance features such as moisture-wicking, UPF sun protection, shirt gripper technology, hidden comfort waistbands and lightweight, four-way stretch fabrics that make it ideal on and off the course.

Americas Apparel Producers Network (AAPN) has appointed Anzovino chief sourcing and merchandising officer. Dallas-based Haggar will continue to serve as its president.

"AAPN is the most important and active organization representing the interests of the apparel supply chain in the U.S. and throughout the Americas. It is a great opportunity for Haggar to continue to strengthen its position to support and enhance its mission to support and develop its members," said Anzovino.

"Haggar has been a valued Pro Football Hall of Fame partner for the past 40 years and we know how important those jackets are to each legend who wears them," said Hall of Fame President David Baker.

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In 2018, the company's inaugural RECYCLED SUSTAINABILITY award honored 130 million recycled cotton in its Life Khaki Premium Comfort Dress Pant.

"As we celebrate our 90th anniversary, we like to stop and reflect on the positive impact we've had on the environment. Our partnership with Unifi has made a significant difference," said Haggar President and Merchandise Director Michael Stitt and Anzovino.

In 2016, Haggar was honored to be invited to create a custom-made orange jacket for the **Basketball Hall of Fame** induction ceremony.

The 2018 class included **Kidd, Steve**, **Nash, Steve**, **Allen, Tina**, **Charles, Charles**, **Dino Radja, Charles**, **Washington, Ray** and **Welts**.

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## WORLD NEWS

# Russia, Turkey to Set Buffer Zone in Syria

Move in Idlib aims to avert regime assault, humanitarian crisis in opposition stronghold

By DAVID GAUTHIER-VILLARS  
AND RAJA ABDULRAHIM

Russia and Turkey reached a tentative agreement to create a demilitarized buffer zone in Syria's northwestern Idlib province, a move that could help avert a fight and likely humanitarian catastrophe.

After a meeting in the Black Sea resort city of Sochi on Monday, Turkish President Recep Tayyip Erdogan and his Russian host, President Vladimir Putin, said soldiers from the two countries would patrol the last major opposition stronghold—which Syrian President Bashar al-Assad has been eager to reconquer—to enforce its demilitarization.

Russia and Turkey agreed that by Oct. 10 all heavy weaponry as well as radical groups would be moved out of the demilitarized zone, which would serve as a buffer between opposition and government forces in Idlib, Russian wire agencies quoted Mr. Putin as saying. He added that the zone, a 10- to 12-mile corridor along the line of contact between rebel and pro-Assad forces, would come into force by Oct. 15.

"Russia and Turkey are working hard to prevent the crisis from spreading," Mr. Putin said.

Idlib, home to an estimated three million people—the vast majority of them civilians—contains 10,000 to 15,000 fighters from groups that Russia, Turkey and the U.S. all consider terrorists. It also is a base for tens of thousands of more moderate anti-Assad fighters supported by Turkey.

The Assad regime, which has regularly referred to all opposition groups, including political ones, as terrorists, has said it aimed to oust all rebels and reclaim control over the entire country. It isn't a party to Monday's agreement.



Syrian rebel fighters patrol in Hama province. A buffer zone in neighboring Idlib province will come into force by Oct. 15, Russian President Vladimir Putin was quoted as saying.

Mr. Erdogan said that while radical rebels would be banned from the area, opponents to the Assad regime whom Turkey has been backing would be allowed to keep their positions.

"With this agreement, I believe we have prevented a huge humanitarian crisis," Mr. Erdogan said in a televised press conference after Monday's meeting, which came more than a week after leaders of Russia, Turkey and Iran failed to come to an agreement over Idlib's fate.

The State Department said it was encouraged by the effort by Russia and Turkey to avert a military offensive in Idlib, and hoped the de-escalation zone was made permanent.

The Trump administration in recent weeks launched an unusually vocal effort to forestall an offensive in Idlib. The effort included talks involving

both Secretary of State Mike Pompeo and national security adviser John Bolton and their Russian counterparts, people familiar with the talks said.

While the U.S. has no troops in Idlib, it does have about 2,000 in northeast Syria.

Two weeks ago, President Trump used Twitter to deliver a blunt warning about an offensive, writing that Mr. Assad "must not recklessly attack Idlib Province." U.S. officials said they were especially alarmed by intelligence that Mr. Assad had approved the use of chlorine gas in Idlib.

Since taking office last year, Mr. Trump has twice ordered airstrikes in Syria after Mr. Assad was accused of using the banned nerve gas sarin in two separate attacks that killed scores of people. The Trump administration made it clear that it was willing to hit Mr.

Assad even harder if he used chemical weapons again in Idlib and had consulted with allies.

"We've been in consultation with the British and the French, who joined us in the second strike, and they also agree that another use of chemical weapons will result in a much stronger response," Mr. Bolton said last week.

Monday's announcement could mark a diplomatic success for Mr. Erdogan, who has been complaining he had been "abandoned by the West," in defending the fate of civilians stuck in Idlib province.

Turkey has established a military presence in Syria in an effort to repel armed Kurdish groups it regards as terrorists away from neighboring areas. More recently, Ankara, which provides shelter to an estimated 3.5 million people from Syria, said a battle for Idlib's control

risked sending even more refugees toward its border.

Although they have been coordinating military actions in Syria in recent months, Russia—the main foreign sponsor of the Assad regime, along with Iran—and Turkey, risked finding themselves on opposite sides of a fight in Idlib.

For Russia, Monday's agreement is an opportunity to lure Turkey, which boasts the North Atlantic Treaty Organization's second-largest military, closer to its side at a time when relations between Ankara and Washington are at a historic low.

Turkey hasn't said how it would persuade rebels, such as the extremist group and former al Qaeda affiliate Hayat Tahrir al-Sham, to disarm. Previous attempts have failed and the Assad regime's threats to launch an offensive have been causing friction among militants.

Syrian government officials didn't respond to a request to comment.

Rebel commanders in Idlib said Monday's announcement of a demilitarized zone was the first they had heard of it. But they welcomed any agreement that would prevent a large-scale offensive.

For weeks, the northwest province as well as adjacent rebel-held areas in neighboring provinces have braced for an offensive led by the regime and Russia's military that residents feared would be even bloodier and more devastating than previous assaults in the war.

Thousands fled their homes near the front lines as the regime and Russia began carrying out airstrikes and artillery attacks. The U.N. warned that a full-scale military assault on Idlib risked creating "the worst humanitarian tragedy of the 21st century."

## U.S. Envoy Assails Moscow on North Korea Sanctions

By FARNAZ FASSIHI

UNITED NATIONS—The U.S. and Russia reached an impasse during a United Nations Security Council debate Monday on North Korea, threatening to upset a tenuous consensus on international efforts to pressure Pyongyang with economic sanctions days before world leaders gather for an annual meeting in New York.

The impasse comes as U.S.-North Korean talks have stalled, increasing pressure on the Trump administration to redouble sanctions efforts to persuade Pyongyang to give up its nuclear weapons, in keeping with a June summit statement in Singapore.

The U.S. and Russia at the Security Council exchanged accusations that the other was to blame for impeding the goal

of convincing Pyongyang to abandon its nuclear weapons and long-range missile programs.

U.S. Ambassador Nikki Haley said Russia had "cheated" and "lied" to help North Korea evade international economic sanctions and had pressured the U.N. to cover Moscow's tracks by blocking the release of a U.N. investigative report detailing Russia's actions.

Russia said the U.S. had worked to influence and politicize the report's findings to blame Russia, and wasn't offering Pyongyang enough sanctions relief as an incentive for disarmament.

North Korea will be one of the main topics before world leaders during the annual U.N. General Assembly gathering next week. President Trump is scheduled to chair a Security



U.S. Ambassador Nikki Haley at a meeting of the U.N. Security Council in New York on Monday.

Council meeting on Sept. 26 on the topic of nonproliferation.

At Monday's Security Council meeting, Ms. Haley focused her comments on Russia. The still-confidential U.N. report

didn't mention China.

A council diplomat said China hadn't tried to block the release of the report or to seek changes, as Russia had sought to do. Some diplomats said by omitting China from her comments, Ms. Haley attempted to portray a united council against Russia's actions.

"Russia is actively working to undermine the enforcement of Security Council sanctions," she said at Monday's session, an emergency meeting called by the U.S. She added that Russia was "impeding our ability to achieve denuclearization in North Korea."

Ms. Haley called on council members to stand with the U.S. in demanding that the U.N. Panel of Experts submit their report in its original format, without modifications sought by Russia.

While U.S. allies Monday called for the report to be released in its original format, none specifically mentioned Russia or openly condemned Moscow in their remarks.

Russia said it had followed protocol by informing the Panel of Experts of its concerns and asking that its position be reflected in the report. The panel is a group authorized by the Security Council to research and report on the status and effectiveness of its North Korea sanctions.

Russian Ambassador Vassily Nebenzia said the U.S. was using the forum to target Russia. "The work of Panel of Experts became increasingly politicized and they became hostages to Washington's objectives," he said.

—Ian Talley in Washington contributed to this article.

## Ankara's Financial Woes Give Hope—to Foreign Investors

By JON SINDREU

For some foreign investors, a recession would be the best thing that could happen to Turkey.

That counterintuitive notion is based on a view that a shrinking economy is one of the few things that could damp Turkey's high inflation.

Turkey's central bank took a swing at inflation on Thursday, raising its main interest rate to 24% from 17.75% and pleasing markets concerned about the bank's independence from President Recep Tayyip Erdogan, who one day later reiterated his dislike for higher lending rates.

But many investors believe that higher rates alone are unlikely to be enough to shore up the lira and tame inflation, and that they may also create problems for Turkish companies and banks trying to refinance large piles of debt.

If this creates a downturn, it might be a good thing in the long run, some say.

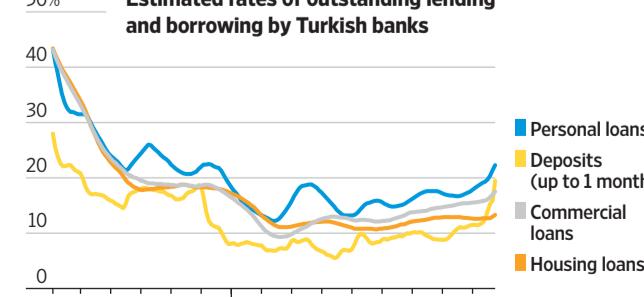
Recession would hurt the value of Turkey's stocks and

bonds and could create significant problems for the country's banks, and would be detrimental to living standards in the country. But for some investors, the risk of a recession hitting the price of their investments may be lower than the risk of inflation eroding the value of those shares, bonds and other assets.

"Indicators suggest a severe

### Bank Trouble

With central-bank rates now at 24%, Turkish banks could end up paying more on deposits than they earn on some loans.



slowdown is under way," said Jürgen Odenius, economic counselor at PGIM Fixed Income. "Such a downturn is necessary to foster much-needed rebalancing."

Turkey's currency has lost more than 37% this year, in large part due to concern about the country's high dollar-denominated debts and a belief that Mr. Erdogan could stop the

central bank from raising interest rates to tackle inflation, which hit 17.9% in August.

Key for investors is whether the lira is weak enough to justify their buying local shares

and other assets at a discount as a long-term bet, even if the economy tanks in the short run. Deutsche Bank calculates that the Turkish currency is 40% below its fair value.

But there is a catch. If inflation surges above what economists are currently expecting—they expect it to peak between 20% and 25% once the effect of costlier imports feeds through to the economy—then much of the value of the lira could be eroded.

A slowdown in the Turkish economy, which last year grew more than any other in the Group of 20 countries, could make sure that inflation doesn't get out of hand, investors say.

Higher unemployment, for instance, would deter workers from asking for much higher wages even as import costs soar and reduce their living standards.

There are signs that the

Turkish economy is already slowing. In the second quarter, it expanded 5.2% from a year earlier, compared with 7.3% growth in the first quarter, according to official data.

Recessions are often credited with slowing inflation, especially when unemployment is severe enough that workers lose the ability to demand wage increases. In the 1980s, the Federal Reserve brought down the soaring inflation caused by oil-price increases, by pushing up interest rates and causing a recession, many economists say.

But inflation doesn't always descend with the economy. After Mexico's so-called peso crisis of 1994, inflation jumped while the economy plunged into a deep recession. Inflation would later fall just as the economy began to pick up pace.

Thursday's rate increases aren't necessarily good news for Turkey's embattled banks.

In the short term, a more stable lira limits these banks' capital losses and should help them roll over their large dollar-denominated debts. Turk-

ish banks' foreign-borrowing needs will amount to about \$100 billion a year, estimates by the International Monetary Fund show, more than Turkey's entire stash of foreign-exchange reserves.

But higher domestic borrowing rates in lira may cause more pain than investors realize, said Brad Setser, an economist at the Council on Foreign Relations.

This is because most of Turkey's lending boom to businesses and households over the past two years was in lira, not dollars. Higher short-term rates mean that, in the short run, Turkish banks could end up paying more to their depositors than they earn on their outstanding stock of mortgages and commercial loans, estimates by The Wall Street Journal show.

"Most [banks] will be losing money on their lira loan book as it will take time for lira rates to reset," Mr. Setser said. "I am still waiting for clarity on how Turkey will handle the linked restructuring of its banks and its firms."

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## WORLD NEWS

# Japan Joins South China Sea Drill

Bolstering message from West, Tokyo reveals submarine visit to contested waters

BY CHIEKO TSUNEOKA AND PETER LANDERS

TOKYO—Japan sent a submarine to join three destroyers in an exercise in anti-submarine warfare in the South China Sea, strengthening the resistance by U.S. allies to China's military expansion.

The submarine, the Kuroshio, joined the warships on Thursday before heading for a port call at the Vietnamese naval base in Cam Ranh Bay, the first such visit by a Japanese submarine, Japan's Defense Ministry said.

The statement was the first public disclosure by the ministry of a submarine exercise in the South China Sea.

"It's part of a strategic message that Japan would like to send to China and the countries in the region," said Narushige Michishita, a professor specializing in international security at the National Graduate Institute for Policy Studies in Tokyo. "It's a demonstration of Japan's will to maintain a balance of power."



The Kuroshio, seen in an undated photo, participated in an anti-submarine exercise on Thursday.

Prime Minister Shinzo Abe met Chinese President Xi Jinping this month at a conference in Russia and said he would visit Beijing in October.

China has been stepping up its military presence in the South China Sea for years. In May, China's air force said it had landed a heavy bomber on a disputed island, bolstering its control of the area.

As much as a third of global trade passes annually through the 1.35 million square miles of ocean, which is also thought to be rich in natural resources. China says it has historical claims to almost the entire area.

China has repeatedly used ships and planes to challenge Japan's sovereignty over a group of islets in the East China Sea known as the Senkakus in Japanese and Diaoyu in Chinese.

The presence of Japanese submarines in the South China Sea would be displeasing to China, said Yoji Koda, a retired vice admiral in Japan's navy.

"Submarines are more difficult to detect than surface warships, so it is more unwelcome than surface warships' entry to the waters," he said.

—Jeremy Page and Dominique Fong in Beijing contributed to this article.

# Beijing Censures Municipal Debt Spree

BY CHAO DENG

BELJING—China's Finance Ministry is upping the pressure on local governments that run up debt, reprimanding dozens of officials in one province that has seen its debt troubles spill into public protests.

The ministry said oral or written warnings were issued to 32 officials across the southern province of Hunan, while another official, who was in charge of a government-financing company, was fired. The officials violated laws and regulations on government debt, the ministry said in a statement dated Friday, and their reprimands are part of an effort to defuse debt-related risks.

While the ministry said the focus on Hunan was due to a recent inspection by provincial officials, the province's problems with local-government debt have grabbed national headlines, most recently when hundreds of parents clashed with police this month over overcrowding in schools in the city of Leiyang.

Spending by local governments has soared since the global financial crisis, when Beijing opened the credit taps to forestall a downturn. In recent years, Beijing has begun trying to tamp down the borrowing, worrying that the debts of local governments—which are estimated to amount to 46% of the economy—are a long-term danger, especially as overall economic growth slows.

President Xi Jinping signaled a tougher approach last year, telling a national financial-policy meeting that officials should remain accountable for life for debt-related decisions while in office. Following that lead, the Finance Ministry has stepped up public naming and shaming of local governments from Baoshan city in the west to Laibin city in the deep south, mostly for borrowing via nonbank, or shadow, lenders.

"Now the fiscal authorities, particularly on the central-government level, are willing to make cases transparent, as part of their strategy for dealing with debt," said Zhiwei Zhang, China economist at Deutsche Bank.

Debt problems in Hunan, a rich agricultural area astride important transport routes, aren't as egregious as many northern and western provinces saddled with resource and rust-belt industries. Hunan's ratio of local-government debt to gross domestic product reached 58% at the end of 2017, according to a study led by Zhang Ming, an economist with state-run Institute of World Economics and Politics.

The study's findings include estimates of off-book debts by local governments. When those borrowings are factored in, the study found, local-government debt ratios exceeded 100% in Ningxia, Guizhou and Qinghai provinces.

—Liyan Qi contributed to this article.

# Philippines Searches for Typhoon Survivors

Hundreds of rescue workers dug through mud and debris in the Philippines, seeking survivors from a monster typhoon that also caused widespread damage in Hong Kong and the southern China coast.

The mud was hardening two

By Jake Maxwell  
Watts in Singapore  
and John Lyons  
in Hong Kong

days after Supertyphoon Mangkhut blasted the northern Philippines, killing at least 65 people, most of them miners on the Cordillera mountain range of northern Luzon island. Officials said they hadn't heeded calls to evacuate, instead choosing to wait out the storm in a bunkhouse that doubled as a chapel.

"They thought their area was safe so they turned it into an evacuation center by themselves," a local mayor, Victor Palangdan, told radio station DZMM. "We did not allow them to do so, but they threatened to fight us off so our policemen were forced to just leave."

Rescue teams used hand shovels to sift through the debris in the mountainous area where the mudslide also swept away several houses, a task many feared would be futile. "You can't even see the roof of the building," said Mr. Palangdan. Many roads in the area remained blocked by debris and electricity and communications were patchy.

Officials said they didn't know how many people were still buried, but the death toll could climb as high as 100. Small-scale mining in the mountainous northern provinces was immediately halted by the government, which blamed the industry for en-



The Philippines bore the brunt of the damage from Supertyphoon Mangkhut, but China's Guangdong province, above, also was struck.

couraging deadly mudslides and flooding.

In addition to widespread damage to infrastructure, authorities estimated agriculture took a \$53 million hit as crops were wiped out just weeks before harvest season.

Mangkhut was the world's strongest storm so far this year, producing sustained winds of 170 miles an hour, though it lost strength after hitting the Philippines. By Monday, as it blew deeper into southern China, it was downgraded to a tropical storm.

In Hong Kong, a financial hub of 7.5 million people set on islands and coastlines, workers Monday began a cleanup: The

heavy winds, big waves and tidal surges had felled trees, damaged skyscrapers and produced coastal flooding—though no fatalities were reported.

Hong Kongers returning to work Monday picked their way along sidewalks littered with glass. The winds had punched windows out of many office towers and ripped street-level facades. Bus service was limited and delayed, and subways were besieged by crowds.

Farther west in the gambling hub of Macau, some 20,000 households remained without power. Photos showed yellow-helmeted emergency workers in red inflatable dinghies navigating through the

inner harbor streets, where dark green seawater rose at least half way up the street level store fronts. Authorities took the unusual step of halting gambling, a move credited with helping the city avoid fatalities.

Mangkhut dumped heavy rains and disrupted transport Monday across a swath of southern China, where millions of people were evacuated. State media reported the storm caused at least four deaths after making landfall Sunday in Guangdong province, a manufacturing and tech hub.

Along the coast, the typhoon halted public transport, closed highways and led to cancella-

tion of all flights Sunday afternoon through Monday morning at Guangzhou Baiyun International Airport, China's third-busiest airport. Videos posted on social media showed panes of glass falling out of tall buildings and sheds being crushed by the winds.

The scale of the storm's destruction—and its human toll—may not be known for several days. Jiangmen, the Guangdong city where the typhoon made landfall, estimated financial losses would exceed \$270 million.

—Dan Strumpf in Hong Kong and Eva Dou and Yang Jie in Beijing contributed to this article.

## FROM PAGE ONE

## Bosses Sour on Sweets

Continued from Page One  
viral earlier this year: "There is no sugar, candy bars, soda (diet or otherwise) allowed in our office. If you bring some it will get thrown away."

Chief executive Munjal Shah said the rules, more flexible than they sounded, were relaxed after the social media outrage.

The company, however, still wags a finger at secondhand sugar.

"Don't tempt me with your kids' leftover chocolate cake," said Mr. Shah, who leads a startup that sells cut-rate life insurance to health-conscious buyers.

The shaming goes both ways. Hy-Deia Walker, 24, who

works in development at a nonprofit in New York, said the amount of sugary treats in her office is overwhelming. Every birthday is celebrated with a cake, she said, and there are always leftover cookies and sugary snacks after client meetings.

Refuse a cupcake, Ms. Walker said, and some co-workers "give you a look like you're being dramatic." On her own birthday, she brought in a fruit plate. Colleagues arrived with a red velvet birthday cake.

Ms. Walker cut herself a tiny slice, she said, and deliberately forgot to take home leftovers.

At inWhatLanguage, staffers fall into a similar divide. "The sales people are more on the healthy side, and the project management team wants doughnuts," said Cyle Adair, director of business development. He keeps almonds and protein bars by his desk.

Abel Atwater, director of project management, de-



An office cake break is ready.

scribed his colleague as "a health nut who eats rabbit food." Mr. Adair said Mr. Atwater is nicknamed "Charles-ton Chew Man," after the old-timey candy bar with the nougat center.

In June, the Centers for Disease Control and Prevention published the first national study looking at the food people get at work. No

surprise that a lot of the workplace food was free, with much of it high in so-called empty calories from sugars and fats.

U.S. taxpayers spent roughly \$660 each in 2016 treating obesity-related illnesses covered by Medicare and Medicaid, according to estimates by Adam Biener, assistant professor of economics at Lafayette College.

Office crackdowns, though, can't keep workers from their fix. Jennifer Rice, 47, a nurse at Abbott Northwestern Hospital in Minneapolis, said that after the hospital banned the sale of sugar-sweetened drinks, colleagues discovered a fully stocked vending machine in the basement of a nearby office building.

The University of California, San Francisco, took a more circuitous path. In 2015, Well-Being Services Executive Director Leeane Jensen persuaded more than two dozen food outlets at the hospital and across campus to stop

selling sugar-sweetened drinks. Going along were such franchises as Subway, Panda Express and Jamba Juice, which stopped selling juices that weren't all fruit- or vegetable-derived.

The nearby Starbucks resisted. "Our menu is designed to reflect a range of choices from wholesome to indulgent, which allows customers to make nutritional choices that are right for them," a company spokeswoman said.

At UCSF's Jamba Juice on a recent Sunday, employee Anthony Patchill said he has warned customers from ordering a Protein Berry Workout smoothie. His location uses only unsweetened soy milk.

"It just tastes like nothing," Mr. Patchill said.

Not all of the sugar-shaming stems from concern about worker health or the well-being of customers. Sometimes, it is to help the boss avoid calories.

Rudy Chung, 41, a partner at two small music companies

in Los Angeles, told employees to please avoid their afternoon runs to the baked goods store next door after too many sweets piled up at the office during last year's holiday season. The initiative didn't last. "It was probably me that caved," he said.

Another boss, Erin Wynn, 52, said it was tough to stay healthy leading a 50-person team of mostly millennials at WeLocalize Inc. in New York City.

Everywhere she looked, Ms. Wynn said, were bowls of candy, leftover cake and "ba-gels, bagels, bagels."

She finally told workers in 2014 to stop. "I don't care if you have it yourself, just don't put it all over the office," she said. "I can't help myself."

One of her employees at the time was Ms. Glass, now working for inWhatLanguage. After hearing the boss's order four years ago, Ms. Glass recalled, she sped to the aptly named Black Market nearby for a stash of candy.

## WORLD NEWS

# 'Nest of Spies': Niger Turns Security Hub

Western nations build presence in poor African country, hoping to stem migration and terrorism

BY JOE PARKINSON  
AND MACKENZIE KNOWLES-COURSIN

NIAMEY, Niger—Diplomats, spies and hostage negotiators gather nightly on the moonlit terraces of colonial-era hotels in this remote desert capital to trade intelligence on security threats.

Foreign bases and vast new embassy complexes are rising along sand-caked streets. In the shadows, smugglers move migrants, guns and drugs across lawless territory.

Niger, a poverty-stricken nation perched on the southern belt of the Sahara, is rapidly being transformed into one of the world's most strategic security hubs. Its capital has become ground zero for a multi-billion-dollar Western project to halt the migrant trail from West Africa toward the Mediterranean and combat the expansion of jihadist activity across the Sahel, the semiarid region south of the Sahara.

Advocates say the strategy is fortifying the country against security threats. Opponents say it makes Niger a target. Central districts of Niamey are being overrun by what locals call the Green Zone: diplomatic facilities cloistered behind rings of checkpoints and armed soldiers.

"This place is a nest of spies," said one contractor who is working to secure the release of a European hostage kidnapped by jihadists in the same region where Islamic State militants killed four U.S. commandos in October 2017. "Below the radar, it's become a key country for the West."

A surge in financial assistance from European nations seeking to stem the flow of African migrants has made Niger the world's largest per capita



Niger's capital Niamey is becoming the center of a Western project to halt the flow of West African migrants to Europe and fight terror.

stretches of territory around the northern city of Gao. Along the southern frontier with Nigeria, a rejuvenated Boko Haram is mounting intensifying attacks against security forces, including around the city of Diffa, where the U.S. has dozens of troops stationed. To the north lies Libya, which has become a hotbed of instability, weapons and radicalization.

"Niger is the only place in the region where we can operate safely," a senior EU official said. "We can't allow this project to fail."

The European Development Fund last year awarded \$1 billion to Niger through 2020, and unusually for a country governance watchdogs deem chronically corrupt, 75% is now infused directly into the Nigerien budget instead of through nongovernmental organizations.

Islamist extremism isn't new to the Sahel region, but community leaders and analysts say the problem is mutating into an emergency as localized conflicts fuse and compound one another, creating an arc of instability stretching thousands of miles.

It is into this realm that U.S. and European powers have expanded their military presence. The U.S. now has 800 personnel in Niger, up from 100 in 2013, its second-largest deployment in Africa after Djibouti's maritime base, according to U.S. Africa Command, or Africom. France declined to provide troop numbers per country but its Defense Ministry said it has boosted personnel across the Sahel to 4,500, a 50% increase. German and Italian special forces have also been deployed in Niger.

Security experts said Niger's longer-term stability hinges on whether local and foreign interests align.

"This place is now for the Americans and French," said Sadiq, a former migrant smuggler who evaded arrest and is now unemployed. "They took our livelihood and don't give us anything in return."

recipient of European Union aid. Western leaders, including German Chancellor Angela Merkel and French President Emmanuel Macron have visited, offering pledges of partnership and investment.

Western military forces operate from at least nine bases in Niger, government officials said. On a recent day at Niamey's airport, two French jet fighters screeched skyward from the runway as a giant American C-130 transport plane taxied below. The U.S. is finishing a large air base in Agadez, while the Central Intelligence Agency has begun flying armed drones from an airstrip outside the northern town of Dirkou, Nigerian officials said.

Western powers have cheered the strategy to transform Niger into a regional bulwark, but it also comes with

serious risks.

U.S. and European policy makers praise the government as a good partner that has welcomed foreign military personnel and slashed the migrant flow by almost 90% from 2015 highs. But some locals fear the capital is being dragged into the heart of the region's conflict.

Locals, nongovernmental organizations and opposition activists say the government is using international backing to neutralize dissent and embezzle millions of dollars in aid, charges the government denies. The opposition—backed by rights group Amnesty International—says President Mahamadou Idriss Issoufou, in power since 2011, is arbitrarily jailing activists and spending Western aid on bolstering his elite Presidential Guard.

Government officials say

dying in the desert in failed attempts to find new routes.

"The West is pleased because Niger's government is a willing partner, but they are securitizing the country against the will of the majority," said Julien Brachet, an expert on the region at Oxford University. "It could come back to haunt them."

Niger's security chief, Mohammed Bazoum, said Western partners need to increase aid to stop the country from being engulfed by regional security threats.

"We have become a hinge country, a geostrategic hub, but it is a disaster for us. We are known as a land of terrorism and migrant traffic."

Across Niger's western border with Mali, jihadist groups including Islamic State and al Qaeda franchises control

the opposition is fearmongering to undermine the region's most stable administration.

