

● Biden's bipartisanship gamble ¹²

● GE finally ditches GE Capital ¹⁴

● Wall Street's biggest blooper ²²