Swaths of the nation's centuries-old transportation economy—the movement of people and goods from West Africa through the Sahara—has essentially been criminalized by the EU crackdown on migration.

Some of the desert-dwelling Tuareg people, who have transported goods for centuries, are now smuggling weapons, men and money for cash-rich jihadist insurrections. Migrants are

productivity, access to reproductive health tools, so that the youthful population of Africa becomes an asset rather than a burden to those countries," Bill Gates said in an interview.

He pointed out both the promise and peril that Africa's rising youth population poses. Today, six out of 10 Africans are under the age of 25. If educated and healthy, they could be a source for rapid economic growth, he said.

In a speech last week, Nigerian Vice President Yemi Osinbajo touted the country's young population as an economic opportunity, but warned that failure to provide education, jobs and other opportunities to this new generation could leave the country sitting on a "population time bomb."

"To avoid the time-bomb scenario, we must act with urgency to build an economy that can support that population, provide jobs and economic opportunity, education and health care, hope and optimism," he said.

Nigeria is still trying to shake off the 2014 oil-price collapse, while fighting Boko Haram jihadists in the north-

east and facing violent clashes over farmland in its center. In Congo, which is battling its second Ebola outbreak this year, violence has spread beyond the restive east since 2016, when President Joseph Kabila put off national elections due that December.

Lambert Mende, the country's information minister, rejected the report's findings. "We will prove them wrong," he said. "We are on our way to leave poverty behind thanks to a more rational management of our natural resources."

European leaders have voiced concerns about wasting the continent's demographic potential. German Chancellor Angela Merkel, French President Emmanuel Macron and U.K. Prime Minister Theresa May have all visited the continent in the past three months, promising investment and cooperation on vocational training. At the same time, however, Europe is boosting its border controls to keep out unwanted migrants.

Immigration to richer nations, where population growth is slower or stagnant, probably won't provide a solution be-

cause of political opposition to migrants, said Mr. Gates, whose foundation invests in programs to eliminate disease and improve access to health care in developing nations.

"Each country to some degree is on its own to solve their challenges," he said.

Countries need an adult literacy rate of at least 70% to industrialize and grow at a pace that leaves the average citizen better off, said Charles Robertson, global chief economist at Renaissance Capital in London, who has studied the impact of education on African economies. Birthrates begin to taper off when societies, including women, reach higher levels of education and gross domestic product per capita, he said.

Swaths of the continent, especially East African nations such as Kenya and Tanzania, are starting to reach the literacy thresholds and other conditions for an economic takeoff, Mr. Robertson said. Yet Mali, Niger and other countries in West and Central Africa have adult literacy rates below 40%, he said.

*—Gbenga Akingbule contributed to this article.*

# Extreme Poverty Fuels Risks in Sub-Saharan Africa

BY BETSY MCKAY  
AND GABRIELE STEINHAUSER

The number of people living in extreme poverty is becoming concentrated in some of the most unstable and populous parts of Africa, raising the risk of political violence and devastating disease outbreaks.

Just two countries—Nigeria and the Democratic Republic of Congo—will be home to 44% of people living in extreme poverty by 2050 if trends continue, according to a new report from the Bill & Melinda Gates Foundation, compared with 20% today. The World Bank, which will release its own report on extreme poverty this week, defines the status as subsisting on less than \$1.90 a day.

Sub-Saharan Africa as a whole will be home to 86% of the world's extreme poor unless action is taken, such as educating more women and giving them access to contraception, the report says. That compares with 57% in 2017.

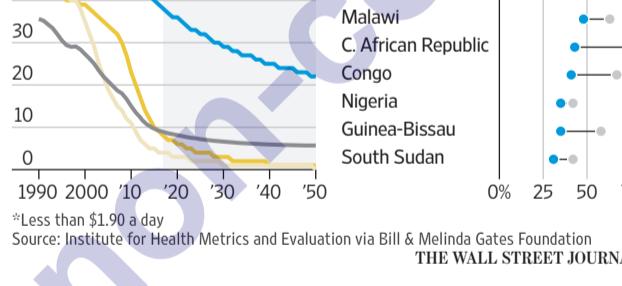
The trends risk stalling decades of progress curbing disease and lifting people out of poverty, the report says. The

## Feeling the Pain

Extreme poverty is declining globally, but it is expected to become more concentrated in sub-Saharan Africa, home to growing youth populations.

### Share of population living in extreme poverty\*

■ Sub-Saharan Africa ■ South Asia  
■ SE Asia, East Asia and Oceania  
■ Global



\*Less than \$1.90 a day  
Source: Institute for Health Metrics and Evaluation via Bill & Melinda Gates Foundation

THE WALL STREET JOURNAL

number of extremely poor people, long in decline, could begin rising again.

Extreme poverty is concentrating in these countries because their birthrates are higher than in wealthier nations. The rising numbers of very poor people in areas marred by politi-

cal uprisings and governments' challenges in providing health care, education and job opportunities for a growing population could generate more instability, experts warn.

"We need to invest in the human capital—the health, nutrition, education, agricultural

productivity, access to reproductive health tools, so that the youthful population of Africa becomes an asset rather than a burden to those countries," Bill Gates said in an interview.

He pointed out both the promise and peril that Africa's rising youth population poses. Today, six out of 10 Africans are under the age of 25. If educated and healthy, they could be a source for rapid economic growth, he said.

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*—Gbenga Akingbule contributed to this article.*

## WORLD WATCH

### Macedonia

#### U.S. Says Russia Obstructs NATO Bid

Defense Secretary Jim Mattis warned that Russia is actively working against a referendum in Macedonia that would clear the way for the Balkan nation to join the North Atlantic Treaty Organization.

Mr. Mattis, who flew to Macedonia on Monday to meet the country's leaders in advance of the Sept. 30 vote, told reporters traveling with him that said there was "no doubt" Russia has funded pro-Russian groups to work against the referendum and to hinder the small country's attempts to join with the West.

"They have transferred money, and they're also conducting broader influence campaigns," Mr. Mattis said of Russia's actions. "We ought to leave the Macedonian people to make up their own minds."

—Gordon Lubold

### United Kingdom

#### High Cost for Messy Brexit, IMF Warns

The International Monetary Fund said that an abrupt and messy break from the European Union would cause severe harm to the British economy, adding that the U.K. won't be prepared for such an outcome when Britain leaves in March.

In its annual report on the British economy, the IMF said it expects the U.K. economy to expand around 1.5% this year and in 2019, provided that London and Brussels can agree on terms for a divorce before the U.K. leaves the bloc.

Christine Lagarde, IMF managing director, said that failure to conclude an agreement would likely mean "substantial costs" for the U.K. economy, with lesser costs also falling on the EU.

If a deal is agreed, the economy might get a short-term boost, the fund said.

—Jason Douglas

### Ukraine

#### Orthodox Envoys Meet With President

Ukraine's president met with two envoys sent by the spiritual leader of the world's Orthodox Christians to prepare for establishing a Ukrainian church that is ecumenically independent from the Russian Orthodox Church.

The prospect of an independent church in Ukraine has deeply angered the Russian church, which last week gave a sharp spiritual rebuff to Ecumenical Patriarch Bartholomew I and questioned his status as "first among equals."

Archbishop Daniel of the Ukrainian Orthodox Church of the USA said in the Monday meeting with President Petro Poroshenko that "we have come to Ukraine this time...to continue work on the question that has already been decided, that the beginning of the process of declaring the Ukrainian Orthodox Church autocephalous has begun."

—Associated Press

## In Mexico, a Mother Confronts Her Loss



GRIEF: A woman is comforted at a mass grave in Arbolillo, in Veracruz state, where her son's remains were found. Close to 170 human skulls were dug up in early September,

## IN DEPTH

# Tariff Twist: A More Competitive China

To avoid losses, Chinese manufacturers are racing even faster to more advanced products

BY LIZA LIN AND DAN STRUMPF

**SHENZHEN**, China—There is an unintended consequence of White House's trade battle with China: Companies in the Pearl River Delta, the center of China's manufacturing might, are accelerating toward making higher-quality products to compete against American goods.

In response to tariffs, which make his goods more expensive, Michael Lu of LTS Group plans to trim costs by using more robots at his plants, which make lamps, bulbs and other lighting products sold at American stores. He is also moving low-skilled work elsewhere in Asia.

Left in Shenzhen will be his research and development operations and a team of skilled workers who make his company's more complex products, such as smart lighting.

"The U.S. tariffs are pushing China toward making the higher-end stuff," Mr. Lu said as he walked past red-uniformed workers in his Shenzhen factory. "It's helping China be more competitive down the road."

After building its economy on a mountain of inexpensive exports, China has been on a mission to upgrade its output. Over the past few years, Beijing has embarked on a campaign to ship low-skill factory work out of the country and build an economy that uses advanced manufacturing techniques to produce high-value products.

U.S. tariffs promise to make selling low-cost goods to American consumers less profitable. Companies as a result are rethinking their operations and products, while the government is offering more incentives to help the transition along.

## The next round

Accelerating that process wasn't exactly the goal of President Trump's tariffs. The U.S. action is aimed at stopping what the administration says is unfair competition, citing Beijing's support for strategic industries such as semiconductors and an assortment of tactics, including industrial espionage, to unlock the trade secrets of U.S. auto makers and other companies.

The initial tariffs on \$50 billion in Chinese imports largely hit so-called intermediate goods purchased by businesses, including semiconductors, plastics and machinery.

Mr. Trump's next round of tariffs on roughly \$200 billion of goods will sweep in many more consumer products.

Since the tit-for-tat trade threats began, the Chinese yuan and the nation's stock markets have slid, with the currency down almost 6% against the dollar this year. The trade friction is also weighing on an economy that is already slowing, in part due to a top-priority debt cleanup. Beijing is easing off that campaign to arrest the slowdown, and its desire to revive growth may limit its ability to endure a lengthy trade battle.

Meanwhile, the shift to higher-value products is well under way in the Pearl River Delta—one of the world's largest cluster of urban areas, with nine cities. Nearly four



Jimmy Liao of TechTurbo Innovation, left, and Michael Lu of LTS Group, right, have adjusted their businesses to account for tariffs.



ANTHONY KWAN FOR THE WALL STREET JOURNAL

decades ago, Chinese leader Deng Xiaoping chose the region to be the vanguard for China's economic liberalization. In the years since, it has turned to making sophisticated electronics.

Manufacturers say the region's many attributes include rock-solid supply chains, easy access to ports, proximity to the financial precincts of Hong Kong and the political stability ensured by Beijing. There's also a large workforce, with about 60 million residents.

In 2000, 17% of the region's industrial output was classified as high-tech products, including electronics, biotech and aerospace components. That rose to 44% last year, according to figures from the local government and HSBC Research.

To help spur the manufacturing revolution in the face of tariffs, Guangdong province, which includes the Pearl River Delta, recently announced plans to invest more than 450 billion yuan (\$65.46 billion) through 2020 to subsidize strategic industries including information technology, high-end equipment manufacturing and biomedical products.

Jimmy Liao's company in Shenzhen, TechTurbo Innovation Ltd., buys and modifies computer chips for use in smartwatches, internet-connected home devices and specialty lighting products. Many of its clients make products that were expected to fall on the \$200 billion list of tariffs, leaving them searching for ways to cut costs—including asking Mr. Liao for less expensive chips.

His solution: Buy fewer chips from his chief American chip supplier, Qualcomm Inc., and steer more business to a Chinese supplier, Telink Semiconductor Co.

"Chinese chips don't perform as well as their U.S. counterparts," Mr. Liao said. "But the manufacturers here are very keen to work with us to improve their chips, and they are also getting much better."

TechTurbo engineers are working to tweak the chips to boost performance, he said, and the modified chips are good enough so that he can now show off samples to his

## Tech Powerhouse

Guangdong province, home to the Pearl River Delta, has increasingly turned to making high-tech products.

### Share of high-tech products in exports from Guangdong

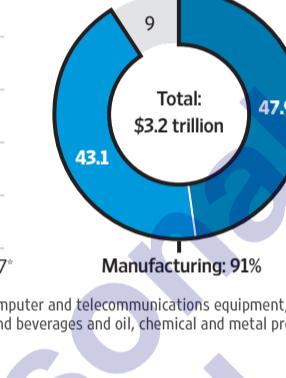


\*Estimate †'High-medium tech' includes computer and telecommunications equipment, electronics and biotech and aerospace products, among others. 'Other' includes goods such as food and beverages and oil, chemical and metal products.

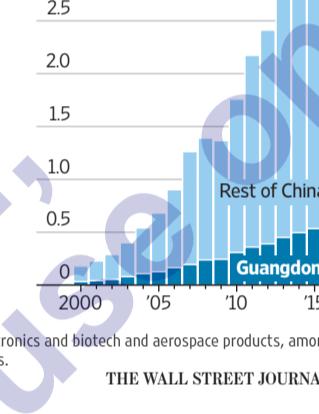
Source: HSBC

### Guangdong industrial output<sup>†</sup>

12 months ended May 2018



### Industrial production of high-tech products



be subject to the latest tariffs. He is moving one-fifth of production to Vietnam for his U.S. exports, and keeping production for European and other markets at his factory in Dongguan.

Mr. Lee said the company will incur higher costs in worker training and material shipment in the short term, but he expects the move will save money in the long run. "The supply chain and capability in Vietnam takes time to build," he said. "Once it is built up, Vietnam will be cheaper than China."

Mr. Lee intends to keep the manufacturing of more complicated products such as outdoor wooden drink coolers in China for now.

As battle lines on trade were being drawn earlier this year, GMM Nonstick Coatings in Zhuhai decided to shift factory work to India and build four additional facilities there. Ravi Gandhi, chief executive officer, said GMM worried that its nonstick coatings, which are used on cookware such as George Foreman grills, might be next on the tariffs hit list.

"There's already been a natural shift away from China, but now it's accelerated since the trade friction," he said.

Charles Hubbs, a director at Houston-based Premier Guard, which makes operating room drapes and other medical shielding products, said what bothers him is that the Chinese government no longer



A TechTurbo employee tests a prototype smart LED light.

would start out at 25%, but ended up deciding to phase them in, starting at 10% next Monday before going to 25% at the beginning of 2019.

"We wanted to give people more of a chance to look for alternative supplies...to make adjustments," a senior administration official said. Other officials have said they also wanted to diminish the impact on consumers in the holiday shopping season.

In response to thousands of comments submitted by importers seeking to be spared the taxes, the administration removed about 300 products that had been included in the original tariff list released in early July.

Among the products removed were smartwatches, following a direct plea by Apple Inc., which relies heavily on production in China and has said it would be hit especially hard by the duties. Officials said they also removed

Bluetooth devices, bicycle helmets, high chairs and car seats.

Despite those adjustments, the president's new round of tariffs drew criticism from the U.S. business community, which has steadily opposed such duties, even as many executives said they share the administration's complaints about Chinese trade practices.

"We are extremely discouraged by the decision to move forward on tariffs on millions of products American consumers buy every day," said Hun Quach, vice president of international trade for the Retail Industry Leaders Association, a trade group representing large chains like Walmart and Best Buy. "Tariffs are a tax on American families, period," Ms. Quach said. "Consumers—not China—will bear the brunt of these tariffs."

A recently formed coalition of business and farming groups called Tariffs Hurt the

Heartland vowed to try to turn its opposition to the new import curbs into an issue in this fall's congressional campaign, one already seen as difficult for Mr. Trump's Republican Party. "Together, we will ensure that Washington understands the real-life consequences of tariffs for communities across the country," the group said.

The duties on \$200 billion in goods were finalized less than two weeks after the end of a comment period that drew 6,000 written submissions and more than 300 witnesses at public hearings. That compares with the three weeks spent earlier honing a list of tariffs covering just \$34 billion in goods, with \$16 billion added a month later.

The Consumer Technology Association trade group called the expected tariffs "legally questionable."

—Lingling Wei in Beijing contributed to this article.

seems to care about low-tech factories like the one he runs in Zhongshan. "We were the backbone of China's growth," Mr. Hubbs said. "Now China is...saying 'We don't need you, we want higher quality manufacturing.'"

Mr. Hubbs is slowly shrinking his production in the region, and moving some manufacturing to the U.S.

China's focus on developing its high-technology sectors is one of the key issues in the U.S.-China trade dispute. In his March 22 report on Chinese trade practices, U.S. Trade Representative Robert Lighthizer zeroed in on Beijing's Made in China 2025 industrial policy, introduced three years ago, which aims to make China a global leader in industries such as robotics and electric vehicles.

## Unfair policies

Those goals have led the Chinese government to institute unfair policies, the report said, including subsidizing favored Chinese industries with government capital and requiring Western firms to give up trade secrets when they form joint ventures with Chinese firms. The Trump administration's tariffs are partly aimed at getting China to abandon these practices.

Analysts say that Beijing sees Made in China as a national imperative and isn't likely to back away from its central aim.

China "can't stay low end—if you stay low end, your wages stay low end," said Alicia Garcia Herrero, the chief economist for Asia in Hong Kong at French investment bank Natixis. "It is essential that disposable income continues to increase so that Chinese are happy, because that is the social contract."

The new U.S. tariffs of 10% on \$200 billion worth of China imports—to be later raised to 25%—adds to the current 25% on \$50 billion of imports. With the new tariffs in effect, China's annual GDP growth could fall to 5.6% in 2019, research firm Oxford Economics predicts. That would be its lowest level in almost three decades.

Last week, Guangdong province published new investment rules allowing foreign investors to produce an array of high-tech products without a joint-venture partner, as previously required, in an effort to bolster higher-end manufacturing.

Wang Guanghui said he realized last year, before the tariffs, that his business making plastic packaging for smartphone covers and other consumer products might be at risk to lower-cost competitors elsewhere. With the help of a \$63,000 grant from the local government, Mr. Wang's Shenzhen Fulee Industrial Co. developed a machine that automates the process of making plastic packaging, saving labor costs.

His company now sells that machine, along with continuing to make plastic packaging.

"We knew we had to invest in research and development to upgrade our products, or we would be phased out," Mr. Wang said.

—Zhang Chunying

contributed to this article.

# U.S. Levies New Tariffs On China

Continued from Page One  
that there would be no prospect the talks could stave off the latest round of penalties.

Asked if Mr. Liu would go ahead with the trip if the tariffs were announced before he arrived, Mr. Geng said China would only hold talks "on the basis of equality," an indication that the new penalties could scuttle the meetings.

The Trump administration did take some steps to soften the potential blow to the U.S., with the final plan reflecting some changes from the original version laid out a few weeks earlier.

Officials had said the duties

## Apple Avoids Levies On Some Devices

Apple Inc. dodged stinging duties on its smartwatches and wireless earbuds after the U.S. excluded those gadgets from tariffs on \$200 billion in Chinese goods, though the tech giant still faces retaliatory measures being weighed by China that could strike iPhone production there.

The trade tensions are rattling companies in a range of industries, but Apple's heavy dependence on the U.S. and China makes it especially vulnerable as the world's two largest powers escalate their economic feud. Because Apple assembles nearly all of its gadgets in China, its devices are vulnerable to the Trump administration's plans to widen the scope of tariffs on Chinese imports—a risk Apple warned

about earlier this month.

That reliance also could make the iPhone and other devices vulnerable if Chinese officials follow through on retaliatory moves to restrict sales of materials, equipment and parts key to U.S. manufacturers—measures The Wall Street Journal on Sunday reported that Beijing is considering.

The timing of the countries' new measures could be especially bad for Apple, which this week starts shipping two of its three new iPhones and a new smartwatch. Those new devices are expected to help fuel the company's sales in the final three months of the year, when holiday shopping helps deliver about one-third of Apple's annual revenue.

Apple Chief Executive Tim Cook has urged Mr. Trump to avoid a trade battle, saying it would hurt U.S. companies.

—Tripp Mickle

# GREATER NEW YORK

## Yeshiva Has Ardent Fans and Critics

BY LESLIE BRODY

Chaim Levin, who attended a Brooklyn yeshiva called Oholei Torah from age 5 through 15, said the school taught no English or science, scant geography, and little history except for that of the Chabad-Lubavitch movement at the heart of its mission.

Mr. Levin, now 29 years old, has been vocal in criticizing the school's academics. "The hardest part is the community you come from views you as an enemy because you dare to bring it up," he said. Now he is studying multiplication and fractions in a remedial math course at Stony Brook University.

The large private boys' school in Crown Heights is one of 30 Orthodox yeshivas under scrutiny by the city's Department of Education, which says it is investigating allegations the institutions fail to teach enough secular studies. Last month, the department said 15 of these yeshivas had allowed visits and pledged to expand secular academics, but the other 15 had denied access, including Oholei Torah.



**Chaim Levin was a student at Oholei Torah yeshiva in Brooklyn from age 5 through 15, but says there are big gaps in his education.**

their children learn numbers and measurement when they come up as part of a Jewish text.

Even so, they said the yeshiva offers what they want most for their sons, a strong religious foundation in Hebrew and Yiddish. They said many parents teach their children English and math after school, or pay tutors to do so. Some students use online lessons from Khan Academy.

One mother said her young son, who is reading a comic

book version of "Curious George" at home, "doesn't get ABCs in school, that's the beginning and end of it." She said her older sons explore science in the context of religious texts' references to agriculture, constellations and other parts of nature.

"The instruction in Oholei Torah is more than adequate, and what we choose for our children is to give them a good foundation for moral and constructive life in society," she added.

"I would be happy if English

were part of the curriculum," said one father. But he said students learn analytic skills from studying Judaic texts. "It's not like you're sitting there for eight hours looking at the wall."

These parents argue they have the right to educate their children as they see fit. Some taxpayers, however, support state oversight, partly because private schools get public money. Yeshivas in New York City received a total of nearly \$36 million in federal funding in the last school year for extra academic supports for low-achieving children, as well as nearly \$7 million worth of books through a state program, and about \$48 million in state reimbursement for busing, according to the city education department.

The schools under scrutiny are a fraction of the roughly 275 yeshivas citywide, which have about 115,000 students, according to a coalition representing the yeshivas under review. Many Jewish day schools are known for strong academics.

Oholei Torah, founded in 1956, says it serves more than 1,850 students from kindergar-

ten through college age, and is fundraising for a major building expansion. Its website features a video with tributes from years past, including a glowing interview with former Mayor Rudy Giuliani.

One father who pulled his children out of Oholei Torah recently said, "If someone wanted to grow up to be a rabbi this could be a great school, but I don't think 1,800 kids will grow up to be rabbis."

Some parents say they love Oholei Torah's power to motivate students. Itchie Gross, who produces spice packets for pizza makers, said his 8-year-old son comes home happy every day. "He has confidence in his ability to learn," Mr. Gross said. "They instill in the kids to be a mensch."

Activists who left that devout community keep pressing for change. Yossi Newfield, a 38-year-old alumnus, said the yeshiva's goal is to keep students in an insular world. "They don't want the boys to assimilate into America," he said, "so they cut away the type of study that would help kids be successful outside the community."

## Man Arrested in Blaze at Brooklyn Mall That Injured Dozens of Firefighters



A 23-year-old man was arrested and charged with arson in connection with a massive fire that broke out in the parking garage of a Brooklyn shopping mall Monday, the New York Police

Department said.

The seven-alarm fire broke out at the Kings Plaza Shopping Center's garage at about 8:30 a.m. Dozens of firefighters suffered minor injuries, officials said.

The suspect, Avon Stephens, was arrested after he was seen on surveillance video in the vicinity when the fire erupted, according to the NYPD. It wasn't known if he had a lawyer.

The fire started in an area rented by a car dealership on the second level of the garage, said a spokesman for the Fire Department of New York. At least 20 to 30 cars were destroyed, he said.

About 50 people suffered non-life-threatening injuries, including six civilians, the FDNY spokesman said.

—Melanie Grayce West and Katie Honan

## Police Shoot Woman In Queens

BY KATIE HONAN

New York Police Department officers shot and killed a woman who lunged at them with a knife inside her Queens apartment on Monday after she called to report a burglar inside her home, police said.

Officers responded to a 911 call about a burglary at 52-14 69th St. in the Maspeth neighborhood of Queens at around 5:30 p.m., according to Chief Dermot Shea.

Four uniformed officers in two patrol cars arrived and were met by a 54-year-old woman who said there was another woman with a knife or razor burglarizing her second-floor apartment, Mr. Shea said at a news conference.

The woman followed the officers upstairs as they searched for a burglar and then lunged at them with a 10-inch knife, he said. The officers told her to put down the knife but she refused, Chief Shea said. One of the officers then shot her three times in the torso, according to Chief Shea. She died at the scene, he said.

There was no sign of a burglar at the home, Chief Shea said. Police said there have been several other 911 calls to the home in the past.

"This is a tragedy all the way around," Chief Shea said.

The woman lived in the apartment with a man, but he wasn't home at the time.

## CORRECTIONS & AMPLIFICATIONS

New York state Sen. Jeff Klein formed the Independent Democratic Conference in 2011. An article Friday about Thursday's primary election incorrectly said 2014.

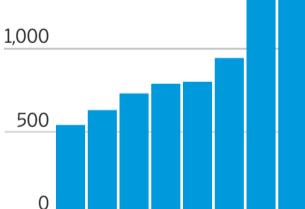
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## Fatal Drug Overdoses Increased in 2017

BY MELANIE GRAYCE WEST

Unintentional drug overdose deaths in New York City

1,500 deaths



The number of people who die of drug overdoses in New York City rose in 2017, but the rate at which people are dying is slowing, according to new data released Monday by the city's health department.

There were 1,487 confirmed unintentional drug overdose deaths in 2017, up 62 from 2016. The rate of unintentional deaths increased for the seventh straight year; one New Yorker dies every six hours from an overdose.

The rate of fatal drug overdoses remained relatively flat, however, with 21.2 deaths per

100,000 people in 2017, compared with 20.7 in 2016.

Fentanyl—a powerful, synthetic opioid—was detected in more than half of the deaths, New York City Department of Health and Mental Hygiene officials said. The drug, which is increasingly mixed with non-opioid drugs such as cocaine, has driven the overall rise in overdose deaths between 2014 and 2017, health officials said. Heroin was the second most common drug involved in deaths.

The rate of drug overdoses was highest among black New Yorkers, compared with white and Latino New Yorkers. The number and rate of overdoses

was highest among Bronx residents, compared with other boroughs. The largest increase in the rate of overdose deaths—a 16% rise—occurred among people ages 55 to 84.

"For the first time in over a decade, the risk of fatal overdose is higher in African-Americans than in whites," acting Health Commissioner Oxiris Barbot said.

Denise Paone, who oversees the city's drug-overdose data, said fentanyl plays a role in the spike in fatalities among black New Yorkers. The rate of cocaine deaths is highest among black New Yorkers, she said, and for an older person

ages 55 to 84, it is possible they have been using drugs for years. With the advent of fentanyl, however, there is a "dramatic impact" and "many, many don't know" that a drug has been mixed, she said.

The health department said it would distribute at least 15,000 naloxone kits—an opioid overdose-reversal drug—in the Bronx, focusing on areas where the drug fatalities are highest. The city said it would expand access to buprenorphine to treat opioid addiction at new sites in the Bronx and Manhattan. It also will fund buprenorphine in several emergency departments.

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# LIFE & ARTS

## TELEVISION

## Netflix and HBO Tie in Emmys Race

'Game of Thrones,' 'Marvelous Mrs. Maisel' take the night's top prizes for drama and comedy

BY JOHN JURGENSEN

**H**BO and Netflix tied for the most Emmy Awards with 23 each, highlighting the race for dominance in a television industry whose competitive landscape is rapidly shifting.

HBO's "Game of Thrones" won Outstanding Drama Series for the third time in four years, edging out competing series from Netflix, NBC and AMC, along with last year's winner, Hulu's "The Handmaid's Tale."

Amazon became the first streaming service to win Outstanding Comedy Series with "The Marvelous Mrs. Maisel," about a Manhattan woman moonlighting as a stand-up comedian in the 1950s.

"Mrs. Maisel" dominated in most of Monday night's comedy categories. Rachel Brosnahan, who plays the title character, won for lead actress in a comedy. Her costar, Alex Borstein, won the supporting actress category, and series creator Amy Sherman-Palladino made two trips to the stage to collect writing and directing trophies.

Among Netflix's wins, Claire Foy landed the award for lead actress in a drama series for her portrayal of Queen Elizabeth II in "The Crown," which is continuing with a new actress in the role as the series moves into the monarch's later years. Regina King won for lead actress in a limited series for her role in "Seven Seconds," which was canceled after its first season.

The FX period drama "The Americans," about a family of undercover Soviet spies, was largely ignored by Television Academy voters through much of its six-season run. But it received a final dose of Emmy glory when Matthew Rhys earned a trophy for lead actor, and producers Joel Fields and Joe Weisberg won for their writing.

Producer Ryan Murphy and FX, seasoned winners in the limited series category, won the top prize for the latest iteration of their anthology series "The Assassination of Gianni Versace: American Crime Story." Other winners from the series included lead actor Darren Criss and Mr. Murphy himself, who won a trophy for directing.

Merritt Wever and Jeff Daniels won for their supporting roles in the Netflix western "Godless" (and Mr. Daniels thanked his horse, Apollo). The winning writers for the streaming service's sci-fi series



The cast of the HBO series 'Game of Thrones,' above, accept the award for Outstanding Drama Series at the Emmys. 'The Marvelous Mrs. Maisel,' an Amazon series about a woman who tries stand-up comedy in the 1950s, won Outstanding Comedy Series, below. Matthew Rhys, bottom left, took an acting trophy for his role in FX's 'The Americans,' as did Claire Foy, bottom right, for her performance in the Netflix series 'The Crown.'

"Black Mirror," William Bridges and Charlie Brooker, thanked some of the show that influenced them, including "Star Trek" and "The Twilight Zone."

In addition to HBO's win for "Game of Thrones," "Barry," about a hit man attempting a career change, picked up several awards. "Barry" star Bill Hader won lead actor in a comedy, while industry veteran Henry Winkler received his first-ever Emmy for his supporting role in the series as an acting guru.

"Saturday Night Live" became a repeat winner for variety sketch series, and John Oliver's "Last Week Tonight" won variety talk series for a third year in a row.

Netflix scored 112 nominations, slightly more than HBO's 108, though the network entered Monday's telecast slightly ahead in wins from previous days of the awards.

The comedy series award went from one of the most predictable Emmys—dominated by "Modern Family" from 2010 to 2014, and "Veep" from 2015 through 2017—to one of the most competitive, as new, edgy series like Donald Glover's often surreal "Atlanta," "Barry" and the 1980s ladies' wrestling dramedy "GLOW" have emerged.

Unlike most entertainment awards shows that honor a crop of new releases, the Emmys represent a mix of debut shows, long-running series, specials and programs that have taken their final bows.

For example, the heavily decorated "Game of Thrones" stormed back into the Emmys this year with 22 nominations, after sitting out the competition in 2017 because of eligibility reasons. It went on to win the most awards of any series, including a supporting actor prize for Peter Dinklage.

In the supporting actress category for dramas, Thandie Newton won for her turn as a rebellious automaton in HBO's "Westworld."

The Emmys show opened with a mock self-congratulatory song about Hollywood ending racism, featuring the chorus "We solved it." Co-hosts Michael Che and Colin Jost joked about the entertainment industry's problems with sexual misconduct and diversity.

Perhaps the most heartwarming moment of the night happened when Glenn Weiss won for directing this year's Oscars telecast. He used his acceptance speech to make an apparently surprise marriage proposal to his girlfriend, Jan Svendsen, then slid a ring on her finger on stage.



CLOCKWISE FROM TOP: ROBIN BECK/AGENCE FRANCE PRESSE/GETTY IMAGES; MIKE BLAKE/REUTERS/CHRIS PIZZELLO/INVISION/AP (2)

## WORK &amp; FAMILY | By Sue Shellenbarger

## WHEN COMPANIES BENEFIT FROM NAYSAYERS

**IT STARTS** with an uneasy feeling—a gnawing sense that your employer's way of doing business doesn't square with its principles, or yours.

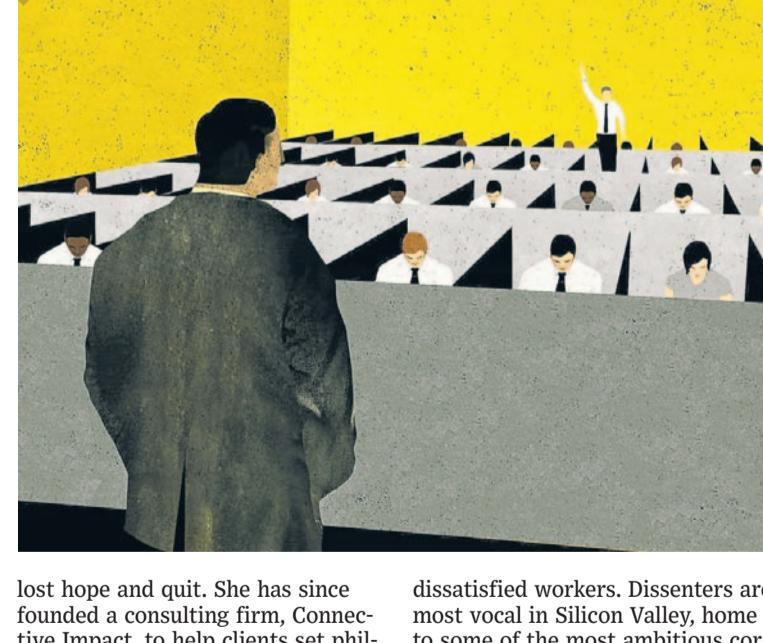
What do you do when your employer strays from its mission?

About one in eight employees cite their employer's mission as the main reason they stay on the job, according to a recent survey of 36,348 workers by Comparably, a workplace culture and salary site. Companies often embrace lofty mission statements partly to retain workers, such as vowing "to inspire humanity" (JetBlue) or "to refresh the world in mind, body and spirit" (Coca-Cola).

However, intense pursuit of a mission can foster groupthink and resistance to change. Companies need naysayers to bring problems to light—even though speaking up can jeopardize their standing in the organization, or even their job.

Dissenters face these conflicts at companies and nonprofits alike. Joanne Sonenshine was dismayed when her former employer, a nonprofit promoting sustainability, began shifting funding toward courting and entertaining corporate partners, away from the grass-roots development work she valued. The organization's mission had been a major reason she signed on. "I felt strongly I was doing my part to change the world," says the Arlington, Va., economist and author.

She says she tried to persuade leaders to shift their focus, but faced mounting attempts to micro-manage her work. She eventually



book, was drawn to the company in 2011 partly because of its mission of connecting people and its success in doing so during the Arab Spring uprising.

He says he tried while working there in 2011 and 2012 to call executives' attention to data-security problems. Facebook's data-privacy problems hadn't yet surfaced publicly at that time, and Mr. Parakilas got what he calls "a feeble response." He left the company and has penned op-ed articles criticizing the company.

Facebook changed its mission statement last year to put more emphasis on building community. Its previous mission was "to give people the power to share and make the world more open and connected." Now it aspires to "give people the power to build community and bring the world closer together."

Facebook encourages dissenters to speak up, says Bertie Thomson, director of corporate communications. Facebook has said that while it was fair to criticize its enforcement of privacy policies in 2012, it's devoting hundreds of people and new technology to better enforcement now.

As chief strategy officer at the Center for Humane Technology, a nonprofit launched in February, Mr. Parakilas is advocating now for technology and policies to make using social media safer, less addictive and less vulnerable to manipulation.

People who object on principle to their employers' conduct face

many obstacles. One is the bystander effect—people's reluctance to intervene against wrongdoing when others are present and witnessing it too, Dr. Grant says. Ask yourself in such cases, "If no one acted here, what would be the consequences?" he says. Be careful not to argue too passionately for the changes you want, Dr. Grant says. Show respect for others' viewpoint. Acknowledge the flaws in your argument to show you've thought it through carefully.

Be open about your concerns, says Jonah Sachs, an Oakland, Calif., speaker and author of "Unsafe Thinking," a book on creative risk-taking. People who complain in secret are more likely to make enemies and be seen as disloyal, compared with those who resist in the open, research shows.

Sydney Cavero-Egúzquiza, a dietitian and nutritionist, grew uneasy when a former employer asked her to help run a weight-loss competition in retail stores. She'd seen so many clients discouraged by repeated dieting failures that she believed in a gentler approach. Ms. Cavero-Egúzquiza of Tulsa, Okla., says she pushed back diplomatically, urging her managers to run a healthy-living program and prize drawing instead, to no avail. She was soon laid off in a downsizing. Ms. Cavero-Egúzquiza has since started her own nutrition-therapy firm, Simply You Nutrition. She says she has no regrets about voicing dissent. "I never have to look back and think, I wish I'd spoken up," she says.

lost hope and quit. She has since founded a consulting firm, Connective Impact, to help clients set philanthropic priorities and choose projects with the greatest impact.

Inspiring mission statements can blind people, says Adam Grant, author of "Originals," a book on non-conformists. "The point of a mission is that it's never finished, or never entirely achieved. This can make people extremely zealous about doing whatever it takes to fulfill it, even if some of their actions are at odds with the organization's values," says Dr. Grant, a professor of management at the Wharton School.

Some employees mount protests about ethical issues via Coworker.org, a meeting place for

dissatisfied workers. Dissenters are most vocal in Silicon Valley, home to some of the most ambitious corporate missions. (YouTube aims to give everyone a voice and show them the world.) Snapchat's parent, Snap Inc., claims to "contribute to human progress by empowering people to express themselves."

Former employees and managers have formed or joined advocacy groups to battle what they say are the addictive, divisive effects of the technology they built. Many signed petitions recently protesting their companies' work with Immigration and Customs Enforcement over the agency's role in separating migrant children from their parents.

Sandy Parakilas, a former platform operations manager at Face-

## LIFE &amp; ARTS

WHAT'S YOUR WORKOUT? | By Jen Murphy

## Marathons Between Her Big Deals

**WHEN PEGGY JOHNSON** wants the upper hand in business negotiations, she picks up the pace. "When I run with customers, the goal is to go just fast enough so they can't talk much and I can dominate the conversation," she says.

The 56-year-old Microsoft executive is known for her ability to spearhead major deals for the company. That competitive drive also fuels her dedicated running routine. Ms. Johnson has her sights set on completing the world's five biggest marathons—in Berlin, Boston, Chicago, London and New York City.

Ms. Johnson says the most she'd run before college was a lap around her high school track. Her college roommate, a member of the San Diego State University cross-country team, inspired her to go longer. Running helped relieve stress, kept her focused and, as she started her career, provided time to plan her days and prepare for presentations. "Running has kept me in the tech industry for 30 years," she says. "On those long, frustrating days, it's my salvation."

In 1998, Ms. Johnson discovered that the Dublin Marathon coincided with a family trip to Ireland. She signed up and bought a book on marathon training. "I remember crossing the finish line and they put a medal around my neck and gave me a beer and a candy bar," she says. "I thought, 'Wow, is every marathon like this?'"

Hooked, she went on to run five New York City Marathons. She says her children, ages 19, 27 and 29, encouraged her to chase the Big Five. Last year she ran the Chicago Marathon and on Sunday she toed the line at the Berlin Marathon. She finished with a time of 4 hours, 27 minutes and 27 seconds.



Microsoft executive Peggy Johnson trained for the 2018 Berlin Marathon on her company's Redmond, Wash., campus, above, and on Evergreen Point Floating Bridge near her home outside Seattle, below left. Ms. Johnson, below second from right, with family members after they ran the marathon in Germany.

Ms. Johnson has passed the running bug on to her family. Her two eldest children, both marathoners, joined her in Berlin, and her husband, Eric Johnson, who she says was never a big runner, made his marathon debut.

## The Workout

Ms. Johnson, Microsoft's executive vice president of business development, doesn't have time for more than 5 miles during the week. She aims to run every day, but sometimes early flights make that impossible. She is on the road about every other week for mostly domestic travel. She is so adamant about getting in her training that when she accidentally packed two left sneakers on a business trip, she laced them up. "It wasn't very comfortable, but I had to get in 5 miles," she says.

Ms. Johnson almost always runs

outside. She believes exploring new cities on foot gives her a business edge.

"If I'm sitting across from a partner or potential customer and I know a bit more about their locale, it helps me learn more about them," she says. Sydney and Paris are two of her favorite cities for running. In some places, including Saudi Arabia, she settles for the treadmill.

At home, she's up by 4:30 a.m. and off for her run by 6 a.m., fueled by a few cups of coffee. She runs the same loop in her neighborhood in Medina, Wash., to ensure she gets back on time for work. She saves her long runs for weekends, putting in at least one 20-to-22-mile run ahead of a marathon. "I don't ever want to be unprepared on race day," she says.

## The Diet

Ms. Johnson is a creature of habit when it comes to diet. She eats plain yogurt and granola almost every morning. Lunch is soup or salad. Her husband is the cook. Dinner is salad and a protein, like turkey burgers or veal.

On longer running days she grazes on nuts and granola. During

runs she stays fueled with energy chews. If you want to get on her good side, buy her Red Vines licorice. "Not Twizzlers, for the record," she says.

## The Gear

Ms. Johnson likes minimalist sneakers like Nike Free. She buys capri leggings with a side pocket to stash her cellphone. If she runs pre-sunrise, she wears a headlamp and a vest with flashing lights. "I look like a Christmas tree," she jokes. She wears a FitBit and listens to tunes via a small in-ear Bose headset.

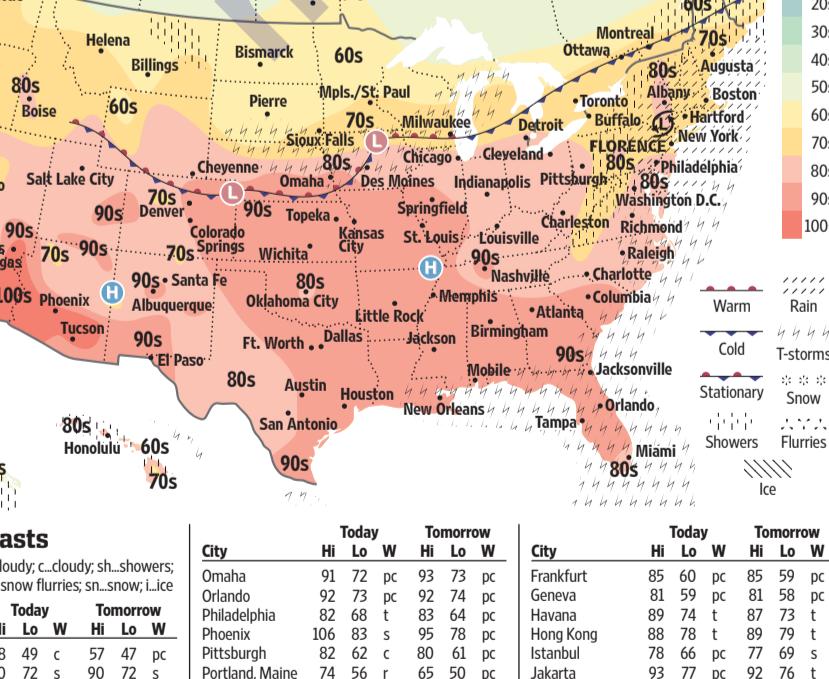
## The Playlist

Ms. Johnson sets her running playlist on Spotify to shuffle. "I have quite a variety on there and like never knowing what will come up," she says. "I do flip past songs if the beat is too slow, and when I hit a hill I try to find a pump me up song like 'My House' by Flo Rida."

Her playlist includes "3 Rounds and a Sound" by Blind Pilot, "Tennessee Whiskey" by Chris Stapleton, "Vanderlyle Crybaby Geeks" by the National and "Dirty Old Town" by the Pogues.



## Weather



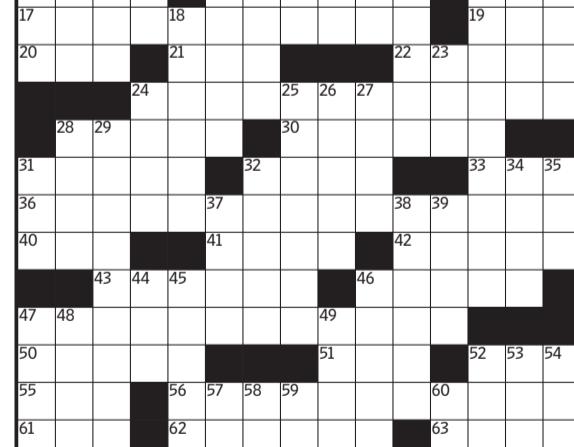
## U.S. Forecasts

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	58	49	c	57	47	pc
Atlanta	90	72	s	90	72	s
Austin	92	70	pc	92	72	s
Baltimore	82	67	t	82	64	s
Boise	80	49	pc	74	46	s
Boston	75	61	r	66	58	pc
Burlington	80	54	c	68	51	pc
Charlotte	87	68	s	87	68	s
Chicago	84	66	t	83	72	r
Cleveland	81	65	s	78	67	pc
Dallas	94	76	s	92	74	s
Denver	92	62	s	85	58	s
Detroit	83	62	pc	77	67	pc
Honolulu	88	75	pc	90	76	s
Houston	94	74	pc	91	74	s
Indianapolis	88	69	s	88	70	pc
Kansas City	90	72	s	91	74	s
Las Vegas	100	73	s	98	73	s
Little Rock	93	73	s	93	72	pc
Los Angeles	81	62	pc	82	64	pc
Miami	89	78	pc	90	78	pc
Milwaukee	71	62	t	72	63	r
Minneapolis	72	61	sh	70	62	r
Nashville	91	70	s	92	71	s
New Orleans	94	77	pc	92	76	t
New York City	78	68	r	77	63	pc
Oklahoma City	89	71	s	89	71	s

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	73	58	pc	73	59	s
Athens	83	68	pc	81	66	s
Baghdad	110	81	s	110	80	s
Bangkok	88	77	t	85	76	t
Beijing	79	61	c	77	62	pc
Berlin	83	60	s	81	63	pc
Brussels	77	59	pc	76	59	s
Buenos Aires	75	53	t	68	47	s
Dubai	106	89	s	103	88	s
Dublin	67	51	t	62	46	c
Edinburgh	64	49	r	60	45	r

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Frankfurt	85	60	pc	85	59	pc
Geneva	81	59	pc	81	58	pc
Havana	89	74	t	87	73	t
Hong Kong	88	78	t	89	79	t
Istanbul	78	66	pc	77	69	s
Jakarta	93	77	t	92	76	t
Jerusalem	83	66	s	83	66	s
Johannesburg	87	59	s	89	53	s
London	74	61	pc	73	57	pc
Madrid	85	61	pc	89	63	s
Manila	90	77	t	88	78	s
Melbourne	68	43	pc	59	42	sh
Mexico City	72	56	t	74	57	t
Milan	81	64	t	83	65	pc
Moscow	61	48	pc	68	54	pc
Mumbai	89	77	pc	89	79	pc
Paris	80	59	t	79	58	s
Rio de Janeiro	83	71	c	84	74	s
Riyadh	107	81	s	105	82	s
Rome	79	65	t	80	66	pc
San Juan	89	78	pc	89	78	sh
Seoul	79	64	pc	77	65	pc
Shanghai	87	78	t	90	78	t
Singapore	86	78	c	86	77	c
Sydney	77	59	s	79	51	s
Taipei City	99	78	pc	99	78	s
Tokyo	79	68	sh	77	68	r
Toronto	79	56	pc	69	59	s
Vancouver	62	49	c	62	51	pc
Warsaw	79	57	pc	82	59	pc
Zurich	78	54	pc	79	55	r

## The WSJ Daily Crossword | Edited by Mike Shenk



## FOLDING INWARD | By Erik Agard

- | Across                              | Down  |
|-------------------------------------|---|
| 1 Cockamamie                        | 30 Regale at bedtime  |
| 5 Got booed offstage, say           | 31 Audacious  |
| 11 Van fuel                         | 32 Corp. honchos  |
| 14 The Bruins' sch.                 | 33 Start for angle or cycle   |
| 15 Martin of SCTV                   | 36 *Got good vibes on the first date, say   |
| 16 Gallery display                  | 40 Hand-based communication sys.  |
| 17 *Came down with something        | 41 Sugar swimmers   |
| 19 Nay negator                      | 42 Bicolor marine fauna   |
| 20 Soccer player's favorite cereal? | 43 "On it"  |
| 21 Pal in Provence                  | 46 Not narrow   |
| 22 Recess                           | 47 **Who'd've thunk it?"  |
| 24 *Do the navigator's job          | 50 Gustav who composed "The Planets"  |
| 28 "That is to say..."              | 51 Mornings: Abbr.  |
|                                     | 52 Oft-injured knee part, for short   |
|                                     | 55 Ballpoint fill   |
|                                     | 56 What this puzzle is celebrating, judging by what's been "eaten" by the starred answers |
|                                     | 61 Promoter's cut   |
|                                     |   |

## LIFE &amp; ARTS



CLOCKWISE FROM TOP: FILM FORUM (2); BRITISH FILM INSTITUTE

## CULTURAL COMMENTARY

## Bottomless Cinematic Magic

BY KRISTIN M. JONES

**IN ONE OF THE MOST** exquisite scenes in Jean Vigo's only feature-length film, "L'Atalante" (1934), a bargeman (Jean Dasté) dives into a river and sees the ghostly figure and smiling face of his beloved (Dita Parlo), her veil waving in the water as it was blown by the wind on their wedding night. Vigo's career was as brief as it was dazzling—he died of tuberculosis at age 29, shortly after the film's release. His work was neglected after his death, but when it was later rediscovered, it electrified the French New Wave. His influence endures in the work of many younger auteurs.

Presenting new digital restorations of all of Vigo's work, "The Complete Jean Vigo" opens at New York's Film Forum on Friday. The program includes a "director's cut" of "Zéro de conduite" and rare rushes and outtakes from "L'Atalante" and "Zéro de conduite." "L'Atalante" was disastrously recut before its initial release and has undergone several restorations over the years. It was restored to a version close to the director's original vision through the work of film scholar Bernard Eisenschitz and Vigo's daughter, Luce Vigo. The new digital restorations were carried out by Gaumont in association with the Cinémathèque fran-



çaise and the Film Foundation. Vigo films will also travel to the Cleveland Institute of Art Cinematheque, the Nuart Theatre in Los Angeles and the UC Berkeley Art Museum and Pacific Film Archive.

The creative freedom that fueled Vigo's work had a powerful source—he was the child of anarchists. His father, a journalist who took the name Miguel Almereyda, was found strangled in prison in 1917. Vigo began his filmmaking career in Nice, where he settled with his wife, Elisabeth Lozinska. He

used funds from his father-in-law to make "À propos de Nice" (1930), with the talented Boris Kaufman. A witty, subversive, visually dynamic city portrait, it bears affinities to Soviet films such as "Man With a Movie Camera" (1929) by Dziga Vertov, Kaufman's brother. Vigo's short "Taris" (1931), an exuberant tribute to a champion swimmer—commissioned by the filmmaker Germaine Dulac—ends with Taris, wearing a coat and bowler hat, seeming to walk away on water.

Playfulness surfaces in all of



Clockwise from left: A scene from Jean Vigo's 'Zéro de conduite' (1933); Dita Parlo and Jean Dasté in Vigo's 'L'Atalante' (1934); Michel Simon in 'L'Atalante'

Vigo's work, including his most personal film, the surreal satire "Zéro de conduite" (1933), in which students stage an uprising at a sinister boarding school. The influence of Vigo's story of youthful rebellion can be seen in films including François Truffaut's "The 400 Blows" (1959) and Lindsay Anderson's "If...." (1968). The new version screening at Film Forum incorporates five minutes of recently rediscovered footage and omits intertitles that have appeared in some prints.

As scathing as it is effervescent

collaborators brought to creating this jewel of the filmmaker's brief oeuvre. The material also gives a sense of the harsh conditions under which they worked—including location shooting in bitter winter weather—and which exacerbated the director's frail health.

In "Tournage d'hiver," Mr. Eisenschitz notes Kaufman's recollection that they worked with everything, including the sun, fog, snow and night. The gift of "L'Atalante" is that with every viewing it makes us see the world—and the medium's possibilities—anew. These restorations bring us another step closer to a film that is an inexhaustible source of cinematic magic.

Ms. Jones writes about film and culture for the Journal.

## MUSIC REVIEW

## A MASTER INTERPRETS HIMSELF

BY JOSEPH HOROWITZ

**ONE OF THE** saddest and most paradoxical artistic exiles of the 20th century was Sergei Rachmaninoff, who fled the Russian Revolution and wound up in New York and Los Angeles, in equal measure celebrated and obscure.

Rachmaninoff (1873-1943) left Moscow a composer and conductor of high consequence who also played the piano. Yet in America he barely conducted and his compositional output plummeted. To earn a living, he turned himself into a keyboard virtuoso of singular fame and attainment—a late embodiment of the heroic Romantic piano lineage beginning with Franz Liszt. Offstage, he retained a lonely Russian home and Russian customs. His severe crewcut and gimlet eyes disclosed little to the world at large. His personal poise was awesome and implacable.

Rachmaninoff's privacy took other forms. He refused permission to have his concerts broadcast, effectively preventing any documentation of what he sounded like in live performance. Instead, he recorded extensively for RCA. But, absent the oxygen a body of listeners can activate, those readings are as celebrated for their emotional control as for their sovereign interpretive mastery. They enshrine kaleidoscopic miracles of color and texture wedded to a vice-like command of musical structure. But the cap remains on the bottle.

No longer. A decade ago, a researcher was browsing a collection left by the conductor Eugene Ormandy to the University of Pennsylvania—and read: "33 1/3:12/21/40: Symphonic Dances...Rachmaninoff in person playing the piano." That is: Ormandy had privately recorded Rachmaninoff playing through his "Symphonic Dances" prior to Or-

mandy's premiere performance with the Philadelphia Orchestra in January 1941. This turned out to be no morsel, but 26 minutes of a 35-minute composition. And it's now embedded in a three-CD Marston set titled "Rachmaninoff Plays Symphonic Dances." The result is one of the most searing listening experiences in the history of recorded sound.

Most of the best piano recordings are made in concert. They're not as perfect as studio products, but by and large they're more spontaneous, more intense, more creative. Vladimir Horowitz, an intimate friend, claimed that only one of Rachmaninoff's commercial recordings—that of the second movement of his own First Concerto, recorded in 1939-40—gave a fair impression. If you listen to that recording, you'll easily ascertain what Horowitz was talking about—it's unuttered.

As privately imparted to Ormandy, Rachmaninoff's impromptu solo-piano rendering of his "Symphonic Dances" documents roaring cataracts of sound, massive chording, and pounding accents powered by a demonic thrust the likes of which no studio environment has ever fostered. Rachmaninoff's humbling presence, re-encountered, is gigantic, cyclopean.

And there is more: the piece itself; it is Rachmaninoff's valedictory. Summoning his waning creative energies in this last major work, he fashioned his musical testament. The dances originally bore titles: "Midday," "Twilight," "Midnight." These are stations of life. The finale ends in a blaze of glory; near the close, Rachmaninoff inscribed: "Alliluya."

But the work's most poignant moment



Composer and pianist Sergei Rachmaninoff c. 1920s

comes in the first movement coda, which cites and pacifies the "vengeance" motto of the confessional First Symphony, a youthful effusion Rachmaninoff discarded following its disastrous 1897 premiere. It is music as naked as the nostalgic Rachmaninoff of the Second Piano Concerto is decorous: a baring of the soul. The First Symphony was completely unknown in 1940 (only in 1944 was a set of parts discovered). And so Rachmaninoff's allusion in the "Symphonic Dances" is

a soul-baring even more private than his piano-rehearsal with Ormandy. In terms of his creative odyssey—his exile and accommodation in a strange land—it is nothing less than a closing of the circle.

How does Rachmaninoff himself perform this secret passage, the meaning of which was his alone? Very slowly, lingeringly. Even more affecting is his treatment of the movement's second subject, a long saxophone melody he invests with a heaving surge and ebb of feeling, imparting a trembling undertow of anguish, of memories faraway and yet unresolved. The second movement waltz, under Rachmaninoff's fingers, is an essay in macabre shadow-play. The final dance is primal. The work emerges as an iconic leavetaking as bittersweet as any Mahler *Abschied*.

I own a 10-volume 1954 edition of "Grove's Dictionary of Music" that allows to "Rakhmaninov" less than a page. It contains the sentence: "The enormous popular success some few of [his] works had in his lifetime is not likely to last, and musicians never regarded it with much favour." Today that sentiment is as forgettable as Rachmaninoff is imperishable.

The little box containing these Rachmaninoff memories within memories includes other rarities. I cannot imagine a better introduction to this artist at his true worth. It stands as a rebuke to the slickness that often passes for Rachmaninoff interpretation nowadays. More than a lost art, it documents a lost world.

Mr. Horowitz's books include "Artists in Exile," a study of immigrants in the American performing arts.

## SPORTS

## FOOTBALL

# An Un-American New Fad: Ties

With the Packers-Vikings game ending 29-29 this past weekend, the NFL had more draws than the English Premier League

BY JOSHUA ROBINSON  
AND ANDREW BEATON

**THE NFL IS DEVELOPING** a disturbing new habit—one that is strange, uncomfortable, and very...European.

Football is now being forced to reckon with the tie.

As Green Bay and Minnesota played out a 29-29 draw at Lambeau Field, the NFL was aghast at its second tie in as many weeks. In fact, with one tie this weekend, the NFL had more standoffs than the English Premier League.

The NFL does not like this.

"It's not losing," Vikings receiver Stefon Diggs said, "but it's damn sure not winning."

Two ties in two weeks may be a random aberration, but NFL teams—and fans—may need to get used to it. Ahead of last season, the league slashed overtime from 15 minutes to 10. Previously, in 2012, the league had changed the rules so that both teams would get the ball unless the receiving team scores a touchdown on the opening possession.

But ties in football aren't nearly as common as they are in soccer. Despite the rule changes, there weren't any in the NFL last season, and they happen so infrequently that it's awkward to even to look at a team's record that features a grotesque third column. It confuses fans who prefer a result, even one they don't like, and leaves players emotionally disoriented.

"I don't know what to feel after a tie," said Vikings quarterback Kirk Cousins.

Americans love to look down on soccer for its willingness to recognize that sometimes two teams can't settle the score. They are so repulsed by the concept of saying that neither side won that the most common analogy is "kissing your sister." So most American sports are prepared to go to absurd lengths to avoid ties.

The NHL abolished ties following the 2003-04 season and now uses overtime and shootouts to determine a winner. The NBA has so much scoring that a winner emerges with enough overtime pe-



Minnesota Vikings kicker Daniel Carlson reacts after missing a field goal in the final seconds of overtime against the Green Bay Packers on Sunday.

MIKE ROEMER/ASSOCIATED PRESS

riods—the record of six has stood for more than 60 years. And baseball will play extra inning after extra inning in front of near empty stands theoretically forever.

In 2009, a Connecticut-Syracuse college basketball game went to six overtimes. It took so long that it felt like college football, which, by the way, eliminated ties a couple of decades ago because this most distinctly American breed of fans abhorred the very concept.

Even soccer, during its early forays on the American pro sports scene, recognized that ties might be an issue. The North American Soccer League banished ties to oblivion in the 1970s and replaced them with penalty shootouts and eventually hockey-style shootouts, even for regular-season games.

Europe, however, long ago made

its peace with the idea of a hard-fought battle that yields equal dissatisfaction. In the Premier League last season, more than a quarter of all matches ended in draws, with 99 occurring over the 10-month campaign.

With three points awarded for a victory and one for a tie, a stalemate can still give a team something positive to cling to. For an underdog, it might even make the whole journey worthwhile.

"An away point in the Premier League is always good," David Wagner, manager of struggling Huddersfield Town, said after a recent draw on the road at Everton. "It's a deserved point due to our defensive organization and the effort from the players in this game was great. They worked their socks off."

NFL teams aren't giddy after

their games end with the score knotted up. And in some sense, they should embrace deadlocks even more than soccer teams. Ties, in football, are functionally half a win—which makes them more valuable than the one point most soccer leagues award.

If there's any team that should pop champagne after a draw it's the Browns. That's because the Browns lost every single game last season and all but one the year before that. Then they tied the Pittsburgh Steelers, annually one of the best teams in the league, during Week 1 for Cleveland's best start to a season in more than a decade.

Browns coach Hue Jackson refused to see it as anything but a frustration. There was no solace in taking anything from this result. "Obviously," he said, "disappointed

at the outcome: a tie game."

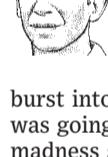
Steelers coach Mike Tomlin was equally miffed. "It's an awkward feeling after a game like that. You don't know what to feel or to say or think."

Some players showed signs of acceptance. Aaron Rodgers, a self-styled fan of England's Manchester City, noted it's "better to be standing here with a T instead of an L."

And Vikings coach Mike Zimmer at least had the clarity to identify the difference between losing and other results: "It's better than a loss, obviously."

But it's mostly as foreign as meat pies. The Browns' Jackson was asked if there's any consolation that Cleveland left the field with a tie and not a loss. He had a curt reply.

"No."



Tooele County, Utah  
"NOW WHAT?" Shea Holbrook shouted.  
"Now what do we do?"

The 28-year-old race car driver from Florida burst into laughter. She knew it was going to be tough to top the madness she'd just experienced.

Moments before, Holbrook had driven a rattling red dragster 183.9 miles per hour across the transfixing moonscape of the Bonneville Salt Flats...with a bicycle trailing directly behind.

Atop the bicycle was Denise Mueller-Korenek—a 45-year-old former junior cycling champion, home security company CEO and mother of three from Valley Center, Calif.—and now the holder of the land speed world record for motor-paced cycling.

One-hundred-and-eighty-three-point-nine miles per hour. On a bike.

No cyclist has gone as fast on their own power as Mueller-Korenek went in the late afternoon of Sunday, Sept. 16.

I saw it with my own eyes, but it still feels so wild, not to mention dangerous—a throwback to the daredevil stunts of prior eras.

"Now I know how Evel Knievel felt," a beaming Mueller-Korenek said.

The motor-paced cycling land speed record is both an eccentric mark and true combined effort. Trust is critical. In the record-setting run, Holbrook towed Mueller-Korenek close to the two-mile mark of the five-mile salt flats course, hitting a speed around 150 mph. Then Mueller-Korenek released her cable tether, pedaling the final three miles on her own power, but tucked into the dragster's slipstream.

As Holbrook continued to accelerate, Mueller-Korenek hit 183.9 mph, shattering the prior world record of 167 mph set by Dutch cyclist Fred Rompelberg in 1995.

"I'm speechless," Mueller-Korenek said. "It hasn't hit me yet."

Still in her red racing suit, Mueller-Korenek hugged her cowboy hat-wearing husband, Chris Korenek, whom she'd met and married in the prior year, and had played a key role in her record-setting effort. She hugged her 18-year-old son, Daniel, who had

ANDREA CHAMBERLIN FOR THE WALL STREET JOURNAL (2)

## CYCLING | By Jason Gay

# THE BICYCLIST WHO HIT 184 MPH



greeted his mother at the finish line and was the first to tell her she had broken the record.

"She had no clue," Daniel said. "She was kind of in shock."

Mueller-Korenek's historic run—which happened on the same day that distance runner Eliud Kipchoge took more than a minute off the marathon world record, finishing at 2:01:39 in Berlin—took place at World of Speed, a four-day rally on the flats that features everything from motorcycles to muscle cars to streamliners capable of surpassing 450 mph.

Mueller-Korenek's operation, known as "Team Speed," was the event's biggest curiosity.

For days, spectators crowded around Mueller-Korenek's custom bicycle, itself a marvel of engineering. Equipped with motorcycle wheels, the carbon fiber bike is long and low and features a pair of

60-tooth chainrings which work in combination with a 12-tooth cog, allowing Mueller to achieve up to 130 feet of travel on a single pedal stroke. The unusual setup is necessary to keep the bike accelerating at speeds far beyond 100 mph.

Mueller-Korenek and Holbrook had competed on the salt flats once before, in 2016, when Mueller-Korenek set a women's mark of 147.7 mph. But mechanical issues and weather had cut short their attempt to surpass Rompelberg's overall record.

Mueller-Korenek was eager to return to the salt, but her follow-up attempt felt snakebit at times. In February 2017 she suffered a crash while training and broke a shoulder blade. Later in the year she accidentally shot herself in the leg (!) at a competitive shooting event—a faulty after-market product caused her to handgun to dis-

charge, she said—and miraculously escaped serious injury.

Even as Team Speed reached the flats, problems persisted. The aging dragster—the same car Rompelberg used in 1995—proved finicky. A leaky tire needed repair. High winds wiped away an attempt on Saturday afternoon.

After their first Sunday attempt maxed out at 155 mph, Mueller-Korenek and Holbrook agreed they needed to go faster out of the gate—and push the limits of their dragster-bike battery.

"I wasn't going to leave with regrets," said Holbrook, who ordinarily races Lamborghinis in the Super Trofeo North America series. In February 2017 she suffered a crash while training and broke a shoulder blade. Later in the year she accidentally shot herself in the leg (!) at a competitive shooting event—a faulty after-market product caused her to handgun to dis-

Riding a bicycle in the slipstream of a vehicle has obvious wind-cutting benefits. At high



Denise Mueller-Korenek shattered a land speed record on the Bonneville Salt Flats in Utah. Above, Mueller-Korenek, right, with Shea Holbrook.

speeds, air rushing off the vehicle can also create an air pocket that pushes the rider forward—a phenomenon known as the Von Karman effect, after the Hungarian physicist Theodore von Kármán.

*The Hand of God*, is how Mueller describes it. She felt it in 2016. And in 2018, she felt it even stronger.

Mueller-Korenek was coached by John Howard, the 71-year-old American cycling legend and Olympian who at one point held the land speed record himself at 152 mph. Howard coached Mueller-Korenek when she was an up-and-coming teenager, then reunited with her later in life when Mueller-Korenek began competing again. It was Howard who first suggested his former protégé take on the speed record.

"This time, it all came together," Howard said. "It was the culmination of all the work and energy."

Back in the pits, champagne arrived. Plastic red cups were raised. Team bike mechanic Chris Garcia asked everyone to sign his Project Speed T-shirt. Mueller-Korenek was asked what crazy goal she wanted to chase next.

"No, no, no, NO!" Mueller-Korenek said, waving off the question.

"World record for margaritas," said her husband.

She'd earned any celebration she wanted. The unthinkable had been achieved. When the timing station confirmed the 183.9 mph mark, Mueller-Korenek reminded Holbrook: "There were people who didn't believe we could do it."

"You did it!" Holbrook exclaimed. They did.

## OPINION

## It's Susan Collins's Moment

MAIN STREET  
By William McGurn

If Brett Kavanaugh were on trial for sexual assault, all he'd need to do is demonstrate reasonable doubt about the charges being made against him. But a Republican nominee to the Supreme Court is tried in the media, where Mr. Kavanaugh must now do the impossible: prove an assault never happened.

Christine Blasey Ford alleges that at a high-school party 36 years ago, 17-year-old Brett Kavanaugh pinned her to a bed, tried to remove her clothes, and covered her mouth so she couldn't scream. Ms. Ford, now a professor at California's Palo Alto University, says she was able to flee the room only after a friend of Mr. Kavanaugh's, Mark Judge, jumped on top of them and they all tumbled off the bed. Ms. Ford further says she didn't tell anyone what happened at the time.

Judge Kavanaugh's denial is categorical: "I have never done anything like what the accuser describes—to her or anyone," he said in a statement Monday. Mr. Judge likewise denies it all. "It's just absolutely nuts," he told the *Weekly Standard*. "I never saw Brett act that way."

The truth is, no one knows what went on in that Maryland bedroom at that party—or if Mr. Kavanaugh was even

there. Absent corroborating testimony, even the Federal Bureau of Investigation would have no way to reveal much more.

So here we are, just days before what should have been a Thursday vote in the Senate Judiciary Committee. Since Ms. Ford's name became public, one member of that committee, Jeff Flake, the retiring Republican from Arizona, announced he wouldn't feel comfortable going ahead with a vote without a fuller airing of Ms. Ford's complaint. In a committee of 11 Republicans and 10 Democrats, Mr. Flake would give the Democrats the majority they need to stall a vote.

Republicans Bob Corker, the retiring senator from Tennessee, and Alaska's Lisa Murkowski have also come out against holding a vote until Ms. Ford can be heard. They are joined by Democratic incumbents facing tight election races in states carried by Donald Trump: Joe Donnelly (Ind.), Heidi Heitkamp (N.D.) and Joe Manchin (W.Va.). Though Democrats would love to kill the Kavanaugh nomination, the more practical aim is a *lengthy* delay that would spare these Democrats a tough vote before the November midterms.

But there's another senator who may hold the key to whether the GOP hangs together or heads for the tall grass. On Sunday Maine Re-

publican Susan Collins told the New York Times that she considers the allegations of sexual assault serious and wants Ms. Ford interviewed to get her whole story. Just as telling, she made clear she finds the low and the last-minute nature of the way the Democrats handled the charges fishy.

"If they believed Professor Ford, why didn't they surface this information earlier so that he could be questioned about

### Failing to treat Kavanaugh fairly would give us a nasty #MeToo precedent.

it?" Ms. Collins said. "And if they didn't believe her and chose to withhold the information, why did they decide at the 11th hour to release it? It is really not fair to either of them the way it was handled."

Ms. Collins's complaints about fairness aren't easily dismissed. She's a strong advocate for women's rights; she announced in 2016 she wouldn't vote for Donald Trump; and she hasn't been afraid to buck her party, as when she voted against ObamaCare repeal.

She's also firmly pro-choice but recently stood up to a nasty crowdfunding effort to bribe her into voting against Judge Kavanaugh over claims he would overturn *Roe v. Wade*.

In remarks to reporters Monday afternoon, Ms. Collins called for accuser and accused to testify before the Judiciary Committee under oath. Not long after that, the Judiciary Committee scheduled a one-day hearing Monday on the issue. Ms. Ford and Judge Kavanaugh will each be heard.

This is a risky accommodation, because the media and Democrats won't be satisfied no matter what Republicans do. But if it provides the space GOP senators need to move ahead to confirm Judge Kavanaugh, it may be the least damaging accommodation. The test is whether the hearing serves the purpose of keeping confirmation process close to schedule, or whether it will be turn into what the Democrats are really pushing for: the first of many delaying actions to come—what one Judiciary Committee staffer describes as "Borking 2.0."

By all means let's hear what Ms. Ford has to say. But let us hope Ms. Collins insists it not be at the expense of fairness to Judge Kavanaugh. Because right now the effort to put off his confirmation votes seems aimed at establishing an odious, new post-hearing precedent, whereby a single, inconclusive and uncorroborated #MeToo accusation can upend all Senate norms and leave a man with an otherwise sterling reputation twisting in the wind.

*Write to mcgurn@wsj.com.*

BOOKSHELF | By Sam Kean

## Poor Richard Sows His Oats

## Young Benjamin Franklin

By Nick Bunker  
(Knopf, 445 pages, \$30)

**T**he Autobiography of Benjamin Franklin" is one of the most celebrated books in U.S. history. By turns frank, funny and wise, it chronicles how the young Franklin persevered in a world beset on all sides with temptation and iniquity and emerged as one of the Founding Fathers of a vibrant new nation. As long as there's an America, the "Autobiography" will be part of our canon.

The book is also, as the British historian Nick Bunker demonstrates in his exhaustive "Young Benjamin Franklin," something of a fraud. Despite his reputation for probity and straight-dealing, Franklin twisted or censored key episodes in his autobiography, and his "public image," Mr. Bunker notes, "was very different from the picture we now have of him." Mr. Bunker certainly doesn't set out to chop Franklin down; he greatly admires the man. But the Franklin that emerges here is often bullheaded and foolish—even a cad.

Above all, he's more dynamic and real than his homespun alias Poor Richard ever could be.

Glimpsing that Franklin requires some patience, however. Mr. Bunker opens the book with a deep, deep plunge into the religious and political controversies of 17th-century England, the milieu in which Franklin's ancestors were establishing themselves as craftsmen and merchants. Franklin (1706-90) himself isn't born until page 56.

Even after that, when the action shifts to colonial Boston and Philadelphia, Mr. Bunker keeps veering off into minor skirmishes and long-forgotten eccentrics. One can't fault the impressive research, but one is occasionally impatient to get back to Franklin himself, to see what new trouble the youth would stumble into next.

And there were troubles aplenty. In 1723 a silversmith entrusted the 17-year-old Franklin with carrying a large cash payment (£35) from one city to another. But along the way Franklin met a friend of his, a drunkard down on his luck. With remarkably little persuading, Franklin began lending the funds to the man, who of course squandered everything.

Franklin's love life was messy, too. He tried clumsily to seduce another friend's lover, ruining the friendship. More seriously, he fathered a child with one woman while courting a second—his future wife. "Notoriously, in his memoirs," Mr. Bunker writes, "Franklin passed over the episode in complete silence." Franklin's behavior, he adds, "was not the path of goodness that Franklin had read about in books."

Franklin made opportunistic professional choices as well, choices that seem dubious in retrospect. As printers, he and his brother benefited financially from the slave trade, running ads for auctions and printing notices to help capture runaways. The brothers also profited off the colonial version of an antivaccination campaign, giving a mouthpiece to quack doctors who denounced inoculations against smallpox. Such opinions were popular, and while neither brother really opposed inoculation, they were happy to promote that viewpoint for a quick buck.

**L**ater famous for his probity, the young Franklin squandered money, mocked a grieving father and impregnated one woman while wooing another.

Disgracefully, Franklin then mocked preacher Cotton Mather—a vociferous supporter of inoculation—after Mather lost a daughter and granddaughter to what might have been smallpox. One of Franklin's most beloved pseudonyms was Silence Dogood, and today we remember these columns for their witty exposure of hypocrisy and bawdy double entendres ("Women are the prime cause of a great many male enormities"). But Franklin actually chose the name as a sneering reference to a sermon ("The Silent Sufferer") Mather gave about his grief.

Eventually Franklin's wicked pen proved his undoing in his native Boston. To be sure, he could be charming when he chose and was quite versatile: He once dashed off some doggerel about the capture and beheading of Blackbeard the pirate that proved a hit. But as an avid reader of philosophy when young, Franklin modeled his behavior after Socrates, "and in his boyhood," Mr. Bunker writes, "he irritated his neighbors almost as much as Socrates upset the Athenians." He eventually angered too many important people and had to flee Boston for Philadelphia when still a teenager.

Perhaps embarrassed by such incidents, Franklin declined to publish his "Autobiography" during his lifetime and altered certain details in it to make himself look better. For one thing, his family growing up was not as hardscrabble as he implies. In later life Franklin also cloaked his militant teenage atheism in the vague mantle of Deism, which was more publicly palatable. So can we conclude from all this that Franklin was a hypocrite, even a scoundrel?

Possibly, but that would be uncharitable. While it's easy to denounce Franklin—or roll our eyes at his constant self-improvement projects—he still did many amazing things, especially after growing bored with the printing trade. By the 1740s Franklin was seeking a new career, "one that made full use of *all* his faculties," Mr. Bunker writes. "Not merely his skill with language, but also his mechanical genius, with tools and apparatus, and his powers of logical analysis." The career he chose was science, and his groundbreaking experiments on electricity—he went far, far beyond flying a kite in a lightning storm—earned Franklin world-wide renown and helped launch his next career in politics.

Even when Franklin screwed up, he usually made amends. He eventually paid back, with interest, the funds he let his drunkard friend squander, and he raised his out-of-wedlock son as his legitimate child after getting married. Most poignant, when Franklin's next son, Franky, died of smallpox in November 1736, at age 4, Franklin wrote a stirring defense of inoculation, however unpopular, and later went out of his way to praise his onetime nemesis Mather.

In the end "Young Benjamin Franklin" is a useful corrective to the self-hagiography of Franklin's memoirs. And while Mr. Bunker is forthright about Franklin's moral lapses, he nevertheless recognizes the greatness of our oldest Founding Father. "He was never an uncomplicated human being," Mr. Bunker notes, "spared from inner conflict or from frailties. It does a disservice to his memory to pretend that he was."

*Mr. Kean is the author, most recently, of "Caesar's Last Breath: Decoding the Secrets of the Air Around Us."*

## Imperialism Will Be Dangerous for China

GLOBAL VIEW  
By Walter Russell Mead

China's real problem isn't the so-called Thucydides trap, which holds that a rising power like China must clash with an established power like the U.S., the way ancient Athens clashed with Sparta. It was Lenin, not Thucydides, who foresaw the challenge the People's Republic is now facing: He called it imperialism and said it led to economic collapse and war.

Lenin defined imperialism as a capitalist country's attempt to find markets and investment opportunities abroad when its domestic economy is awash with excess capital and production capacity. Unless capitalist powers can keep finding new markets abroad to soak up the surplus, Lenin theorized, they would face an economic implosion, throwing millions out of work, bankrupting thousands of companies and wrecking their financial systems. This would unleash revolutionary forces threatening their regimes.

Under these circumstances, there was only one choice: expansion. In the "Age of Imperialism" of the 19th and early-20th centuries, European powers sought to acquire colonies or dependencies where they could market surplus goods and invest surplus capital in massive infrastructure projects.

Ironically, this is exactly where "communist" China stands today. Its home market is glutted by excess manufacturing and construction capacity created through decades of subsidies and runaway lending. Increasingly, neither North America, Europe nor Japan is willing or able to purchase the steel, aluminum and concrete China creates. Nor can China's massively oversized infrastructure industry find enough projects to keep it busy. Its rulers have responded by attempting to create a "soft" empire in Asia and Africa through the Belt and Road Initiative.

Many analysts hoped that when China's economy matured, the country would come to look more like the U.S., Europe and Japan. A large, affluent middle class would buy enough goods and services to keep industry humming. A government welfare state would ease the transition to a middle-class society.

That future is now out of reach, key Chinese officials seem to believe. Too many powerful interest groups have too much of a stake in the status quo for Beijing's policy makers to force wrenching changes on the Chinese economy. But absent major reforms, the danger of a serious economic shock is growing.

The Belt and Road Initiative was designed to sustain continued expansion in the absence of serious economic reform. Chinese merchants, bankers and diplomats combed the developing world

for markets and infrastructure projects to keep China Inc. solvent. In a 2014 article in the South China Morning Post, a Chinese official said one objective of the BRI is the "transfer of overcapacity overseas." Call it "imperialism with Chinese characteristics."

But as Lenin observed a century ago, the attempt to export overcapacity to avoid chaos at home can lead to conflict abroad. He predicted rival empires would clash

### Beijing risks blowback as it exports surplus economic capacity to Africa and Asia.

over markets, but other dynamics also make this strategy hazardous. Nationalist politicians resist "development" projects that saddle their countries with huge debts to the imperialist power. As a result, imperialism is a road to ruin.

China's problems today are following this pattern. Pakistan, the largest recipient of BRI financing, thinks the terms are unfair and wants to renegotiate. Malaysia, the second largest BRI target, wants to scale back its participation since pro-China politicians were swept out of office. Myanmar and Nepal have canceled BRI projects. After Sri Lanka was forced to grant China a 99-year lease on the Hambantota Port to repay Chinese

loans, countries across Asia and Africa started rereading the fine print of their contracts, muttering about unequal treaties.

Meanwhile, China's mercantilist trade policies—the subsidies, the intellectual-property theft, and the coordinated national efforts to identify new target industries and make China dominant in them—are keeping Europe and Japan in Washington's embrace despite their dislike of President Trump.

China's chief problem isn't U.S. resistance to its rise. It is that the internal dynamics of its economic system force its rulers to choose between putting China through a wrenching and destabilizing economic adjustment, or else pursuing an expansionist development policy that would lead to conflict and isolation abroad. Lenin thought that capitalist countries in China's position were doomed to a series of wars and revolutions.

Fortunately, Lenin was wrong. Seventy years of Western history since World War II show that with the right economic policies, a mix of rising purchasing power and international economic integration can transcend the imperialist dynamics of the 19th and early 20th centuries.

But unless China can learn from those examples, it will remain caught in the "Lenin trap" in which its strategy for continued domestic stability produces an ever more powerful anti-China coalition around the world.

## Stranger Things Have Happened

By Larry Sleep

In the 1940s and '50s it wasn't uncommon to see hitchhikers thumbing for a ride. Many were military men with knapsacks, and they didn't have to wait long before getting picked up. The '60s had hippies and hitchers riding the roads in their Volkswagen vans. Hitchhiking was still cool when I made trips from Los Angeles to New York and all over Europe in the early '70s. Today, my kids can't visualize their dad at a roadside with a cardboard sign and a backpack, but I was there, "heading down the highway, looking for adventure."

My travel buddy and I often found it ineffective to wait at the roadside with a thumb up and a smile, so for best results we would head to a nearby gas station or Howard Johnson's. It helped to have combed hair, clean clothes and a pleasant demeanor. We would pick a nice car and politely say, "Excuse

me, I'm a college student in California trying to get to [fill in desired city], and I'm wondering if it might be possible to join you if you're heading that way." There was always a pause, but usually a "Sure, why not" followed.

### Today's young people will never hitchhike—but I did in the 1970s.

Most rides turned out fine. Drivers often had stories to tell, and I paid for my ride by listening and asking questions, so I got quite an education on those open roads. But conversation wasn't always the goal. A nice couple, Chuck and Irene, once picked up my friend and me at a gas station in Oklahoma City. They drove two cars; I rode with Irene and my buddy rode with Chuck. We both got propositioned before we crossed into Missouri.

No two rides were the same. Some were short and

some were long. Each driver was a book to be read. I learned a lot about human nature. I learned that people almost everywhere are kind, generous and good; that regardless of where you live, we all have similar likes, dislikes and desires; that the best things often happen without any plans in place; and that life is a long highway, and sometimes you just have to go with it—wherever it takes you.

My children will never hitchhike, and yours won't either. They will never know the adventure or the mystery lurking around the next bend in the road. But hitching was an experience I'll never forget—moments when random, innocent encounters often took me on life-changing trips down the boulevard of life.

*Mr. Sleep is a retired president of Lawrence Group, a company providing sales and management training for corporations.*

## OPINION

## REVIEW &amp; OUTLOOK

**The #MeToo Kavanaugh Ambush**

**T**he woman accusing Brett Kavanaugh of a drunken assault when both were teenagers has now come forward publicly, and on Monday it caused Republicans to delay a confirmation vote and schedule another public hearing. Yet there is no way to confirm her story after 36 years, and to let it stop Mr. Kavanaugh's confirmation would ratify what has all the earmarks of a calculated political ambush.

This is not to say Christine Blasey Ford isn't sincere in what she remembers. In an interview published in the Washington Post on Sunday, Ms. Ford offered a few more details of the story she told anonymously starting in July. She says she was 15 when Mr. Kavanaugh, who would have been 17, and a male friend pushed her into a bedroom at a drinking party, held her down, and pawed her until the male friend jumped on them both and she escaped to a bathroom until the two boys left the room.

Mr. Kavanaugh denies all this "categorically and unequivocally," and there is simply no way to prove it. The only witness to the event is Mr. Kavanaugh's high school male friend, Mark Judge, who also says he recalls no such event. Ms. Ford concedes she told no one about it—not even a high school girl friend or family member—until 2012 when she told the story as part of couples therapy with her husband.

The vagaries of memory are well known, all the more so when they emerge in the cauldron of a therapy session to rescue a marriage. Experts know that human beings can come to believe firmly over the years that something happened when it never did or is based on partial truth. Mistaken identity is also possible.

The Post reports that the therapist's notes from 2012 say there were four male assailants, but Ms. Ford says that was a mistake. Ms. Ford also can't recall in whose home the alleged assault took place, how she got there, or how she got home that evening.

This is simply too distant and uncorroborated a story to warrant a new hearing or to delay a vote. We've heard from all three principals, and there are no other witnesses to call. Democrats will use Monday's hearing as a political spectacle to coax Mr. Kavanaugh into looking defensive or angry, and to portray Republicans as anti-women. Odds are it will be a circus.

\* \* \* \* \*

The timing and details of how Ms. Ford came forward, and how her name was coaxed into public view, should also raise red flags about the partisan motives at play. The Post says Ms. Ford contacted the paper via a tip line in July but wanted to remain anonymous. She then brought her story to a Democratic official while still hoping to stay anonymous.

Yet she also then retained a lawyer, Debra Katz, who has a history of Democratic activism and spoke in public defense of Bill Clinton against the accusations by Paula Jones. Ms. Katz urged Ms. Ford to take a polygraph test. The Post says she passed the polygraph, though a polygraph merely shows that she believes the story she is telling.

The more relevant question is why go to such lengths if Ms. Ford really wanted her name to stay a secret? Even this weekend she could have chosen to remain anonymous. These are the actions of someone who was prepared to go public from the beginning if she had to.

The role of Senator Dianne Feinstein is also

**A story this old and unprovable can't be allowed to delay a confirmation vote.**

highly irregular and transparently political. The ranking Democrat on the Judiciary Committee knew about Ms. Ford's accusations in late July or early August yet kept quiet. If she took it seriously, she had multiple opportunities to ask Judge Kavanaugh or have committee staff interview the principals. But in that event the details would have been vetted and Senators would have had time to assess their credibility.

Instead Ms. Feinstein waited until the day before a committee markup on the nomination to release a statement that she had "information" about the accusation and had sent it to the FBI. Her statement was a political stunt.

She was seeking to insulate herself from liberal charges that she sat on the letter. Or—and this seems increasingly likely given the course of events—Senator Feinstein was holding the story to spring at the last minute in the hope that events would play out as they have. Surely she knew that once word of the accusation was public, the press would pursue the story and Ms. Ford would be identified by name one way or another.

\* \* \* \* \*

Democrats waited until Ms. Ford went public to make public statements. But clearly some were feeding the names of Ms. Ford and her lawyer to the press, and now they are piling on what they hope will be an election-eve #MeToo conflagration.

"Senator [and Judiciary Chairman] Grassley must postpone the vote until, at a very minimum, these serious and credible allegations are thoroughly investigated," declared Minority Leader Chuck Schumer on Sunday. "For too long, when women have made serious allegations of abuse, they have been ignored. That cannot happen in this case."

His obvious political goal is to delay the confirmation vote past the election, fan the #MeToo political furies until then, and hope that at least two GOP Senators will under political pressure. If Republican Senators Jeff Flake and Bob Corker think a hearing will satisfy Mr. Schumer, they are right to retire from politics.

GOP Senators should understand that the political cost of defeating Mr. Kavanaugh will likely include the loss of the Senate. Democrats are already motivated to vote against Donald Trump, and if Republicans panic now their own voters will rightly be furious. They would be letting Democrats get away with the same dirty trick they tried and failed to pull off against Clarence Thomas.

It would also be a serious injustice to a man who has by all accounts other than Ms. Ford's led a life of respect for women and the law. Every #MeToo miscreant is a repeat offender. The accusation against Mr. Kavanaugh is behavior manifested nowhere else in his life.

No one, including Donald Trump, needs to attack Ms. Ford. She believes what she believes. This is not he said-she said. This is a case of an alleged teenage encounter, partially recalled 30 years later without corroboration, and brought forward to ruin Mr. Kavanaugh's reputation for partisan purposes.

Letting an accusation that is this old, this unsubstantiated and this procedurally irregular defeat Mr. Kavanaugh would also mean weaponizing every sexual assault allegation no matter the evidence. It will tarnish the #MeToo cause with the smear of partisanship, and it will unleash even greater polarizing furies.

**Cracking the Proxy Racket**

**A**ctivist investors grab headlines, but their clout pales next to proxy advisory firms Glass Lewis and Institutional Shareholder Services (ISS). Credit to the Securities and Exchange Commission for shaking up this government-enlarged duopoly.

The SEC last Thursday took the laudable, if overdue, step of withdrawing guidance from 2004 that enshrined proxy advisory firms as stewards of corporate governance. Rescinding the guidance, the SEC said, is intended "to facilitate the discussion" about "the proxy voting process, retail shareholder participation and the role of proxy advisory firms."

Proxy firms advise institutional investors on shareholder proposals regarding executive pay, director elections, political spending and other issues. A 2003 SEC rule required institutional investors like Fidelity or pension funds to develop and disclose proxy-voting policies but said they could satisfy their fiduciary obligation to clients by relying on the recommendations of third parties like ISS and Glass Lewis. The giants control 97% of the proxy advisory market.

Since institutional investors may hold shares in thousands of companies, conducting rigorous research to ensure that each of their votes is in their clients' best interest can be costly. The rule thus encouraged institutional investors to farm out voting recommendations to ISS and Glass Lewis, which don't have a fiduciary obligation to shareholders.

In 2004 the SEC issued guidance that gave proxy firms and companies that rely on them a safe harbor. Institutional investors sometimes provide services to corporations in which they own shares—for instance, underwriting bonds or managing employees' pensions. But SEC staff said the "recommendations of a third party who is in fact independent of an investment adviser may cleanse the vote of the adviser's conflict." In other words, by taking dictation from ISS or Glass Lewis, an institutional investor could protect itself from lawsuits.

But proxy advisory firms aren't "independent." ISS sells consulting service to corporations that are trying to get in its good corporate-governance graces. Glass Lewis is owned by two Canadian pension funds: Ontario Teachers' Pension Plan and Alberta Investment Management Corporation.

Not to worry, SEC staff said, these conflicts are kosher. The SEC's guidance thus encouraged corporations to consult proxy firms to obtain favorable recommendations. Since the Dodd-Frank Act requires shareholder votes on CEO pay, for example, executives had a pecuniary incentive to seek their advice.

A 2012 survey by Stanford University's Rock Center for Corporate Governance, The Conference Board and Nasdaq found that 72% of publicly traded companies consulted proxy advisory firms on executive comp. A 2014 Rock Center study found that when ISS and corporate management disagreed about pay, large money managers voted with the proxy firm more than 95% of the time.

Meantime, an uptick in shareholder activism in conjunction with a shift toward more index-fund investing has made proxy firms more powerful. Activist investors have been putting forward more shareholder proposals on subjects from board diversity to climate change. These proposals are voted on in block by large asset managers based on recommendations of ISS and Glass Lewis.

Withdrawing the SEC's 2004 guidance is the first step in subjecting the proxy giants to much-needed scrutiny. The House last year passed legislation requiring proxy firms to disclose their potential conflicts of interest and methodologies for formulating recommendations. The SEC could also impose a fiduciary obligation on proxy firms.

Corporate boards answer to shareholders, and asset managers to clients. Why are the two most influential voices in corporate America immune from accountability or transparency?

**LETTERS TO THE EDITOR****Present Economic Success Has Many Fathers**

In "Why the 'Obama Recovery' Took So Long" (op-ed, Sept. 11), Peter J. Ferrara leaves out a few details in his political versus economic analysis. It is impossible to know what economic activity would have been under any alternate administration after the 2008 financial crisis. Three key variables are conveniently unaddressed. There are few economists that compare the recovery after a dramatic financial recession to those resulting from typical supply/demand imbalances. History is clear that recoveries after a balance-sheet meltdown take years longer to normalize than their cyclical brethren.

Further, no other modern-era recession has coincided with the demographics of the baby-boom generation, close to retirement, intersecting a global meltdown of such magnitude. Finally, it becomes even harder to point fingers at a faulty U.S. policy when almost every other major economy hit by the global financial crisis took even longer to recover than ours did, with many countries have not fully recovered to date.

RICHARD J. COHEN  
Margate, N.J.

Here are some of the Obama-era headwinds Mr. Ferrara overlooks: 1) U.S. export demand was impaired by persistent weakness in the European economy. 2) A slump in oil-industry

IRWIN SHISHKO  
Delray Beach, Fla.

**College Rankings and What Students Retain**

As a retired high-school guidance counselor, I am impressed with the information in your "U.S. College Rankings" (Journal Report, Sept. 6). What concerns me is the gap in resources between public and private colleges. A democracy needs an educated public, so shouldn't more money be allocated by the states for public education? When I attended a state university, I could rent books from the university, and I attended on a teacher-training scholarship. Why aren't there more scholarships for professions for which we need highly qualified students? Why are some state universities cutting programs and departments? Why shouldn't there be more state colleges and universities in the Top 100?

BECKY CEDERHOLM  
Hilton Head, S.C.

The criteria used in your college rankings aren't what matters most. Where are the data for questions like: What percentage of students complete at least one class that gives them a foundation in our civilization and culture? What percentage say they look forward to their classes most days or feel confident that they

DAVID BURNS  
Springfield, Va.

**Serena Advanced Neither Women's Rights Nor Herself**

In response to "Naomi Osaka Gets the Last Word" (Sports, Sept. 10), Serena Williams wasn't so serene with her disgraceful behavior in the U.S. Open. She is just a sore loser. It makes you long for the days of real queens of the tennis court such as Chris Evert and Sue Barker. To use the excuse that Ms. Williams was fighting for women's rights is totally dishonest, the wrong place at the wrong time, and she compounded her sins by including her daughter in her diatribe. She ruined what should have been the best day in the life of Naomi Osaka, the well-deserved winner. Ms. Williams should eat humble pie, admit she was wrong, apologize to the umpire and say a huge sorry to her devoted followers.

JOHN FAIR  
Castlebar, Ireland

Unfortunately, the classy Ms. Osaka will not have the last word. When Ms. Williams's immature bullying tactics failed her, she then claimed she was fighting for women's rights, thereby garnering instant support from the media and talking heads who will ensure Naomi Osaka's victory always has an asterisk.

MARK HOFFMAN  
Amherst, N.Y.

Regarding Alan M. Dershowitz's "Bad Sports Don't Deserve To Lose" (op-ed, Sept. 14): Ms. Williams was losing before she went ballistic. I think she wanted to make Ms. Osaka lose concentration, but Ms. Osaka showed her strength and is the champion.

Serena was the worst possible role model for women, using gender, after the fact, to explain her failure.

JUDITH L. HOYT  
Camp Hill, Pa.

investment and employment worked against a steady job recovery. Even so, the unemployment rate fell below 5% by 2015. 3) The financial crisis President Obama faced was highly extraordinary in depth and scope and virtually assured a longer-than-usual deleveraging time. 4) The housing crash left many despairing homeowners underwater, with lingering effect on their confidence and buying power. 5) Of at least equally great impact was the virtual vow by GOP congressmen to block all Obama proposals, including any new stimulus measures.

Mr. Ferrara alleges that, according to "Obama apologists," it was impossible for the economy to grow more than 2%. That's another misstatement. Many economists (including this writer) believed the rate of growth could have been higher, especially if Congress passed the \$1 trillion infrastructure plan Donald Trump touted later; that infrastructure spending was especially appropriate when employment was still low. But, at that time, such stimulus was anathema to Republicans. Now, in order to cut taxes and raise military outlays, the Trump GOP has embraced huge deficit spending with blithe disregard as to what the consequences of a growing debt bomb may be in the long run.

IRWIN SHISHKO  
Delray Beach, Fla.

**All Sciences Must Be Based On Objective Data, Process**

What percentage of a college's graduates 10 years out report that they feel happy and successful at what they do? How many are married and have started a family? How many feel a sense that their life matters in their community?

The University of Virginia, which I attended long ago, had many good features, but the challenge to students carved over one of the old brick entrances gave me my understanding of what is important in college and after graduation. It said: "Enter by this gateway and seek the way of honor, the light of truth, the will to work for men."

CHARLES BENSONHAVER, M.D.  
Johns Island, S.C.

It would be cheaper to send my 96-year-old mother to No. 1-ranked Harvard University than to keep her in the senior-living facility where she now resides.

JACK PLEDGER  
Belleville, Ill.

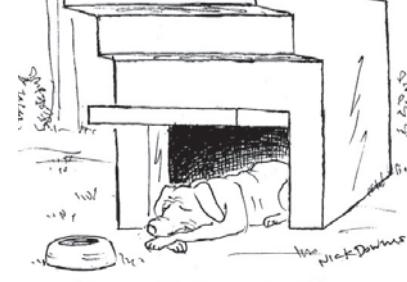
**Pepper ... And Salt**

As a scientist, I puzzled over the "Notable & Quotable" (Sept. 13) excerpt from the American Sociological Association website about the need to liberate themselves from the shackles of using the dreadful, reality-based habit of "objectivity." Since objectivity is the heart of the scientific method, I suggest they also liberate themselves from the shackles of referring to their field as a social science. They clearly reject the "science" bit.

DALLAS WEAVER, PH.D.  
Huntington Beach, Calif.

**CORRECTION**

Narendra Modi is prime minister of India, not the president as was stated in "Culling the Emerging-Market Herd" (Review & Outlook, Sept. 14).

**BAU-WAU-HAUS**

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## OPINION

# Stop Bezos From Hiring Poor People?

By Andy Puzder

**I**t's called the Stop Bad Employers by Zeroing Out Subsidies Act, the acronym an homage to Amazon CEO Jeff Bezos. The bill, introduced by Sen. Bernie Sanders and Rep. Ro Khanna, would tax corporations with more than 500 employees at 100% for every dollar their employees receive via food stamps, the school-lunch program, Section 8 housing and Medicaid. Mr. Sanders calls it "corporate welfare" to pay benefits to low-wage employees.

But the first step on the path to financial self-sufficiency is finding a job. A tax on employing welfare recipients would discourage employers from hiring them. It would increase the cost of employing such people without an offsetting increase in

**Bernie Sanders's latest brainstorm would make the transition from welfare to work more difficult.**

productivity or employee satisfaction, since the extra payment would go to the government rather than the employee. Companies could avoid the tax simply by hiring people not on welfare, reducing job opportunities for the people most in need of jobs and opportunity.

The bill acknowledges that danger by prohibiting employers from asking if a candidate is receiving welfare. But how hard is it for a hiring manager to distinguish between an unemployed 20-year-old living with her parents and an unemployed single mother living with her children or a father of four who's been out of work for months?

Putting welfare recipients at a disadvantage in the job market would diminish the effectiveness of government efforts to encourage work. Able-bodied adults without dependents must work at least part-time or participate in a work program to receive food stamps for more than three months in a 36-month period. Why require welfare recipients to work and then put them at a competitive disadvantage when they try to find a job?

The Stop Bezos Act would exacerbate the perverse incentives welfare recipients face due to what policy wonks call the welfare cliff. Welfare programs can punish people who work because even a slight increase in income may result in a severe decrease in government benefits. Eligibility for food stamps ends when annual gross income exceeds 130% of the federal poverty line. In most states, Medicaid eligibility ends when gross income exceeds 138% of poverty. Some employees make the rational economic decision to work less, keeping their income below the cutoff and retaining thousands of dollars in benefits.

Should the Sanders-Khanna bill become law, an employer with employees earning an amount short of the welfare cliff could raise the employees' compensation by increasing their wages or hours just enough to push them over the cliff, throw them off benefits and avoid the Stop Bezos tax. Ironically, employers could lower the cost of employing workers by increasing their compensation while the workers would have less to support themselves or their families because they got a raise.

The Stop Bezos Act would obstruct the path out of poverty for the people progressives claim to care about and the welfare system is designed to help. You can't lift people out of poverty by punishing businesses for hiring them.

*Mr. Puzder is a former CEO of CKE Restaurants and author of "The Capitalist Comeback: The Trump Boom and the Left's Plot to Stop It."*

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# A Spectral Witness Materializes

By Lance Morrow

**T**he Salem witch trials turned on what was called "spectral evidence." That was testimony from witnesses—either malicious or hysterical—who claimed the accused had assumed the form of a black cat or some other devilish creature and had come visiting in the night in order to torment the witness with bites and scratches, or to rearrange the bedroom furniture, or to send the baby into paroxysms.

Susannah Sheldon, aged about 18, testified that the defendant Sarah Good's apparition—not the actual Sarah Good, but her spirit, her specter—"most violently pulled down my head behind a chest and tied my hands together with a whale band and almost choked me to death." Other witnesses blamed Good for the mysterious deaths of cows or for causing a broom to fly up into an apple tree.

The judge, William Stoughton, admitted this nonsense into evidence. Hysterical fantasies had real consequences: Sarah Good and four other defendants were hanged on July 19, 1692.

Three hundred twenty-six years later, an anonymous woman—a spectral and possibly nonexistent woman, for all that one knew when the story emerged—accused Brett Kavanaugh of sexually assaulting her 36 years ago, when he was a high-school student. It seemed as if the American constitutional process might be drawn back to the neighborhood of Salem, Mass. According to this phantom testimony, 17-year-old Brett held the girl down, pawed her and tried to force himself upon her, and held his hand over her mouth when she screamed, until a second prep-school devil piled on top, they all tumbled to the floor, and the girl managed to slip away. The boys were "stumbling drunk," according to the account.

You were supposed to feel the sudden wind-shear of hypocrisy. The



BLOOMBERG NEWS

Sen. Dianne Feinstein during Judge Kavanaugh's confirmation hearing, Sept. 5.

nominee was a seeming paragon—perfect father and husband and coach of his daughters' basketball teams. He is a Roman Catholic with an Irish name, but now the script became as gleefully Calvinist as a Hawthorne tale. What imp of hell had possessed the Kavanaugh boy? The Protestant tale seemed to obtain subliminal verification against the background of Catholic sex-abuse scandals.

## The passage of time sometimes causes people to forget, sometimes to invent or embellish.

Thus the constitutional process takes on an aspect of the 21st-century medieval. The accuser's story first emerged in a letter that came into the hands of California Sen. Dianne Feinstein. Ms. Feinstein brought it to light only after the Senate Judiciary Committee's hearing, which featured somewhat Salem-like drama—costumed apparitions from "The Handmaid's Tale" arranging themselves outside the committee room; inarticulate back-

ground screams of people being led away for disrupting the proceedings. It seemed as if Ms. Feinstein, not liking the odds of defeating Judge Kavanaugh's confirmation, had found a devilishly clever way to head it off after all.

But then the accuser materialized, in the form of a 51-year-old California professor of clinical psychology, Christine Blasey Ford.

What to make of it now? The tale became a lot less spectral. Still, there had been no police report, and there were no witnesses. The second boy allegedly in the room said he had no memory of such an incident and called the accusation "absolutely nuts." Judge Kavanaugh flatly denied it. Her therapist's notes from 30 years later are not objective reporting, merely a transcription of what Ms. Ford herself said.

The thing happened—if it happened—an awfully long time ago, back in Ronald Reagan's time, when the actors in the drama were minors and (the boys, anyway) under the blurring influence of alcohol and adolescent hormones. No clothes were removed, and no sexual penetration occurred. The sin, if there was one, was not one of those that Catholic theology calls *peccata clamantia*—sins

that cry to heaven for vengeance.

The offense alleged is not nothing, by any means. It is ugly, and stupid more than evil, one might think, but trauma is subjective and hard to parse legally. Common sense is a little hard put to know what to make of the episode, if it happened. The dust of 36 years has settled over the memory. The passage of time sometimes causes people to forget; sometimes it causes them to invent or embellish. Invention takes on bright energies when its muse is politics, which is the Olympics of illusion. Inevitably, people will sort the matter out along mostly partisan lines. A lot will depend upon the testimony of Ms. Ford, who has volunteered to appear before the Senate Judiciary Committee. If the left expects a windfall from all this in November, it may find itself instead the victim of a terrific backlash.

These are part of the 21st century's strange sectarian struggles. In another Senate hearing a year ago, Ms. Feinstein addressed Amy Coney Barrett, a Notre Dame law professor, about her nomination to the Seventh U.S. Circuit Court of Appeals. Ms. Feinstein began fretting earnestly about the nominee's Catholicism. "The dogma lives loud within you," the senator told the professor—an oddly mystical locution.

But 21st-century progressivism is also a religion—a militant faith, a true church in nearly all important respects. It is a community of belief and shared values, with dogmas, heresies, sacraments and fanatics; with saints it reveres and devils it abhors, starting with the great Satan Donald Trump. If religion were to disqualify a Catholic from public service, it would logically have to disqualify a practicing progressive, who is the creature of a belief system that is, on the whole, considerably more dogmatic than the one with headquarters in Rome.

*Mr. Morrow, a senior fellow at the Ethics and Public Policy Center, is a former essayist for Time.*

# Extremism Advances in the Largest Muslim Country

By Benedict Rogers

**I**ndonesia, the world's largest Muslim nation, has long stood as a role model for religious pluralism. That's changing. Political Islam and violent extremism have been taking root in society and may soon do so in the government. President Joko Widodo's choice of Ma'ruf Amin, a 75-year-old cleric, as his running mate in next year's election marks an ugly turn for Indonesian politics.

Religious minorities had regarded Mr. Widodo as their defender. His rival, retired general Prabowo Subianto, was expected to play the religion card, questioning the incumbent's Islamic credentials and building a coalition supported by radical Islamists. By choosing Mr. Amin, the president's defenders argue, he not only has neutralized the religion factor, but might have prevented it from spilling over into violence against minorities. In office, they believe, Mr. Amin will be contained.

Yet Mr. Subianto is unlikely to be deterred from playing identity politics, and rumors that Mr. Amin is reaching out to radical Islamists for support are troubling. Mr. Amin has a history of intolerance. He signed a *fatwa* that put a Widodo ally, Jakarta's former Gov. Basuki Tjahaja "Ahok" Purnama, in jail on blasphemy charges. Ahok, who is Christian and ethnically Chinese, was a symbol of Indonesia's diversity, and as a popular governor was expected an ugly turn for Indonesian politics.

Religious minorities had regarded Mr. Widodo as their defender. His rival, retired general Prabowo Subianto, was expected to play the religion card, questioning the incumbent's Islamic credentials and building a coalition supported by radical Islamists. By choosing Mr. Amin, the president's defenders argue, he not only has neutralized the religion factor, but might have prevented it from spilling over into violence against minorities. In office, they believe, Mr. Amin will be contained.

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phemy charges. Ahok, who is Christian and ethnically Chinese, was a symbol of Indonesia's diversity, and as a popular governor was expected to be re-elected. Instead he lost after rivals told Muslims not to vote for a non-Muslim.

Mr. Amin has been behind other repressive measures, including restrictions on the construction of places of worship, proposals to criminalize homosexuality, support for female genital mutilation and local Sharia laws.

Indonesia's pluralism has come under increasing threat. Local authorities, under pressure from Islamic extremists, forced hundreds of churches to close. While there have been few closures since Mr. Widodo took office, the Rev. Gomar Gultom, general secretary of Indonesia's Communion of Churches, says "there has been no justice for old cases." Authorities continue to misuse blasphemy laws. A Buddhist woman in North Sumatra was jailed for 18 months for asking a mosque to turn down the volume on its loudspeakers.

Last month a foreign scholar who has lived in Indonesia for more than half a century told me of a Muslim man who asked his 12-year-old son what he had learned at school one day. "We learned about *kafir*"—infidels—his son replied. When the father asked what they had learned, the boy replied: "We learned that they must be killed."

Last year, in Yogyakarta, a Christian man told me his 15-year-old daughter's best friend, a Muslim, had told her that they could no longer be friends: "After Ahok's case, my God does not allow me to be

friends with people like you."

These anecdotes are reinforced by news footage that shows marching children at a kindergarten in east Java, dressed in black robes and face veils, wielding realistic-looking toy rifles, with the theme "Fight with the Messenger of Allah to Increase Faith and Piety." As Mr. Gultom told me, "The seed of radicalization has spread throughout Indonesia."

## Indonesia's president, once considered an ally of religious minorities, puts a radical cleric on his ticket.

Religious intolerance and terrorism aren't the same, but as the Wahid Foundation's Alamsyah M. Djafar told me, "if intolerance increases, the threat of radicalism increases, and that will change the face of Indonesia." And on May 13 a family of suicide bombers attacked three churches in Surabaya within minutes of each other. The parents strapped explosives onto their daughters, 6 and 8, and their teenage sons. At least 13 people were killed.

Three months later, I visited all three churches. I heard two key messages, which offer some hope for Indonesia. The first was from the victims, and can be summed up in one word: forgiveness. Father Aloysius

Widyawan, a priest at Santa Maria Tak Bercela Catholic Church, told me that the consistent message from his parishioners was: "We must love others, we forgive the attackers, we do not want revenge." One woman who lost two sons, 8 and 12, in the attacks, said: "I have already forgiven the bombers. I don't want to cry anymore. I know that our Mother Mary also lost her son, Jesus. I forgive."

The second message was from Muslims who reject extremism. Within hours of the bombings, they came to clear up the wreckage. At Jakarta's cathedral that evening, two Muslim women arrived at Mass, offering red and white roses, the colors of Indonesia's flag.

President Trump's administration has made the promotion of international religious freedom a priority. If it is serious, the U.S. should work to strengthen the voices of moderate Indonesian Muslims. At the same time, Indonesian politicians whose heart is with the defenders of pluralism must stop playing identity politics and stand up to the preachers of hate. If they don't, Indonesia's pluralism is in increasing peril, which will have grave consequences beyond Southeast Asia.

*Mr. Rogers is East Asia Team Leader at the international human-rights organization CSW and author of "Indonesia: Pluralism in Peril—the Rise of Religious Intolerance Across the Archipelago" (2014).*

# Venture Out of Your News Bubble

By Ted Rall

**A**merican democracy faces a media-created crisis, according to politicians and pundits across the ideological spectrum. Citizens see issues through increasingly narrow ideological blinders. They read and listen and watch opinion-tainted journalism that reinforces their prejudices and preconceptions.

But what if there's a bigger problem than slanted coverage? What about the news story that captivates half the electorate, while the other half hardly knows that it exists? The list of those stories is growing. A study that examined the frequency of words appearing in chyrons—the text at the bottom of the television screen—revealed that the words "Mueller," "Flynn," "Putin," "Kremlin," "Moscow," "obstruct" and "Russia" appeared far more frequently on MSNBC than Fox. Thus Democrats, who are likelier to watch MSNBC, are likelier to be riled up about the special-counsel investigation into alleged collusion between Russia and Donald Trump's 2016 campaign than Republicans, who tend to watch Fox. To Fox, and therefore Fox viewers, Russiagate isn't as big a deal.

Cable news channels have slightly more than half as many viewers as network news. But cable viewers are far more engaged, watching longer and more frequently, and studies have found they're more politically active. Thus cable news has an outsize influence on American politics.

## Liberal and conservative cable networks cover different stories altogether.

Each channel has its quirks. CNN has found ratings gold in hurricanes, while Fox is drawn to what critics call "missing white woman syndrome." But those differences don't move the political needle.

Unless they do. Fox's coverage of the disappearance of 20-year-old Molie Tibbetts ramped up after an illegal alien was charged with her murder. CNN and MSNBC took the opposite tack, throwing shade on the story after the arrest. When President Trump took to Twitter to discuss Tibbetts, and the MS-13 gang violence that Fox has covered more extensively than CNN or MSNBC, liberal news junkies

got the impression of an off-the-rails president obsessing over a matter that, if they noticed it at all, had faded in the rearview mirror of their consciousness. Conservatives pointed to the deprioritizing of the Tibbetts story as evidence of liberal media bias. The end result was the politicization of a murder and widening the chasm between left and right realities. Liberals had no idea why—or that—conservatives were angry. Conservatives couldn't understand why liberals didn't care. Of course they didn't care—they didn't know.

Similarly, liberal-leaning news outlets give much more coverage to police violence against people of color. The message to liberals: White cops kill a lot of black men. To conservatives: It doesn't happen that often, and is often justified when it does.

To be a well-informed citizen today, you must not only follow the news but seek it from sources that make you uncomfortable, even angry. Instead we live in an age of side-by-side media bubbles, and God help us, we like it.

*Mr. Rall is a political cartoonist and author of "Francis: The People's Pope," the latest in his series of graphic novel-format biographies.*



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# BUSINESS & FINANCE

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## Retailers Rush to Hire for Holidays

Some offer higher wages, paid days off, profit sharing to lure Christmas-season help

BY SUZANNE KAPNER  
AND INTI PACHECO

The holiday shopping season is still two months away. But faced with record-low unemployment and rising wages in other industries, U.S. retailers already are scrambling to find enough workers to staff their stores.

Retailers have begun their annual push for holiday workers earlier than ever, raising pay and offering perks such as profit-sharing and paid time

off for part-time associates. They also are hosting recruiting marathons with the goal of hiring thousands of workers in a single day.

Some 757,000 retail job were open across the country in July, about 100,000 more than the same time a year ago. The number of openings of all types surpassed the number of hires from March through June for the first time in a decade, according to the Bureau of Labor Statistics. Some big cities, including New York, San Francisco and Seattle, face a shortage of workers with retail skills, according to data from LinkedIn.

James Chan of New York said he plans to apply for holiday retail work but is also

looking at nonretail jobs, such as openings for administrative assistants. "I'd rather have a full-time job," said the 28-year-old.

Kohl's Corp. and J.C. Penney Co. started hiring seasonal workers in June—about three months earlier than usual. This year, as an added incentive, Penney's will give its part-time hourly workers one week of paid time off a year. Penney plans to hold a National Hiring Day on Oct. 16, similar to an event it held last year that helped it hire 22,000 workers.

Target Corp. said last week that it plans to hire 120,000 seasonal workers, 20% more than last year. The starting wage for those hired starting this week is \$12 an hour, \$1

more than for workers hired before Sunday. The increase is part of Target's plan to raise its minimum hourly wage to \$15 by 2020. In recent months, retailers from Walmart Inc. to CVS Health Corp. have been raising starting hourly pay.

Delivery companies are also going to be hiring in full force for this Christmas season as they continue to deliver more online orders. United Parcel Service Inc. said Monday it plans to hire about 100,000 full- and part-time workers from November through January, up from a goal of 95,000 a year earlier. FedEx Corp., meanwhile, is looking to add 55,000 workers for the holidays.

It isn't clear whether the

new incentives will be enough to woo and retain staff.

Chris Alfors, who works in the men's suit department of a Macy's in Bridgewater, N.J., said he received an extra \$240 in pay as part of a new incentive plan that Macy's Inc. introduced earlier this year. All full- and part-time workers are eligible to share in a bonus pool doled out quarterly. For employees to receive the bonus their store must hit sales and online-fulfillment goals.

"I'm thankful for whatever extra money comes my way, but I'm not sure it would keep me at Macy's," said the 58-year-old, who worked in finance for 33 years until he was laid off in 2010. "If someone

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### Meat Glut

Tyson shares are down 22% year to date. U.S. meat production has soared, pushing down wholesale prices.

**Stock performance during Hayes's CEO tenure**

\$85 a share



## Tyson CEO Resigns In Surprise Decision

BY JACOB BUNGE

**Tyson Foods** Inc. said Chief Executive Tom Hayes is leaving at the end of this month for personal reasons, a surprise leadership shift as the top U.S. meat company revamps its strategy to prioritize branded meat products.

Tyson said Monday that Noel White, a longtime Tyson executive who has overseen chicken, beef and pork processing, will become its new chief executive.

The abrupt change surprised Tyson employees and investors, coming less than two years into Mr. Hayes's tenure. He has focused on overhauling Tyson's executive leadership team and repositioning the 83-year-old meat giant as a modern food company marketing branded consumer products, such as Jimmy Dean sausages and Hillshire Farm cold cuts.

Mr. Hayes said in an interview that his decision to leave wasn't related to any issues of personal conduct or integrity at Tyson. The 53-year-old said he isn't facing significant health problems and that he isn't pursuing a job at another company. He said his decision was driven by "things that are personal to me."

"It's a choice I made in consultation with the board and my family," Mr. Hayes said. People familiar with the matter said the decision surprised members of Tyson's board.

The company, based in Springdale, Ark., reiterated its guidance for the year and still expects adjusted earnings to be between \$5.70 and \$6 a

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STREETWISE | By James Mackintosh

## Social, Environmental Investment Scores Diverge



Is Elon Musk's electric-car maker Tesla the best, the worst or a merely middling performer on environmental issues? Is Warren Buffett's Berkshire Hathaway one of the worst-governed big U.S. companies? Is General Motors one of the most socially aware businesses, or one of the least?

Investors picking a scoring system for ESG—environmental, social and governance—issues facing companies can have any of those outcomes.

The differences are easy enough to understand if you dig into the details. Yet, they show just how difficult it is to take a simple approach to ESG investing, a style that is becoming ever-more popular. In addition to the billions of dollars of exchange-traded funds based on ESG indexes, increasingly fund managers are being pushed to produce portfolios with better ESG ratings, encouraged by public mutual-fund ESG scores.

The problem here isn't the ESG ratings, but that they are used as though they were some sort of objective truth. In reality they are no more than a series of judgments by the scoring companies about what matters—and investors who blindly follow their scores are buying into those opinions, mostly without even knowing what they are.

To illustrate these differences, we can dig into the scores given to five big companies by FTSE Russell,



**Exxon gets high grades for its worker policies; Berkshire, which owns BNSF, ranks low on disclosure; Tesla has widely varying ratings.**

Stocks with better MSCI environmental, social and governance (ESG) scores lagged behind in the U.S., while they outperformed elsewhere



\*In U.S. dollar terms. \*Some scores recalculated to be out of 100. \*\*Weighted-average key issue score. Sources: Thomson Reuters (stock performance); FTSE Russell; MSCI; Sustainalytics

MSCI and Sustainalytics, all used for ESG indexes and by institutional investors. The companies are Tesla, Berkshire, Exxon Mobil, Google-owner Alphabet and General Motors.

Perhaps the biggest sur-

prise is Tesla, ranked by MSCI at the top of the industry, and by FTSE as the worst car maker globally on ESG issues. Sustainalytics puts it in the middle.

The explanation comes down to what is measured,

and how the measurement is affected by disclosure.

MSCI gives Tesla a near-perfect score for environment, because it has selected two themes as the most important for the car industry: the carbon produced by its

products, and the opportunities the company has in clean technology.

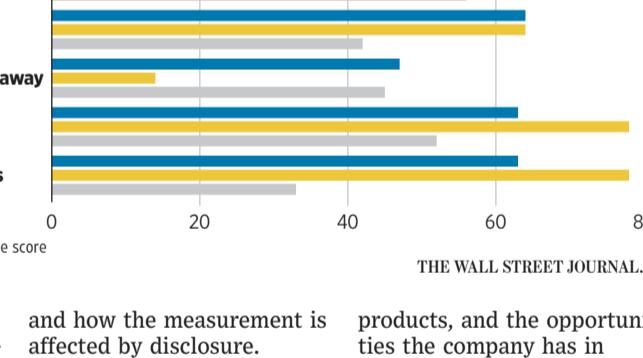
FTSE gives Tesla a "zero" on environment, because its scores ignore emissions from its cars, rating only emis-

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**Corporate ESG scores can differ significantly depending whom you ask.**



THE WALL STREET JOURNAL.

THE WALL STREET JOURNAL.

## Goldman's J. Aron Era Ends With David Solomon's Rise

BY LIZ HOFFMAN

When Goldman Sachs Group Inc. purchased commodities brokerage J. Aron & Co. 37 years ago, it acquired a bloodline of executives that would come to dominate the firm's upper reaches for years.

That era is over.

Lloyd Blankfein, who joined J. Aron as a gold salesman in 1982 and became Goldman's chief executive in 2006, is retiring on Oct. 1. The cadre of J. Aron alumni he elevated as he rose—Gary Cohn, Harvey Schwartz, Isabelle Ealet, Edith Cooper and others—is mostly gone. When Martin Chavez, a former J. Aron strategist, steps down as Goldman's chief financial officer in November, it will mark the end of the commodities traders' decadent grip on the executive suite.

Taking their place is a crew of deal makers and money men, led by incoming CEO David Solomon. Last week, he named two veterans of Goldman's investment-banking arm, John Waldron and Ste-

phen Scherr, to his inner circle. All three men are steeped in capital markets, the business of helping corporations and governments raise money.

Even Goldman's traders now report to a former banker: Jim Esposito, who was elevated in August to jointly run the firm's securities arm.

Power follows profits on Wall Street. Mr. Blankfein rose to prominence in the 2000s as trading boomed. He installed trading-floor colleagues in top roles across Goldman, overseeing finance, human resources and technology. J. Aron's traders were firmly in charge.

But Goldman's trading revenues have fallen sharply, to \$12 billion in 2017 from \$27 billion in 2006, the year Mr. Blankfein became CEO. Commodities trading, in particular, has struggled. The firm's investment bankers, meanwhile, have ridden a deal-making boom.

Of course, fortunes can change quickly. Plenty of people thought Goldman's traders were permanently on the outs after Jon Corzine was pushed

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## U.S. Regulators Ban A Day-Trading Giant

BY DAVE MICHAELS

A pioneer in the lucrative business of overseas day trading was banned from the U.S. brokerage industry Monday, the latest target of a government campaign to root out alleged manipulation in American markets stemming from foreign trading floors.

The trader, Simon Librati, agreed to a five-year suspension from 10 U.S. stock exchanges and a \$400,000 fine, according to disciplinary settlements with U.S. regulators resolving a nearly five-year investigation of his firms' trading. The outcome ends Mr. Librati's ability to control or work for a U.S. brokerage firm, although it doesn't bar him from trading personally. That is typical of such cases.

Mr. Librati, who neither admitted nor denied the allegations, has been involved in high-stakes trading for over a decade, providing what U.S. regulators say was a conduit for overseas traders engaged in rapid-fire manipulation, mainly from China and Eastern

Europe. At his empire's peak around 2012, his traders were responsible for three billion shares changing hands a month, or as much as 3% of U.S. stock volume at the time, according to former employees and brokers who handled his firm's trades.

The Financial Industry Regulatory Authority, a self-funded Wall Street overseer, and the Securities and Exchange Commission have for years waged a campaign to choke off access points for such manipulation from overseas traders.

Finra spearheaded the probe that Mr. Librati settled Monday. Mr. Librati declined to comment. His lawyer said Mr. Librati "looks forward to moving on with his life."

The day-trading impresario never sent orders himself, and tried to curb questionable activity by terminating traders and developing a surveillance system to screen for manipulative activity, said the lawyer, Stephen Crimmins of Murphy & McGonigle P.C.

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## DowDuPont Chief To Captain Spinoff

BY JACOB BUNGE

**DowDuPont** Inc. Chief Executive Edward Breen will assume the top executive position at the specialty-products company that will be created next year as part of the conglomerate's yearslong plan to split into three entities.

Mr. Breen will become executive chairman of the specialty-products company, to be named DuPont, managing its portfolio of businesses and steering its capital investments. The spinoffs are planned to be completed by June 1 of next year.

DowDuPont, jointly based in Michigan and Delaware, was created a year ago in a merger

## In Surprise Shift, Tyson CEO Quits

Continued from page B1

share. Shares of Tyson, down 22% year to date, fell slightly to \$63.06 on Monday.

Tyson and other U.S. meat processors are struggling as domestic production of beef, chicken and pork rises to record levels, pushing down wholesale prices.

Trade disputes have led to



Noel White was deeply involved in recent decisions and investments, Mr. Hayes said.

tariffs on U.S. meat products in top export markets such as Mexico and China, while rising freight costs have driven up costs for food suppliers and other companies. Tyson in late July cut its profit forecast for the year but touted the performance of its prepared-foods business.

Tyson's board considered several candidates to succeed Mr. Hayes, a spokesman said, and chose an experienced executive from its own ranks. Mr. White, 60, spent decades managing Tyson's meat-processing operations in the U.S. and overseas, having joined the company in 2001 via Tyson's acquisition of beef and pork supplier IBP. He was president of Tyson's core poultry business from 2013 to 2017, and most recently

has been president of its beef, pork and international operations.

Mr. Hayes said Mr. White was deeply involved in Tyson's recent decisions and investments, and would carry that strategy forward.

Tyson's board had considered Mr. Hayes uniquely suited to the CEO role, given his background managing supply chains for Hillshire Brands—the owner of the Jimmy Dean and Ball Park brands—which Tyson acquired in a \$7.7 billion deal in 2014. A few months before he was named CEO in late 2016, Mr. Hayes had been promoted to Tyson's president. Before that he was chief commercial officer.

Hillshire has become the engine for Tyson's expanded push into branded consumer goods, part of a strategy that aims to reduce the company's exposure to the ups and downs of meat prices and agricultural markets.

Mr. Hayes has also overseen a remake of Tyson's executive office suite, hiring leaders from companies including **Boeing** Co. and **HP** Inc. He also named a chief sustainability officer—a first for Tyson—and oversaw investments in plant-based burgers and technology to grow meat from animal cells.

Some investors have supported Tyson's direction under Mr. Hayes.

Other shareholders have focused on the challenges Tyson faces in its meat-processing divisions, said Jeremy Scott, an analyst with Mizuho.

"Noel is a proven leader who has played an integral role in our enterprise leadership team for many years," Chairman John Tyson said of Mr. White in a statement.

—Allison Prang contributed to this article.

## BUSINESS & FINANCE

### Thailand Cave Explorer Sues Elon Musk



SOE ZERA TUN/REUTERS

Elon Musk has been sued by a British cave explorer involved in rescue efforts to save a Thai youth soccer team, alleging he was defamed by the **Tesla** Inc. chief executive for suggesting he was a pedophile.

Vernon Unsworth, seen above, brought the lawsuit to "hold Musk legally accountable for his wrongdoing and to vindicate his reputation," says a copy of the complaint filed Sept. 17 in the U.S. District Court for the Central District of California.

Tesla declined to comment. An effort to reach Mr. Musk directly wasn't immediately successful.

"Elon Musk falsely accused Vernon Unsworth of being guilty of heinous crimes. Musk's influence and wealth cannot convert his lies into truth or protect him from accountability for his wrongdoing in a court of law,"

said L. Lin Wood, an Atlanta-based attorney who is part of Mr. Unsworth's legal team.

Mr. Unsworth seeks compensatory damages of more than

\$75,000 and an unspecified amount of punitive damages.

The suit says Mr. Musk was "apparently angered" by Mr. Unsworth's criticism, on July 13, of Mr. Musk's suggestion to use a minisubmarine to save the boys, who were trapped in a cave in Thailand and faced rising waters.

On July 15, Mr. Musk published a tweet that referenced Mr. Unsworth as a "pedo guy." He soon deleted that tweet and apologized for writing it.

—Micah Maidenberg

## Retailers Chase Staff For Season

Continued from page B1 offered me a job in finance again, I'd take it."

The moves to lure and keep workers are an about-face for retailers who in recent years have closed stores and trimmed staff to cut costs as sales and profits came under pressure from the shift to on-

line shopping.

In recent months, as business has improved along with the overall economy, many chains have concluded they may have cut too far. Dick's Sporting Goods Inc. and Macy's are among the big retailers who have said they are looking to add staff to make the shopping experience in stores more enjoyable in the hopes of differentiating themselves from online-only retailers.

These stores are ramping up hiring as the economy picks up and the overall labor market tightens. While the labor shortage in the retail industry isn't as bad as it is in sectors

such as manufacturing, it poses a particular problem for stores that depend on seasonal staff.

Sales representatives are among the hardest jobs to fill in the U.S., according to ManpowerGroup, a staffing company.

Stephen Frank, a Manpower managing director, said there also is a shortage of drivers that is so severe in some areas retailers are asking all employees to pitch in by delivering inventory to stores.

"There's going to be a war for retail talent," said Andrew Challenger, vice president of outplacement firm Challenger,

## Day Trader Banned in U.S. Market

Continued from page B1

According to the settlement, Mr. Librati was responsible because he was an owner of firms whose traders repeatedly engaged in "layering," a practice that attempts to rig stock prices with fake orders—and beat computers at the game of high-speed trading.

Finra detected over 200,000 cases of allegedly manipulative orders by traders working for Mr. Librati's firms from 2012 to 2013, according to Finra's disciplinary settlement.

Layering involves firing off a flurry of orders designed to create the impression that supply or demand have changed. Once the trader gets the favorable price he wants, he cancels his other orders.

Repeatedly layering—and a similar stratagem called "spoofing"—can produce big profits.

Mr. Librati and a business

partner, Maurice Bensoussan, financed the trading, reviewed the strategies and reaped a cut of profits that flowed from the activity, according to Finra's agreement. Mr. Bensoussan, a French businessman, also agreed to be barred from owning or working for a brokerage firm in the U.S. A lawyer for Mr. Bensoussan declined to comment.

Mr. Librati's managers sometimes cited regulatory scrutiny of the business when they withheld payment from overseas traders working for Mr. Librati's businesses, said Jack Liu, a trader in Xiamen, China, who added he wasn't paid about \$30,000 that he was owed. Mr. Librati's lawyer declined to comment.

Mr. Librati often spent time in Miami Beach, Fla., where he has owned a waterfront mansion.

Lately, Mr. Librati has moved into the lightly regulated world of cryptocurrencies. A Russian group calling itself United Traders has listed Mr. Librati as a partner on a website for an initial coin offering.

—Stella Yifan Xie and Lisa Schwartz contributed to this article.

## Brokers Sometimes Paid Price for Ties To Librati's Firms

Simon Librati entered day trading in 2000 when he opened a Montreal branch of Swift Trade Inc., a Toronto firm that became the first global collective of rapid-fire foreign day traders.

By 2012, Mr. Librati's network of trading firms had relationships with 1,200 traders in China, according to two people familiar with the business.

Such traders routed their orders through funds that Mr. Librati and his partners registered in the Cayman Islands, according to Finra's settlement.

Mr. Librati had relationships with brokers across Wall Street, which gave the traders direct access to U.S. stock exchanges. Many of those brokers have taken heat from regulators for lax oversight of his traders' orders.

Under pressure from the Fi-

nancial Industry Regulatory Authority and the Securities and Exchange Commission, Wedbush Securities Inc. severed ties with Mr. Librati's business in October 2012, according to regulatory filings and a person familiar with the matter. A Finra complaint against Wedbush, filed in 2014, stemmed mostly from the broker's failure to supervise Mr. Librati's traders, who were suspected of layering, according to the latest disciplinary settlement.

Wedbush paid about \$4.2 million in 2014 and 2015 to settle SEC and Finra probes over claims that it sponsored access to risky overseas traders without adequate controls. Wedbush said at the time that "to our knowledge, the trading activity at issue did not result in any losses to any other market participants, to Wedbush Securities or to its clients."

"He's been very ambitious, and not always very clean, but he's done very well," said Daniel Zini, Mr. Librati's former business partner.

## Japanese Tycoon Is SpaceX's First Fare

BY ANDY PASZTOR AND ANNE STEELE

HAWTHORNE, Calif.—Space Exploration Technologies Corp.'s first paying passenger will be Japanese billionaire Yusaku Maezawa.

Mr. Maezawa is to blast off from Earth in 2023, circle the moon and return, SpaceX founder and chief executive Elon Musk said at an event Monday evening, where the space tourist also made brief remarks.

Mr. Musk said he and Mr. Maezawa weren't disclosing the price tag for the lunar joyride.

"For me, this project is very meaningful," Mr. Maezawa said. "This is my lifelong dream."

The e-commerce mogul and collector stunned the art world last year when he paid Sotheby's \$110.5 million for a Jean-Michel Basquiat painting of a black skull, a record for a U.S. artist at auction.

Mr. Maezawa, a 42-year-old former rock drummer, amassed a \$3 billion fortune selling imported records and then trendy clothes through his online fashion conglomerate.

Gray & Christmas Inc. "We might be getting to a point where there is a limit to how much companies can grow because it's hard to get labor."

Some labor representatives say retailers created their own problems by not making the jobs appealing enough.

"A temporary, part-time job with an uncertain schedule, low pay and no benefits is not going to ramp up their hiring needs," said Stuart Appelbaum, president of the Retail, Wholesale and Department Store Union. "These are not jobs that enable people to build their lives and support their families."

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7-B18-1189

## BUSINESS NEWS

# Avon Fields Takeover Interest

Brazil's Natura Cosmeticos SA recently approached Avon Products Inc. about a takeover, according to people familiar with the matter.

*By Dana Mattioli,  
Sharon Terlep  
and Dana Cimilluca*

The companies aren't in serious talks and Avon, which has received other expressions of interest, is focused on turning itself around and reviving its shares, one of the people said.

Following years of decline in its once-formidable direct-sales business, Avon had a market value as of Monday's close of just \$900 million. Still, with \$5.7 billion in sales last year and \$1.9 billion of debt, a purchase of the company would be a substantial deal.

Natura, which also sells cosmetics via a direct sales force, said in a statement that "there are no negotiations in progress concerning a possible acquisition of Avon." It declined to comment further.

A spokesman for Avon, which after a restructuring two years ago focuses on foreign markets and is based in London, declined to comment.

Avon's shares have ground lower—it once sported a market value of more than \$20 billion—as the direct selling model it pioneered has largely been supplanted by online shopping. In the second quarter, its revenue fell 3% from a year earlier to \$1.35 billion and it had a net loss of \$37 million.

In 2016, private-equity firm Cerberus Capital Management LP paid \$170 million for an 80% stake in Avon's North American business, which is now a separate, private company (Avon Products owns the remaining 20%). Cerberus paid another \$435 million for a 17% stake in Avon Products itself.

# Julie Chen, Moonves's Wife, Exits 'The Talk'

**By JOE FLINT**

Julie Chen, wife of former CBS Corp. Chairman and Chief Executive Leslie Moonves, who last week resigned amid sexual-harassment allegations, will quit as a host on the network's daytime talk show "The Talk," a person familiar with the matter said.

Ms. Chen hasn't been on "The Talk" since Mr. Moonves resigned under pressure from CBS's board and controlling shareholder National Amusements Inc.

She is expected to announce her departure from the show via video on Tuesday's program.

Since allegations of sexual harassment and assault by Mr. Moonves appeared in the New Yorker magazine, Ms. Chen has supported her husband; he has denied assaulting or forc-

# Jack Ma Urges Beijing to Ease Up

Market, not regulator, should determine how technology evolves, tycoon tells AI session

BY YOKO KUBOTA

SHANGHAI—Chinese e-commerce tycoon Jack Ma used a government-sponsored forum to suggest regulators take a lighter touch in dealing with technology companies, saying the market should be allowed to decide how new industries such as artificial intelligence develop.

"I personally think that the government has to do what the government should do, and the companies do what companies should do," Mr. Ma said at the World Artificial Intelligence Conference in Shanghai on Monday, recalling a conversation he had had last year with U.S. Secretary of Transportation Elaine Chao about self-driving cars.

"Protecting the backward forces who are crying out loud will be the most important factor in destroying innovation," Mr. Ma said.

Mr. Ma's comments came a week after he announced his



The e-commerce mogul plans to retire from Alibaba as China tightens rules for internet companies.

plans to retire in one year as executive chairman of **Alibaba Group Holding** Ltd., the internet giant with businesses in online retailing, cloud computing and mobile payments.

Mr. Ma said he wanted time

to pursue philanthropic interests, but some observers saw his decision as part of the fallout from China's authoritarian government increasing restrictions on internet companies.

In recent weeks, **Tencent**

**Holdings** Ltd.'s shares plunged as the government announced its plan to tighten its grip on videogames. Ride-hailing firm **Didi Chuxing Technology** Co. has come under scrutiny after police said a driver killed a pas-

senger, the second since May.

In January, Alibaba's mobile-payments affiliate **Ant Financial Services Group** became a target when Chinese regulators said the company violated new standards on protection of personal data.

Mr. Ma didn't directly refer to any of those events in his speech, which also included his views on how artificial intelligence could transform businesses and society. Mr. Ma urged traditional industries to embrace new technologies and spoke about how sectors such as manufacturing could be transformed through data.

In his speech, Mr. Ma also referenced the recent crackdown on Chinese peer-to-peer lenders, which match small borrowers with ordinary investors. These internet lenders have been blamed for stranding investors when they fail.

Mr. Ma suggested many of those lenders operated illegally under the camouflage of internet-driven financial services. He said the risk with companies that use actual data and artificial intelligence to control risks is low.

—*Yang Jie in Beijing and Liza Lin in Singapore contributed to this article.*

# New Owners Acquire Time at Digital Crossroads

BY JEFFREY A. TRACHTENBERG

With their acquisition of Time magazine, **Salesforce.com** Inc. co-founder Marc Benioff and his wife Lynne will take on a publication racing to find digital revenue to offset a steep erosion in the print business, according to people familiar with the magazine's financials.

The Benioffs announced Sunday they were buying Time from **Meredith** Corp. for \$190 million, a deal expected to close within 30 days.

Time generated revenue of \$173 million in 2017, and operating profit of \$33 million, according to the people, who re-

viewed an offering document used in the transaction process. Revenue is expected to fall nearly 9% to \$158 million in 2018, reflecting industrywide pressures, while operating income will be about the same.

The Benioffs are paying around 5.76 times operating profit for Time magazine. Details of valuations in comparable transactions weren't immediately available.

Craig Huber, a media analyst at Huber Research Partners, said "Meredith did very well with the price that they got." He said the Benioffs may find it difficult to operate a single magazine at a time when magazine publishers

with greater scale are struggling. Daniel Kurnos, an analyst with Benchmark, said the price the Benioffs are paying is in line with Meredith investors' expectations.

Meredith doesn't disclose financials for individual titles. A spokesman for Meredith said the actual valuation multiple would be closer to 8 times operating income, if additional expenses are factored in that would lower Time's earnings.

In an interview Sunday, Mr. Benioff said he is optimistic about the state of Time's business, including its large audience and growth in video. "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," he said. A spokesman for Mr. and Mrs. Benioff had no further comment.

There are signs Time has begun to stabilize declines in circulation revenue. It is projected to fall from \$89 million last year to \$83 million this year. Total circulation revenue in 2015 was \$104 million, the people familiar with the financials said.

Digital revenue is projected to increase from \$28 million last year to \$36 million in 2018, though it still represents a small portion of the overall

top line. Print revenue has declined from \$83 million in 2015 to an expected \$38 million this year, the people said.

The proposed acquisition is unrelated to Salesforce.com, where Mr. Benioff serves as chairman and co-chief executive.

The Benioffs said they wouldn't have a role in day-to-day operations or journalistic decisions at Time.

As part of the agreement with the Benioffs, Meredith will continue to provide services such as paper purchasing, printing and consumer marketing services, and will continue to include Time in its corporate advertising deals.

## BUSINESS WATCH

FEDEX

### Executives Warn Of Trade Tensions

FedEx Corp. executives said fears over the escalating trade fight between China and the U.S. are starting to hurt economic activity between the countries.

The tariffs implemented so far have hit about 10% of FedEx's business in China, where the carrier generates about 2% of overall revenue. But uncertainty over further actions, including an expected round of additional U.S. tariffs on \$200 billion worth of Chinese imports and how Beijing retaliates, is creating jitters and resulting in a slowdown in economic activity, executives said.

"History is very, very clear that countries that pursue the most open markets are the ones that prosper the most and the ones whose citizens' income increases the most," said FedEx Chairman Fred Smith.

Mr. Smith made the com-



FedEx posted a jump in fiscal first-quarter earnings and revenue.

ments as FedEx reported a jump in fiscal first-quarter earnings and revenue. Revenue rose 11% to \$17.1 billion, with double-digit revenue increases in all three of FedEx's main segments. For the period, FedEx reported earnings of \$835 million, up from \$596 million a year earlier.

—Paul Ziobro

HENNES & MAURITZ

### Turnaround Efforts Appear to Advance

Shares in Hennes & Mauritz AB surged 17% Monday after the fashion retailer reported stronger-than-expected quarterly sales, a sign its turnaround efforts could

be starting to succeed.

Sales in the quarter ended Aug. 31, excluding value-added tax, rose 9% to \$5.82 billion Swedish kronor (\$6.17 billion). Analysts polled by FactSet had expected sales of \$4.03 billion kronor. H&M shares rose 20.48 kronor to 143.64 kronor.

—Saabira Chaudhuri

ORACLE

### Increase in Revenue Misses Expectations

Oracle Corp. boosted revenue, but the performance may increase pressure on the company to explain how it plans to win customers over to its cloud-based offerings.

For the quarter ended Aug. 31, revenue rose 1% to \$9.19 billion, less than the \$9.24 billion analysts surveyed by FactSet had predicted. Earnings rose to \$2.27 billion, or 57 cents a share, from \$2.21 billion, or 52 cents a share, a year earlier.

—Micah Maidenberg

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## TECHNOLOGY

WSJ.com/Tech

PERSONAL TECHNOLOGY | By David Pierce

# iOS 12 Upgrade Revives Old Phones



Apple's most important upgrade this fall doesn't cost \$1,000, and

you don't have to go to the Apple Store to get it. In fact, after testing iOS 12—the latest version of the software that powers iPhones and iPads—I suspect a lot of people can skip buying a new phone altogether this year.

iOS 12 brings plenty of new features, but its primary purpose is, to borrow an Apple phrase, to just work. Recently, iOS hasn't just worked. Confusing interfaces and odd bugs have crept their way into the software, and if you had an older device, you practically had to pray to the processor gods that the latest software update wouldn't slow your phone to a crawl. And often the gods didn't answer.

Starting Monday, iOS 12 rolled out to all the same devices that could run iOS 11. That means every iPhone since the 5s and every iPad since the Mini 2.

I've been testing it on four devices that span Apple's past five years: an iPhone X, an iPad Pro, an iPhone 6s and an iPad Mini 2. The best thing about iOS 12 is how well it runs on older gadgets. Though not quite as fast as my newer devices, they are close. And some of iOS 12's features improve my relationship with the latest iPhones and iPads, too—in part by helping me use them less.

**A**pple has made a big deal about Screen Time, its new feature for tracking how much time you spend in apps and on your phone. So far, I have gotten little benefit from the feature. As my colleague Joanna Stern noted, it is too easy to ignore the warnings about exceeding my limit in



In iOS 12, you can add an alternate face in Face ID, which uses facial recognition to unlock a device.

an app—and besides, I already knew I used my phone too much.

Two other features in iOS 12 have been far more useful in that regard. Anytime I get a notification, I can swipe left and quickly change settings for that app's notifications. They can appear quietly, showing up in my notification list but not buzzing or lighting up my phone, or they can stop completely.

Apple has vastly improved its Do Not Disturb feature, which quiets all my phone's notifications and buzzes. I can turn on DND for an hour or until I leave my current location, both of which I've found hugely helpful. A DND feature called Bedtime will hide all your overnight notifications until morning. I recommend setting it to end after you've had your coffee and are ready to face the day.

Siri is at the center of

most of iOS 12's most ambitious features. Surprisingly, that is good news.

**T**ake Siri Shortcuts. The new app allows you to set up custom routines on your phone, with surprising power and granularity. Since iOS 12 wasn't publicly available during my testing, most apps didn't yet support it, but I still set up a few I use frequently. When I say "Hey Siri, I need coffee" or tap the corresponding icon in the Shortcuts app, Siri searches for coffee shops nearby, shows me the closest few, then provides Google Maps navigation to whichever one I tap. If I say "Send this to Anna," it grabs the URL of whatever webpage I am looking at and texts it to my wife. These are the sorts of small things that can make your phone feel a lot more intuitive—and that will open totally new possibilities on an Apple Watch or Home-

Pod. Unfortunately, Siri Shortcuts are maddeningly complicated to set up. The app does have a showcase of pre-made shortcuts, some of which are quite useful.

Siri still lags far behind Alexa and Google Assistant in terms of overall functionality. But on the plus side, it has new voices, and I'm a big fan of my new Irish Guy Siri.

Many of iOS 12's new features involve the camera: You can do more with the digital mask Animoji feature, including creating a "Memoji" that looks sort of like you. Apple added lots of Instagram and Snapchat-style camera effects, and is rolling out group FaceTime video chat later this fall.

That's all in addition to the added security features, patches and bug fixes that always make it worthwhile to upgrade to the latest version of iOS. The new version isn't entirely bug-free, but it is much closer.

# Google to Partner With Biggest Car Alliance

By TIM HIGGINS  
AND CHESTER DAWSON

**A**lphabet Inc.'s Google is making a major push into the auto industry, partnering with the Renault-Nissan-Mitsubishi Alliance to use the tech company's Android operating system to power media display that will eventually be sold in millions of cars world-wide.

The auto-making alliance, which together sells more vehicles than any other auto maker, is picking Google to provide the operating system for its next-generation infotainment system, marking a major victory for the Silicon Valley tech giant, which has spent more than a decade trying to replicate the success it has had with the smartphone in the car.

"The trust was built in the last few years," said Kal Mos, the alliance's vice president of connected vehicles, in an interview. "The companies declined to disclose the terms of the partnership. Google will have access to the data generated by its in-car apps but must get the customer's permission first before collecting it, Mr. Mos said.

Car companies have been reluctant to go too far with Google, unsure how their business models will evolve, said Mark Boyadjis, a global technology lead for IHS Markit.

"Apple went to market with iTunes, coined it as a way to protect the music industry and then subsequently took over the music industry," Mr. Boyadjis said. Auto makers are asking themselves: "How much do I give over to this tech company?" he added.

Google has been working to alleviate those concerns, putting out its Android operating software to be used free of charge.

IHS Markit estimates that car makers this year are using some level of Android software in 19% of the infotainment systems installed in vehicles globally.



The Google Maps application on a car's touch screen

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# New Fox Selects Legal Chief

By JOE FLINT

Longtime **21st Century Fox** board member Viet Dinh is stepping down to take a senior position with "Fox," the tentative name for the company that will consist of entertainment and news assets not being acquired by **Walt Disney** Co., including Fox News and the Fox broadcast network.

Mr. Dinh, who has served on 21st Century Fox's board for 15 years, has been named chief legal and policy officer for the new Fox, the company said. In addition to oversight of its legal affairs, Mr. Dinh will also direct the new Fox's government and public-affairs operations.

Most recently a partner at the law firm of Kirkland and Ellis, and before that a professor at Georgetown University's law school, Mr. Dinh will take on many roles previously held by 21st Century Fox General Counsel Gerson Zweifach, who will depart when the sale of assets to Disney is completed.

Mr. Dinh, 50 years old, will be based in Los Angeles and report to Lachlan Murdoch, who will be the chairman and chief executive of the new Fox. Mr. Dinh will be a member of



Viet Dinh, 50 years old, is the second significant leadership appointment to the new Fox.

the office of the chairman, which will be comprised of the leadership of the new Fox.

During his tenure on the board, Mr. Dinh became close to both 21st Century Fox Executive Chairman Rupert Murdoch and Lachlan Murdoch, a person close to the company said.

He is the second significant leadership appointment to the new Fox. John Nallen, the chief financial officer and senior executive vice president of 21st Century Fox, will be-

come chief operating officer of the new Fox. He will also report to Lachlan Murdoch.

"Viet brings to 'Fox' a unique strategic mind and deep knowledge of our business based on his many years of service on the 21st Century Fox board," Lachlan Murdoch said in a written statement.

Mr. Dinh's board seat won't be filled.

The new Fox's holdings include Fox Broadcasting and its local television stations, the Fox News and Fox Business channels and the national sports channel Fox Sports 1.

Live programming including sports is expected to play a major role at the new Fox. Besides airing National Football League games on Sundays and Thursdays, the Fox Broadcasting unit has struck rights deals with World Wrestling Entertainment and Premier Boxing Champions.

The Murdoch family is a major shareholder in 21st Century Fox and Wall Street Journal parent **News Corp.**

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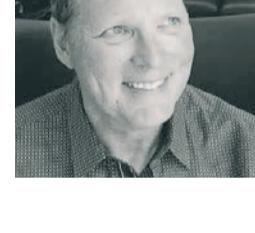
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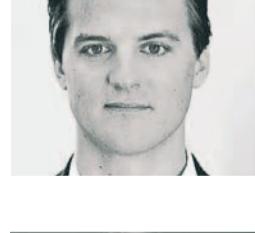
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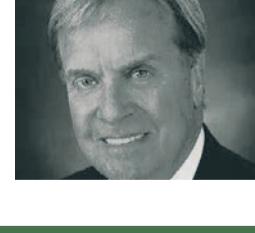
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**Sara Menker**  
CEO  
Gro Intelligence



**James Mulhern**  
President and CEO  
National Milk Producers  
Federation



**Kip Tom**  
Chairman  
Tom Farms

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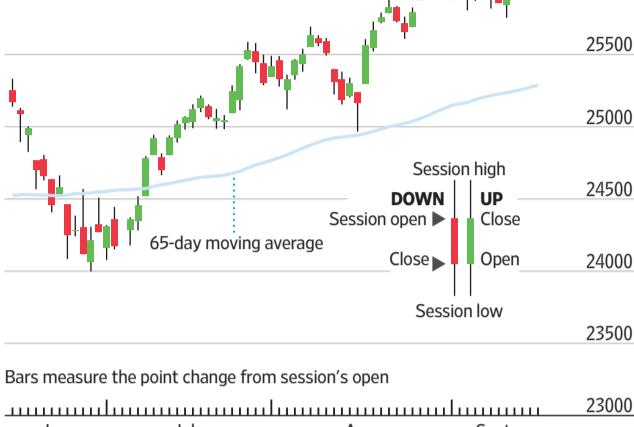
## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average

**26062.12** ▼92.55, or 0.35%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.56 20.43  
P/E estimate \* 16.89 18.80  
Dividend yield 2.12 2.31  
All-time high 26616.71, 01/26/18



Current divisor 0.14748071991788  
Bars measure the point change from session's open  
Weeklies P/E data based on as-reported earnings from Birnvi Associates Inc.

## S&amp;P 500 Index

**2888.80** ▼16.18, or 0.56%  
High, low, open and close for each trading day of the past three months.

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



Bars measure the point change from session's open  
Weeklies P/E data based on as-reported earnings from Birnvi Associates Inc.

## Nasdaq Composite Index

**7895.79** ▼114.25, or 1.43%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 26.15 26.03  
P/E estimate \* 21.55 21.67  
Dividend yield 0.96 1.10  
All-time high: 8109.69, 08/29/18



## Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
	Dow Jones	Industrial Average	Transportation Avg	Utility Average	Total Stock Market	Barron's 400	Nasdaq Composite	Nasdaq 100	MidCap 400	SmallCap 600
26184.47	26030.35	<b>26062.12</b>	-92.55	-0.35	2914.04	22284.32	<b>16.7</b>	5.4	<b>16.1</b>	
11598.45	11436.79	<b>11468.73</b>	-102.11	-0.88	30290.78	25876.47	<b>20.5</b>	8.1	<b>11.8</b>	
740.36	735.28	<b>739.50</b>	2.62	<b>0.36</b>	774.47	647.90	<b>0.1</b>	2.2	<b>9.2</b>	
30183.48	29963.32	<b>29988.92</b>	-197.09	-0.65	786.73	657.35	<b>17.7</b>	8.8	<b>13.0</b>	
781.33	773.25	<b>773.71</b>	-6.83	-0.88	786.73	657.35	<b>17.7</b>	8.8	<b>13.0</b>	

## Nasdaq Stock Market

Nasdaq Composite	8002.78	7890.07	<b>7895.79</b>	-114.25	-1.43	8109.69	6370.59	<b>22.3</b>	14.4	<b>17.3</b>
Nasdaq 100	7533.92	7427.79	<b>7434.73</b>	-110.77	-1.47	7660.18	5867.35	<b>24.3</b>	16.2	<b>19.2</b>

## S&amp;P

S&P	500 Index	2904.65	2886.16	<b>2888.80</b>	-16.18	-0.56	2914.04	2496.66	<b>15.4</b>	8.0	<b>13.2</b>
MidCap 400	2049.29	2027.51	<b>2028.49</b>	-18.07	-0.88	2050.23	1761.52	<b>15.1</b>	6.7	<b>12.2</b>	
SmallCap 600	1085.89	1074.27	<b>1075.21</b>	-11.14	-1.03	1098.36	865.98	<b>24.0</b>	14.8	<b>16.3</b>	

## Other Indexes

Russell 2000	1722.28	1702.71	<b>1703.55</b>	-18.17	-1.06	1740.75	1440.40	<b>18.2</b>	10.9	<b>13.0</b>
NYSE Composite	13073.96	13020.58	<b>13031.91</b>	-18.61	-0.14	13637.02	12111.45	<b>7.6</b>	1.7	<b>8.5</b>
Value Line	587.73	583.83	<b>584.17</b>	-3.21	-0.55	593.57	527.80	<b>10.6</b>	3.9	<b>7.8</b>
NYSE Arca Biotech	5147.26	5053.45	<b>5064.16</b>	-75.69	-1.47	5342.46	4045.25	<b>21.2</b>	19.9	<b>7.6</b>
NYSE Arca Pharma	587.26	583.95	<b>585.30</b>	-0.11	-0.02	593.12	516.32	<b>7.2</b>	7.4	<b>1.2</b>
KBW Bank	107.89	106.82	<b>107.12</b>	-0.45	-0.42	116.52	95.02	<b>12.7</b>	0.4	<b>14.6</b>
PHLX® Gold/Silver	65.23	63.39	<b>64.95</b>	1.59	<b>2.51</b>	92.08	61.92	<b>-25.2</b>	-23.8	<b>10.2</b>
PHLX® Oil Service	141.54	138.97	<b>139.18</b>	-1.25	-0.89	170.18	127.61	<b>3.2</b>	-6.9	<b>-7.7</b>
PHLX® Semiconductor	1375.73	1356.10	<b>1357.48</b>	-19.83	-1.44	1449.90	1126.40	<b>16.9</b>	8.3	<b>-7.7</b>
Cboe Volatility	13.75	12.32	<b>13.68</b>	1.61	<b>13.34</b>	37.32	9.14	<b>34.8</b>	23.9	<b>-13.5</b>

\$ Nasdaq PHLX

Sources: SIX Financial Information; Dow Jones Market Data

## Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

## Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	8,252.7	289.26	-0.08	<b>-0.03</b>	290.92	289.13
General Electric	GE	4,095.5	12.57	-0.13	<b>-1.02</b>	12.75	12.40
Principal US Mega-Cap	USMC	3,750.0	27.98	-0.01	<b>-0.05</b>	27.98	27.98
LendingClub	LC	3,469.8	3.35	-0.03	<b>-0.89</b>	3.41	3.32
iShares MSCI Emg Markets	EEM	3,357.9	41.63	0.05	<b>0.12</b>	41.67	41.54
KLX	KLXI	3,270.7	62.47	0.05	<b>0.08</b>	62.55	62.42
iShares MSCI Brazil ETF	EWZ	3,013.6	32.12	-0.01	<b>-0.03</b>	32.18	31.80
Oracle	ORCL	2,964.4	47.20	-1.98	<b>-4.03</b>	49.43	46.10

## Percentage gainers...

Avon Products	AVP	707.8	2.40	0.32	<b>15.38</b>	2.81	2.07
Western Gas Partners	WES	148.9	48.55	2.29	<b>4.95</b>	48.55	48.55
Union Pacific	UNP	110.6	162.00	5.29	<b>3.38</b>	163.89	156.50
Immunogen	IMGN	52.6	9.00	0.29	<b>3.33</b>	9.00	8.71
Verastem	VSTM	78.7	8.49	0.25	<b>3.03</b>	8.69	8.20

## ...And losers

Oracle	ORCL	2,964.4	47.20	-1.98	**-4.03**	49.43	46.10

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## COMMODITIES

WSJ.com/commodities

## Futures Contracts

## Metal &amp; Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Open interest	
<b>Copper-High (CMX)</b> -25,000 lbs.; \$ per lb.	2.5980	2.6360	2.5980	2.6335	0.0600	2,147	
Sept	2.6150	2.6575	2.6060	2.6510	0.0500	140,128	
<b>Gold (CMX)</b> -100 troy oz.; \$ per troy oz.	1194.70	1205.00	1193.00	1201.20	5.00	34,526	
Dec	1199.80	1209.70	1197.50	1205.80	4.70	362,423	
<b>Feb'19</b> 1204.80	1215.20	1203.60	1211.50	4.70	41,148		
June	1217.10	1226.00	1217.10	1223.00	4.60	11,965	
Aug	1226.70	1231.30	1226.70	1228.90	4.60	2,128	
Dec	1236.70	1244.70	1236.70	1241.20	4.60	4,995	
<b>Palladium (NYM)</b> -50 troy oz.; \$ per troy oz.	998.80	999.10	998.80	1005.30	6.50	27	
Sept	967.50	978.00	966.00	977.00	6.50	16,299	
March'19	964.00	969.40	964.00	970.00	6.20	645	
<b>Platinum (NYM)</b> -50 troy oz.; \$ per troy oz.	795.70	808.10	792.40	800.90	2.30	64,536	
Jan'19	798.40	810.30	795.00	803.00	1.80	26,973	
<b>Silver (CMX)</b> -5,000 troy oz.; \$ per troy oz.	13.980	14.130	13.980	14.122	0.080	313	
Sept	14.095	14.285	14.065	14.223	0.081	175,453	
<b>Crude Oil, Light Sweet (NYM)</b> -1,000 bbls.; \$ per bbl.	68.94	69.72	68.53	68.91	-0.08	143,296	
Nov	68.72	69.50	68.31	68.68	-0.09	383,664	
Dec	68.67	69.41	68.23	68.59	-0.08	29,317	
<b>Jan'19</b> 68.50	69.25	68.15	68.47	-0.07	157,652		
June	67.46	68.23	67.27	67.57	0.01	169,076	
Dec	65.88	66.67	65.76	66.01	0.02	233,719	
<b>NY Harbor UlSD (NYM)</b> -42,000 gal.; \$ per gal.	2.215	2.2319	2.2014	2.2064	-0.028	98,065	
Oct	2.2154	2.2350	2.2053	2.2102	-0.028	91,706	
<b>Gasoline-NY RBOB (NYM)</b> -42,000 gal.; \$ per gal.	1.9760	2.0052	1.9699	1.9768	.0066	75,635	
Oct	1.9640	1.9909	1.9591	1.9646	.0055	152,752	
<b>Natural Gas (NYM)</b> -10,000 MMBtu; \$ per MMBtu.	2.774	2.830	2.772	2.814	.047	121,100	
Nov	2.759	2.795	2.756	2.779	.028	261,721	
Dec	2.850	2.879	2.845	2.862	.019	168,866	
<b>Jan'19</b> 2.940	2.969	2.938	2.952	.018	185,794		
March	2.820	2.845	2.818	2.825	.011	201,587	
April	2.583	2.597	2.581	2.589	.007	163,220	

## Agriculture Futures

Corn (CBT)	5,000 bu.; cents per bu.
Dec	351.00
March'19	363.75
Oats (CBT)	5,000 bu.; cents per bu.
Dec	241.00
<b>Cotton (ICE-US)</b> -50,000 lbs.; cents per lb.	2.2350
Nov	2.2154
<b>Gasoline-NY RBOB (NYM)</b> -42,000 gal.; \$ per gal.	1.9760
Oct	1.9640
<b>Natural Gas (NYM)</b> -10,000 MMBtu; \$ per MMBtu.	2.774
Nov	2.759
Dec	2.850
<b>NY Harbor UlSD (NYM)</b> -42,000 gal.; \$ per gal.	2.215
Oct	2.2154
<b>Gasoline-NY RBOB (NYM)</b> -42,000 gal.; \$ per gal.	1.9760
Oct	1.9640
<b>Natural Gas (NYM)</b> -10,000 MMBtu; \$ per MMBtu.	2.774
Nov	2.759
Dec	2.850

## Cash Prices | WSJ.com/commodities

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Monday, September 17, 2018

Total return close YTD total return (%) Index Yield (%) Latest Low High Total return close YTD total return (%) Index Yield (%) Latest Low High

**Broad Market Bloomberg Barclays**

1915.19 **-1.5** U.S. Aggregate 3.420 2.500 3.430

**U.S. Corporate Indexes** Bloomberg Barclays

2734.01 **-2.3** U.S. Corporate 4.050 3.110 4.070

2598.70 **-0.8** Intermediate 3.760 2.640 3.760

3721.45 **-5.5** Long term 4.660 3.990 4.750

560.26 **-1.5** Double-A-rated 3.490 2.570 3.500

706.62 **-2.1** Triple-B-rated 4.330 3.400 4.370

**High Yield Bonds ICE Data Services**

427.33 **2.3** High Yield Constrained 6.250 5.573 6.619

443.79 **5.6** Triple-C-rated 9.734 9.597 11.091

2930.40 **2.4** High Yield 100 5.810 4.977 6.319

381.75 **0.7** Global High Yield Constrained 6.095 4.934 6.298

306.36 **0.01** Europe High Yield Constrained 3.326 1.897 3.611

**U.S. Agency Bloomberg Barclays**

1629.51 **-0.5** U.S. Agency 2.990 1.830 2.990

1462.42 **-0.02** 10-20 years 2.900 1.640 2.900

3277.11 **-3.2** 20-plus years 3.450 2.860 3.550

2428.43 **-1.4** Yankee 3.790 2.720 3.800

\*Constrained indexes limit individual issuer concentrations to 2%; the High Yield 100 are the 100 largest bonds

<sup>1</sup> In local currency \$ Euro-zone bonds

Sources: ICE Data Services; Bloomberg Barclays; J.P. Morgan

<sup>2</sup> EMBI Global Index

<sup>3</sup> ICE Data Services; Bloomberg Barclays; J.P. Morgan

<sup>4</sup> Bloomberg Barclays

<sup>5</sup> Bloomberg Barclays

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## BUSINESS &amp; FINANCE

# Software ‘Robots’ Power Startups

By ROLFE WINKLER

After years toiling in obscurity, three startups have suddenly hit the jackpot in a corner of the enterprise-software market sprinkled with artificial intelligence. Now they are racing to one-up each other to appear the market leader.

The companies are **UiPath** Inc., **Blue Prism Group** PLC and **Automation Anywhere** Inc. They were all founded in 2005 or earlier, but it wasn't until the past few years that they took off after hitting on their current business automating simple back-office tasks and dubbing it “robotic process automation.”

UiPath on Monday finalized a new funding round at a \$3 billion valuation, said a person familiar with the process, six months after a prior round valued it at \$1.1 billion. In July, Automation Anywhere raised its first round of financing at a \$1.8 billion valuation. Shares in Blue Prism, a public company in the U.K., have risen nearly 30 times since they were listed in March 2016. It raised about \$60 million in a

secondary share sale in January.

Together, the companies have raised nearly \$700 million this year as they sprint to open offices around the globe.

At stake is leadership in the market for so-called software robots that mimic humans to complete back-office tasks such as entering invoice information into databases, processing insurance claims or automatically sending out offers letters to new hires.

The market will grow to almost \$1.1 billion in revenue this year from \$325 million in 2016, estimates Craig Le Clair, analyst at research firm Forrester. While a handful of other companies compete in the sector, UiPath, Blue Prism, and Automation Anywhere dominate it, he said. But that isn't enough to justify their huge valuations, he said.

The soaring valuations reflect in part the buzz over artificial intelligence, or AI, which has benefited the three companies even though their software doesn't precisely fall in that category.

Higher-order artificial-intel-

## Robot Wars

Valuations of three robotic process automation companies



\*Market capitalization as traded on London Stock Exchange

Note: Valuations for Automation Anywhere and UiPath from private financing rounds.

Sources: WSJ Market Data Group (Blue Prism); the companies (Automation Anywhere, UiPath)

THE WALL STREET JOURNAL.

ligence software can learn when presented with new data and make decisions without human input, such as monitoring credit-card charges for fraud, or determining whether to underwrite an insurance

policy, Mr. Le Clair said.

With robotic process automation, humans train the software robots to perform simple, repeatable jobs like data entry that today are handled by humans, such as opening a pdf file attached to an email, scanning the document for specific information, and then entering the information in some other company database where it needs to be stored.

The market took years to develop as the companies improved their software to make it ready for big corporate customers. A dash of marketing magic helped too, after Blue Prism used the word “robotic” to describe this type of software, giving it the scent of AI. “AI makes it sexier for companies to think about automation,” said UiPath Chief Executive Daniel Dines, who co-founded the company in Romania in 2005.

The market for robotic process automation is growing quickly because chief information officers can show their bosses real cost savings by using bots to complete clerical tasks faster, more cheaply and

with lower error rates. UiPath's bots cost 20% to 33% of a human clerical worker and can complete 3-4 times the work, said Jairo Quiros, vice president of global shared services at Equifax Inc., one of the company's customers.

Mr. Dines declined to provide annual financial figures, but said UiPath by the end of this year will be generating revenue at a rate of \$200 million annually, compared with \$43 million at the end of last year, and just \$3 million a year earlier. Customers include **General Electric Co.**, **Walmart Inc.**, and **Chevron Corp.**

**Sequoia Capital** and **CapitalG** are set to lead UiPath's latest funding, a \$225 million round bringing the company's total raised to just over \$400 million.

Blue Prism reported revenue of £22.9 million (\$29.9 million) for the six months ended in April, up 145% from a year earlier. Its customers include Coca-Cola Co. Automation Anywhere hasn't disclosed revenue figures. New Enterprise Associates led its \$250 million funding round in July.

# Deutsche Executive Questioned On 1MDB

By SAURABH CHATURVEDI

SINGAPORE—A senior Deutsche Bank AG executive has been interviewed by authorities in Singapore as part of their investigation into the multibillion-dollar scandal at Malaysian state fund **1Malaysia Development Bhd.**, people familiar with the probe said.

These people identified the executive as Tan Boon-Kee, who until recently was Asia Pacific head of Deutsche Bank's financial institutions group. She was recently interviewed by Singapore police, these people said Monday.

It couldn't be determined when Ms. Tan was interviewed or whether she has been charged with any wrongdoing. Efforts to reach Ms. Tan for comment were unsuccessful.

A spokeswoman for Deutsche Bank declined to comment. Singapore police didn't respond to a request for comment.

Ms. Tan is on gardening leave, which is time off between jobs to safeguard sensitive deal information and client relationships, according to the people familiar with the investigation. It couldn't be determined if Ms. Tan's leave was related to the investigation.

Bloomberg News first reported that Singapore authorities had interviewed Ms. Tan as part of their 1MDB-related investigations.

# Credit Suisse Laundering Curbs Hit

By BRIAN BLACKSTONE AND PIETRO LOMBARDI

ZURICH—Switzerland's financial regulator on Monday ordered **Credit Suisse Group AG** to bolster its anti-money-laundering processes, but the bank avoided any monetary penalties for its shortfalls.

The regulator, Finma, stopped short of imposing fines on the Swiss bank after uncovering shortfalls over nearly a decade through 2014 in the bank's dealings with South American oil companies and Switzerland-based FIFA, the world's top governing body for soccer. Finma said it "identified deficiencies in the bank's adherence to anti-money-laundering due diligence obligations in relation to suspected corruption" involving FIFA, Petróleo Brasileiro SA and Petróleos de Venezuela SA.

The Swiss watchdog ordered the bank to strengthen controls and said it would appoint an independent third party to monitor implementation. Finma acknowledged "some substantial" improvements in Credit Suisse's money-laundering controls and cooperation.

The findings are "part of an ongoing review of legacy cases across the Swiss banking sector," it added, noting that the cases originated between 2006 and 2014, which was before the arrival of Chief Executive Tiago Thiam.

# Saudi Sovereign Fund Raises \$11 Billion Loan

By RORY JONES

DUBAI—Saudi Arabia's sovereign-wealth fund has begun cobbling together billions of dollars from different sources to help deliver an economic overhaul and replace funds it had expected from the stalled listing of oil giant Aramco.

The Public Investment Fund said Monday it signed an \$11 billion syndicated loan from banks and it is also in talks to sell a 70% stake in Saudi Arabia's state-owned petrochemicals company to Aramco for as much as \$70 billion. The sovereign fund also has drawn on foreign-currency reserves at the Saudi central bank in recent months to boost overseas spending, according to economists and comments Sunday by a bank official to Saudi media.

PIF's debt raising is an unusual strategy for a sovereign fund, which often uses national resources to increase a country's wealth for future generations. But the Saudi sovereign has a double-pronged mandate to both increase wealth and create new industries that will boost the government's non-oil revenues. Other sovereign funds, such as Singapore's Temasek Holdings Pte. Ltd. and China Investment Corp., have raised debt and are making bets on sectors such as venture capital and technology that sovereign-wealth funds have typically shied from.

In only two years, the

Saudi Arabian Crown Prince Mohammed bin Salman has charged PIF with diversifying the country's oil-dependent economy as part of a program known as Vision 2030.

The program's centerpiece had been a listing of Aramco, known officially as **Saudi Arabian Oil Co.**, which was expected to inject as much as \$100 billion into PIF's coffers. The IPO was supposed to happen late this year, but the process has since been put on hold, while PIF still requires cash to meet its stated ambitions and commitments.

In only two years, the

roughly \$225 billion sovereign-wealth fund has shifted from a little-known holding company for government assets to one of the world's most influential investors, buying stakes in Silicon Valley companies such as Uber Technologies Inc. and Tesla Inc. It also has made tens of billions of dollars of commitments to SoftBank Group Corp.'s \$100 billion Vision Fund and a \$40 billion Blackstone Group LP infrastructure investment vehicle.

After news of the loan emerged Monday, PIF said it had invested about \$1 billion into California-based startup

**Lucid Motors** to help the firm launch its first electric vehicle in 2020.

The fund's interest in electric-car markets is driven by its ambition to one day create an electric vehicle, battery and solar-power production hub in the kingdom, The Wall Street Journal has reported.

PIF's foray into the international market for loans mirrors wider Saudi government appetite for debt.

Saudi officials are encouraging Aramco to raise billions in loans and bonds to buy PIF's stake in the chemicals firm **Saudi Basic Industries**

Corp. Aramco is negotiating the price for Sabic, as the firm is known, but is expected to raise about \$10 billion in bank loans and a further \$40 billion in bonds to fund the deal, the Journal has reported.

The Saudi government itself has tapped bond and loan markets for more than \$50 billion over the past roughly three years, a steep increase in borrowing. It is running a fiscal deficit after launching a major domestic spending program to stimulate private-sector growth while trying to raise revenues through new taxes and other means.

The Public Investment Fund has been charged with diversifying the country's oil-dependent economy. A facility in an Aramco oil field.

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emerged Monday, PIF said it had invested about \$1 billion into California-based startup

**Lucid Motors** to help the firm launch its first electric vehicle in 2020.

The fund's interest in electric-car markets is driven by its ambition to one day create an electric vehicle, battery and solar-power production hub in the kingdom, The Wall Street Journal has reported.

PIF's foray into the international market for loans mirrors wider Saudi government appetite for debt.

Saudi officials are encouraging Aramco to raise billions in loans and bonds to buy PIF's stake in the chemicals firm **Saudi Basic Industries**

Corp. Aramco is negotiating the price for Sabic, as the firm is known, but is expected to raise about \$10 billion in bank loans and a further \$40 billion in bonds to fund the deal, the Journal has reported.

The Saudi government itself has tapped bond and loan markets for more than \$50 billion over the past roughly three years, a steep increase in borrowing. It is running a fiscal deficit after launching a major domestic spending program to stimulate private-sector growth while trying to raise revenues through new taxes and other means.

# Corporate Grades Are Diverging

Continued from page B1  
sions from its factories (to confuse things further, FTSE's separate “Green revenue” score gives Tesla 100%).

Tesla highlights another major difference in scoring: what to do when a company doesn't disclose. FTSE says it assumes the worst if no information is provided on an important issue—and that giving the worst score encourages more disclosure.

Tesla, which discloses little about its operations compared with other auto makers, suffers from FTSE's approach, particularly on social issues (where all three graders anyway give it low scores on how it treats workers). MSCI is more generous, assuming that if there's no disclosure, the company operates in line with regional and industry norms. Sustainalytics declined to explain its methodology, but it gives points for disclosure of policies—again, Tesla suffers—as well as low scores for issues where there is too little disclosure to calculate, such as Tesla's renewable-energy use.

Berkshire suffers on disclosure, too, again being ze-

roed by FTSE on both environment and social scores. Another problem is how to put the separate environmental, social and governance scores together. Should a highly polluting company be able to offset that by having great governance and treating workers well? Sustainalytics ranks Exxon top of the five companies overall because it puts a 40% weight on social issues, where Exxon does well thanks to strong policies for its workers, supply chain and local communities. MSCI ranks Exxon fourth of the five in part because it puts a 51% weight on environment and only 17% on social issues.

The three create their

scores differently, too. MSCI selects—using rules—a small

number of factors that matter to each company, making each important to the overall score. FTSE includes a broader set of factors, but is still rules-based. Sustainalytics also has a broad set of factors, and uses analyst judgments for some of its assessments. In all three cases the design of the rules and scoring system makes a big difference to the outcome.

And sometimes the assessments simply differ. MSCI puts Alphabet in the bottom quartile of its industry for the subcategory of corporate governance thanks to controlling shareholders and related-party transactions, although its overall governance score is lifted by a strong score on “corrup-

tion and instability” issues.

FTSE takes the opposite approach, putting Alphabet in the top half of its peer group for governance, and says it is held back in part by a weak score for anticorruption assessments and training, as well as tax disclosure.

Investors should not treat ESG scores as settled facts to be used on their own, but as potentially worthwhile analysis that needs to be understood before being acted on. The thick ESG reports behind the scores offer useful detail about the policies and controversies around each business. But just as with financial accounts, investing without understanding is unlikely to deliver what you want.

## Mutual Funds

Data provided by LIPPER

Fund	Net NAV	YTD Chg %	Ret %	Fund	Net NAV	YTD Chg %	Ret %	Fund	Net NAV	YTD Chg %	Ret %	Fund	Net NAV	YTD Chg %	Ret %	Fund	Net NAV	YTD Chg %	Ret %	Fund	Net NAV	YTD Chg %	Ret %
<b>Monday, September 17, 2018</b>																							
American Century Inv	101.36	-0.67	17.5	Baird Funds	19.03	+0.07	-5.4	Maglin	11.24	-0.10	11.7	JPMorgan Funds I2	21.57	-0.14	9.8	EqlIdxInst	28.65	-0.02	-4.9	TotIntBdxInv	26.		

## MARKETS

# Bets on Coal Pay Off at Mining Firms

**Glencore** is a winner as it bought unwanted assets when rivals fled from the market

BY PAUL GARVEY

Global mining companies that bet on coal are enjoying the best prices in years—a sign there is money to be made from the industry even as an energy transition to gas and renewables takes place.

**Glencore** PLC has used rising sentiment against coal to expand its position in the market, scooping up unwanted assets. The

**COMMODITIES** Swiss mining and trading giant has a history of pushing into businesses where rivals are reluctant to tread.

So far, Glencore's gamble appears to be paying off. High demand from Asia helped thermal coal prices delivered from Newcastle, Australia, the world's largest coal-export port, more than double since they bottomed in early 2016 to about \$110 a metric ton. Export prices from South Africa and import prices into Europe are also at or near their highest levels in years.

Glencore stock has struggled this year amid regulatory scrutiny linked to businesses in Africa and Venezuela. But its coal division was a big driver in the record earnings it

recorded in the first half of 2018, generating more than a quarter of its \$8.3 billion in earnings before interest, taxes, depreciation and amortization.

Even after recent weakness, Glencore shares have more than quadrupled since the 2016 low in coal prices. Shares of global mining firms **Rio Tinto** PLC and **BHP Billiton** Ltd. doubled over the same period. "Glencore is just generating tons of cash from those [coal] assets," said Jefferies analyst Christopher LaFemina.

Glencore's decision to expand in coal might look less charmed if and when global warming and pollution concerns cut into demand.

Other mining companies have shied away from the market. Rio Tinto completed its exit from the coal market earlier this year. BHP has almost halved its exposure through divestments in recent years and in April quit the World Coal Association over the industry group's position on climate change. **Anglo American** PLC has sold off its Australian thermal coal assets.

The diverging strategies on coal show how companies are grappling with a long-predicted transition in energy consumption.

Recent gains in coal prices are a reminder that timing this expected switch into gas and renewables can be tricky, with mining firms liable to leave money on the table from their coal assets.



Some observers say in the near term, lack of coal-mining investment can offset the effect of softer demand.

While renewables and gas are making inroads into Western power markets that have long depended on coal, emerging markets in Asia remain hungry for large, cheap sources of energy, increasing their coal demand. Some in the market say that at least in the near term, the lack of investment in coal mining can offset the impact from softening demand, leading to higher prices.

Mark Cutifani, chief executive of Anglo American, said in an interview that thermal coal—the type of coal used in heating and power generation—will be strong for the next "five to seven years."

But "beyond that it gets a lot harder to forecast because of the climate-change issues," he said. "We think switching will occur quicker than most

people think."

Mr. Cutifani said that while Anglo American would continue supporting its remaining thermal coal operations, the company was unlikely to make major investments in the sector.

Mining companies have been very cautious about investing in new projects across commodities broadly, and given the longer-term uncertainties surrounding coal, investments in new coal projects have been particularly less likely.

For companies still interested in the sector, like Glencore, it can be cheaper to acquire unwanted mines from other parties than invest in new mines or expand existing operations. That further slows the pace of supply growth.

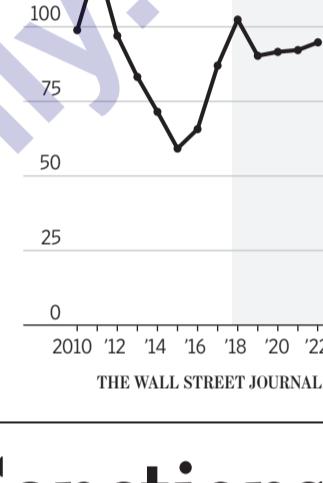
## Warming Up

Growing demand from Asia has helped push coal prices higher.

### Thermal coal demand, selected countries and regions



### Spot price of thermal coal from Newcastle, Australia, yearly average



THE WALL STREET JOURNAL.

# Oil Prices Retreat as Market Ponders Iran Sanctions

BY CHRISTOPHER ALESSI AND STEPHANIE YANG

Oil prices edged lower on Monday, giving back gains as traders weighed the potential impact of Iran sanctions.

Light, sweet crude for October delivery lost 0.1% to \$68.91 a barrel on the New York Mercantile Exchange, after trading as high as \$69.71 earlier in the session. Brent, the global benchmark, closed down 4 cents to \$78.05 a barrel.

Prices rose Monday morning on a weaker U.S. dollar

and expectations of a global supply crunch, but reversed course as the trading day went on.

"Every time we make a run at \$70, we meet some stiff resistance," said John Saucer, vice president of research and analysis at Mobiust Risk Group in Houston. "We're kind of in this grind" between \$67 and \$71, he added.

Dollar-denominated commodities like oil tend to have an inverse relationship with the greenback. The WSJ Dollar Index, which measures the U.S.

currency against a basket of 16 of its peers, was trading down 0.3% Monday.

More broadly, investors "aren't ready to sell off oil" in the run-up to U.S. sanctions being imposed on Iran's oil industry at the start of November, said Ole Hansen, head of commodity strategy at Saxo Bank.

Top buyers of Iranian crude, including China and India, already have begun to reduce imports, potentially tightening global supply. Total exports of Iranian crude fell by

280,000 barrels a day in August to stand at 1.9 million barrels a day, the International Energy Agency reported last week.

President Trump in May pulled the U.S. out of a 2015 international agreement to curb Iran's nuclear program, setting the stage for the reimposition of economic sanctions on the Islamic Republic. Analysts have estimated that more than one million barrels a day of Iran's roughly 2.5 million barrels a day in exports could be at risk.

However, efforts by the Organization of the Petroleum Exporting Countries and its partner producers, including Russia, to begin ramping up production this summer after more than a year of holding back output have helped keep a cap on prices.

Brent last week temporarily crossed the \$80 a barrel threshold for the first time since May, returning to a more than 3½-year high, but soon retreated on news that rising OPEC production had more than made up for lost Iranian supply last month, according to the IEA.

"The oil market is in any case adequately supplied at present—and next year there will even be a certain cushion to absorb supply outages," analysts at Commerzbank wrote in a note Monday.

Oil-market observers are looking ahead to the weekend meeting in Algiers between key OPEC members and Russia for signs of whether the production allies will continue to raise output to meet the Iranian shortfall.

# Nasdaq Posts Worst Day Since July

BY AKANE OTANI AND RIVA GOLD

U.S. stocks slipped, sending the Nasdaq Composite to its biggest one-day loss since July, as fresh trade threats between the U.S. and China stoked caution among investors.

Sighs that the U.S. trade fight with China is set to escalate this week capped stock gains and sent the dollar lower.

The Trump administration unveiled new tariffs on

\$200 billion in Chinese goods. Chinese officials have said they could pull out of trade talks if Mr. Trump carried out his plans.

"The big question is what happens with tariffs, because they're the one thing people worry could cause the economy to roll over," said Brent Schutte, chief investment strategist at Northwestern Mutual Wealth Management.

The Dow Jones Industrial Average fell 92.55 points, or 0.4%, to 26062.12, ending near its low for the day. The S&P 500 lost 16.18 points, or 0.6%, to 2888.80, snapping a five-day winning streak, and the Nasdaq Composite dropped 114.25 points, or 1.4%, to 7895.79.

Even with Monday's pull-back, U.S. stocks remain near records. Analysts have attributed the market's relative resilience to trade developments so far being incremental and having a minimal impact on the U.S. economy.

"We already have real trade issues," but it doesn't appear that the U.S. and China have reached the point of no return, said Jason Ware, chief investment officer at Albion Financial Group. "If we get there, that will

be truly problematic for the economy and markets," he said.

Shares of technology-focused companies retreated, weighing on the Nasdaq.

**Amazon.com** slid \$62.16, or 3.2%, to \$1,908.03 after the company confirmed a Wall Street Journal report that it was investigating suspected data leaks and bribes.

Beyond trade, investors and analysts are looking ahead to next week's Federal Reserve meeting, where the central bank is expected to raise short-term interest rates for the third time this year.

The WSJ Dollar Index, which measures the dollar against a basket of 16 currencies, fell 0.3%.

Elsewhere, the Stoxx Europe 600 swung between small gains and losses and ended up 0.1%. Italy's FTSE MIB Index rose 1.1% as investors bet the country's coming budget won't set it on a collision course with the Euro-

pean Union.

The latest trade worries continued to hurt Asian stocks, with the Shanghai Composite falling 1.1% to its lowest level since November 2014 and Hong Kong's Hang Seng dropping 1.3%. Early Tuesday, the Shanghai benchmark was down 0.2% and the Hang Seng was down 0.9%.

Analysts pointed to muted trading volumes across the region resulting from Typhoon Mangkhut and a holiday in Japan, where markets were closed. Early Tuesday, the Nikkei was up 0.6%.

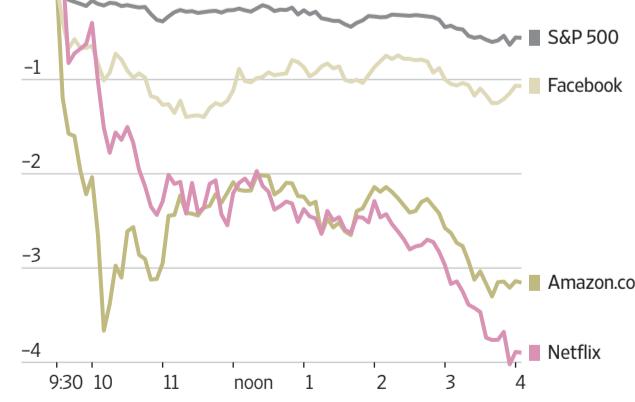
—Amrit Ramkumar contributed to this article.



Amazon shares fell 3.2% after the company confirmed it is investigating suspected data leaks and bribes.

## Under Pressure

Shares of technology-driven companies slid Monday, weighing on the S&P 500.



THE WALL STREET JOURNAL.

# Treasurys End Lower After Seesaw Trading

BY DANIEL KRUGER

U.S. government bond prices fell Monday as investors analyzed conflicting data about the economy and Federal Reserve policy.

The yield on the benchmark 10-year Treasury swung back and forth before closing at 3.001%, the highest since May 23, from 2.992% Friday. The high yield for the year

is 3.109%, reached May 17.

Yields rise as bond prices fall.

Yields briefly rose, then declined, then climbed again, as investor sentiment shifted against a backdrop of a growing supply of corporate and government bonds. Investors were assessing the importance of recent climbs in wages, weakening price pressures in other parts of the economy and plans by U.S. officials to impose additional tariffs on goods imported from China.

Recent Labor Department reports showed that average hourly earnings rose 2.9%, the fastest pace in August since 2009, but that inflation has yet to take root throughout the broader economy, as the consumer-price index slowed last month to 2.2%.

Inflation poses a risk to the value of long-term bonds because it diminishes the future purchasing power of a bond's fixed principal and interest payments.

"Labor markets are still tightening," said Dan Heckman, senior fixed-income strategist at U.S. Bank Wealth Management.

"Businesses will have to pay up" to attract workers, leading wage inflation to infect other parts of

the economy, he said.

Several analysts said yields were unlikely to surge without a change in inflation expectations. The gap between yields on inflation-indexed 10-year Treasurys and conventional government securities of the same maturity, known as the break-even rate of inflation, has recently hovered around 2.1 percentage points. The gap reflects the bond market's forecast for annual inflation during the life of the debt.

Investors are looking ahead to next week's Fed meeting where policy makers are expected to raise rates for the third time this year. Many investors expect officials to raise rates in December, as policy makers have forecast. Expectations are growing that the Fed will continue to increase rates at a steady pace in 2019, analysts said.

"Everyone's now focused on the data," said Brian Edmonds, head of Treasury trading at Cantor Fitzgerald LP. Investors no longer have the mind-set that the Fed will raise rates every quarter "no matter what," he said.

## AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield accepted. Rates are determined by the difference between that price and the face value.

### 13-Week and 26-Week Bills

	13-Week	26-Week
Applications	\$141,004,614,800	\$120,844,773,100
Accepted bids	\$48,000,062,300	\$42,000,198,600
*noncomp	\$1,053,199,800	\$760,612,100

## MARKETS

## Election Uncertainty Spurs Hedging

By GUNJAN BANERJI

While the stock market has marched higher this quarter, investors are increasingly turning to options to protect their bets ahead of the U.S. midterm elections.

Autumn tends to be volatile for equities, and this year, investors are focused on a particular date: Nov. 6, when voters head to polls to determine whether Republicans will maintain their slim control of Congress or lose ground to Democrats.

Options prices on the S&P 500 index show investors are taking protective steps against higher volatility the week of Nov. 6, according to a Wells Fargo Securities note last week.

"It's a significant event," said Jeffrey Pavlik, chief investment officer of Pavlik Capital Management, who oversees options strategies on exchange-traded funds. "You're bound to have some effect" if the Trump administration's pro-growth and business-friendly agenda is potentially stymied, he said.

While turbulence in the market has been low recently, with the S&P 500 up more than 6% so far this quarter, investor expectations for volatility are elevated, partly due to the election, analysts said.

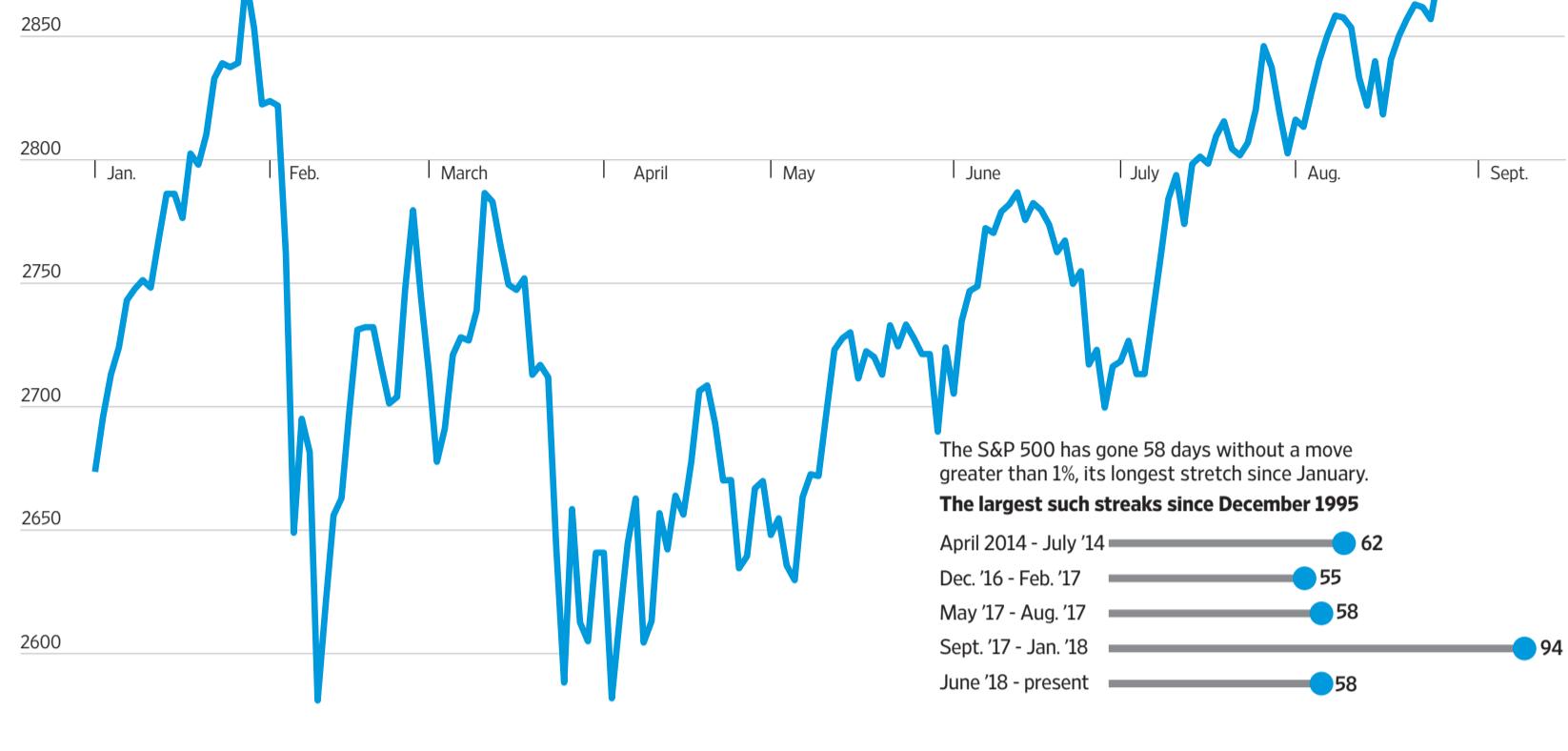
For example, the S&P 500 has gone 58 days without a move of greater than 1%, the longest streak since January.

Meanwhile, investors have been loading up on hedges for major ETFs that track small-cap, large-cap and technology companies, analysts said.

An options measure known as "skew" is elevated for the tech-heavy PowerShares QQQ Trust and iShares Russell 2000 Index ETF, which tracks small companies, according to Trade Alert. Skew measures how expensive bearish put options are relative to bullish call contracts. When it moves higher, that signals investors are paying up for protection.

Though markets have been calm and the S&P 500 has risen this quarter, investors have increasingly turned to options to hedge stock bets.

## S&amp;P 500



The gap between anticipated volatility in the market versus the volatility that actually occurred has widened recently.

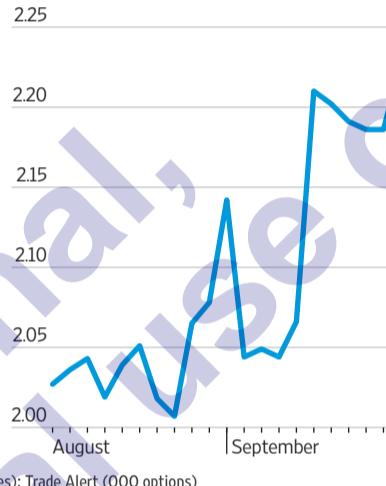


Sources: FactSet (S&P 500); Dow Jones Market Data (streaks, VIX); Wells Fargo Securities (volatility, S&P 500 weekly moves); Trade Alert (QQQ options)

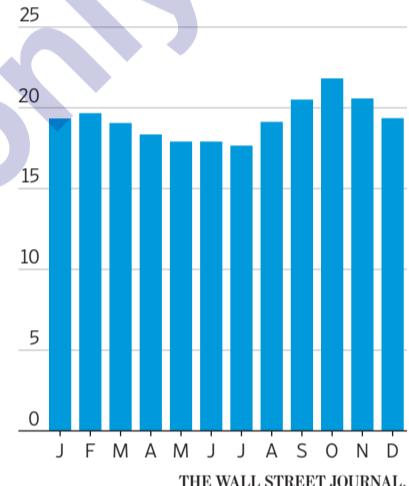
Traders are bracing for bigger stock moves around the midterm elections on Nov. 6, based on options prices.

## S&amp;P 500 expected weekly move

The ratio of bearish options to bullish contracts on the tech-heavy PowerShares QQQ Trust has risen over the past month.



The fall months tend to be the most turbulent for markets, based on the average of the Cboe Volatility Index. Monthly average since 1990:



## HEARD ON THE STREET

FINANCIAL ANALYSIS &amp; COMMENTARY

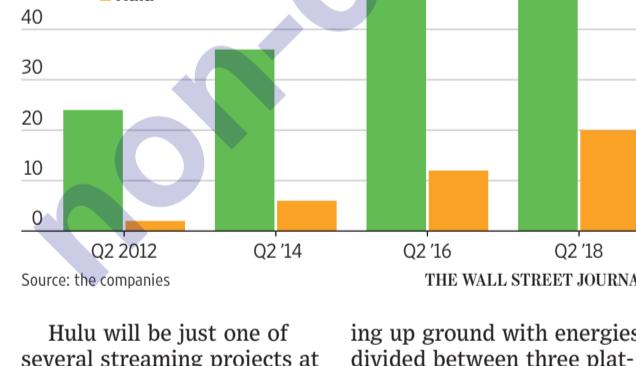
WSJ.com/Heard

Email: [heard@wsj.com](mailto:heard@wsj.com)

## Disney Should Weigh Hulu Sale

## Streaming Rivals

Domestic subscribers



Hulu will be just one of several streaming projects at Disney. In 2019, Disney is launching two others, one for children and another for adults, drawing on its library of Fox content and Disney classics.

Disney is the only media company posing an existential threat to Netflix, given its vast library and media budget. Yet Netflix has a big lead and loyal subscribers. Disney might struggle mak-

ing up ground with energies divided between three platforms. The company has three options. One is to roll all its content and platform plans into Hulu, which has the benefit of at least some steady subscribers, rather than building other platforms from the ground up. Yet Disney would have to contend with minority stakes owned by Comcast and AT&T. That means that in expanding

Hulu, Disney also would be boosting its competitors. Understandably, it doesn't seem to favor this option after its fierce bidding war with Comcast for the Fox assets.

Second, it could buy out its partners and control Hulu outright. After losing the Fox assets, though, Comcast may be unwilling to give up Hulu too.

That leaves a third option: sell its 60% stake and focus on its own platforms. Comcast is the most obvious buyer. It needs Hulu more than Disney does. Comcast doesn't own anything comparable to Disney's BAMTech video-streaming technology. A 60% stake in Hulu could fetch between \$9 billion and \$12 billion, analysts say, alleviating some of the financial burden of the \$71 billion Fox deal.

Disney may end up concluding that the managerial headache of juggling separate streaming projects and working alongside Comcast and AT&T isn't worth the benefit of Hulu's head start.

—Elizabeth Winkler

## OVERHEARD

It seems like all the cool kids are doing it, but many were surprised to see that the world's largest beverage company is considering dipping its toes into the cannabis market. Maybe it isn't so out of character.

Coca-Cola says it is mulling beverages infused with CBD or cannabidiol, a nonpsychoactive substance in marijuana that is purported to have health benefits. The company reportedly is in talks with Canada's Aurora Cannabis to develop the drinks.

Many forget, though, that the original recipe, as reflected in the product's name, contained a far more potent and controversial drug still illegal in all 50 states: cocaine. It was still legal, though, when the company decided to remove all but a trace amount of the drug.

That still helped it commercially, though—a situation that may repeat itself if customers who have shunned fizzy drinks pick one up because of the proposed new ingredient.

## Pain Relief For Teva Investors

Generic-drug investors had an unfamiliar start to the week: good news that led to a stock rally.

Teva Pharmaceutical Industries announced Friday evening that it had secured Food and Drug Administration approval for its new antimigraine drug, Ajovy. Teva shares rose 2.5% in New York on Monday.

Ajovy sales won't make or break Teva's fortunes. Preventive migraine treatment is a growing but competitive market. Analysts at Leerink Partners expect annual Ajovy revenue of \$629 million by 2023—a small fraction of Teva's projected annual sales.

Teva, unlike generic competitors, benefits from a hybrid model with some original drugs like Ajovy. It will carry higher profit margins than the bulk of Teva's product portfolio, helping to counter the effects of falling generic-drug prices. That trend has hammered Teva's profit margins and, in turn, its stock price, which is down 70% from its 2015 high. Higher profit margins also should also help reduce Teva's \$30 billion debt load more quickly.

Beyond the immediate financial impact, the news is a big win for Chief Executive Kare Schultz, who took the top job last fall. Teva had disappointed investors all too often in recent years. Missing guidance for key operational and financial forecasts had become the norm. Winning regulatory approval for Ajovy was anything but certain so the market's reaction is warranted.

Mr. Schultz's rebuilding efforts are in their early stages, but investors can point to some tangible progress.

—Charley Grant

## Collapsing Investment Doesn't Mean Collapsing China

Infrastructure investment in China is nose-diving and bears are roaming the Shanghai Stock Exchange. Does that mean that President Trump's planned tariffs on another \$200 billion of Chinese imports, which could be announced any day, will be enough to nudge the Chinese economy over the brink?

Maybe not. There is a risk that American trade negotiators, watching the forest, are missing some important—and still rather healthy—trees.

Infrastructure and small-scale private industry are suffering from the shadow-banking crackdown championed by Chinese President Xi Jinping. But two other important drivers of the economy—state-owned firms and real estate—are doing well. As long as real estate holds up, a sharp slowdown remains unlikely.

Real estate is thriving thanks to a massive Beijing-financed apartment-buying program for "slum dwellers," which has kept inventories near multiyear lows. That helps prices keep rising, even though sales growth has been trending sideways.

Developers also have proven adept at finding ways around restrictions on shadow banking. One helpful development has been the

## Property Prospects

Change from a year earlier



explosion of asset-backed securities. Overall shadow credit outstanding fell 3.8% on the year in August, and infrastructure investment growth in the first eight months of the year, excluding

power and heat, slowed to a record low of 4.2%. But property developers' year-to-date funding actually rose 6.9% on the year, according to ANZ, the second straight month of acceleration.

While infrastructure is important to Chinese growth, real estate is far more important. Sky-high land prices and tweaks to China's statistical methodology make the headline property investment data hard to interpret. But the message from property-related industry is that for now, things remain healthy.

This also matters for financial vulnerability. Several private firms have defaulted on bond payments this year,

but state-owned company defaults have been rare and so have property-related ones. Problems for private industry matter far less for Chinese bank balance sheets than the health of the heavily leveraged state and real estate sectors.

Things could get tougher early next year, particularly since policy makers are now dialing back the critical slum redevelopment program. But for now, the message emanating from China is still a relatively mild slowdown. Investors hoping for wholesale capitulation on trade or a 2015-style massive stimulus will likely be disappointed.

—Nathaniel Taplin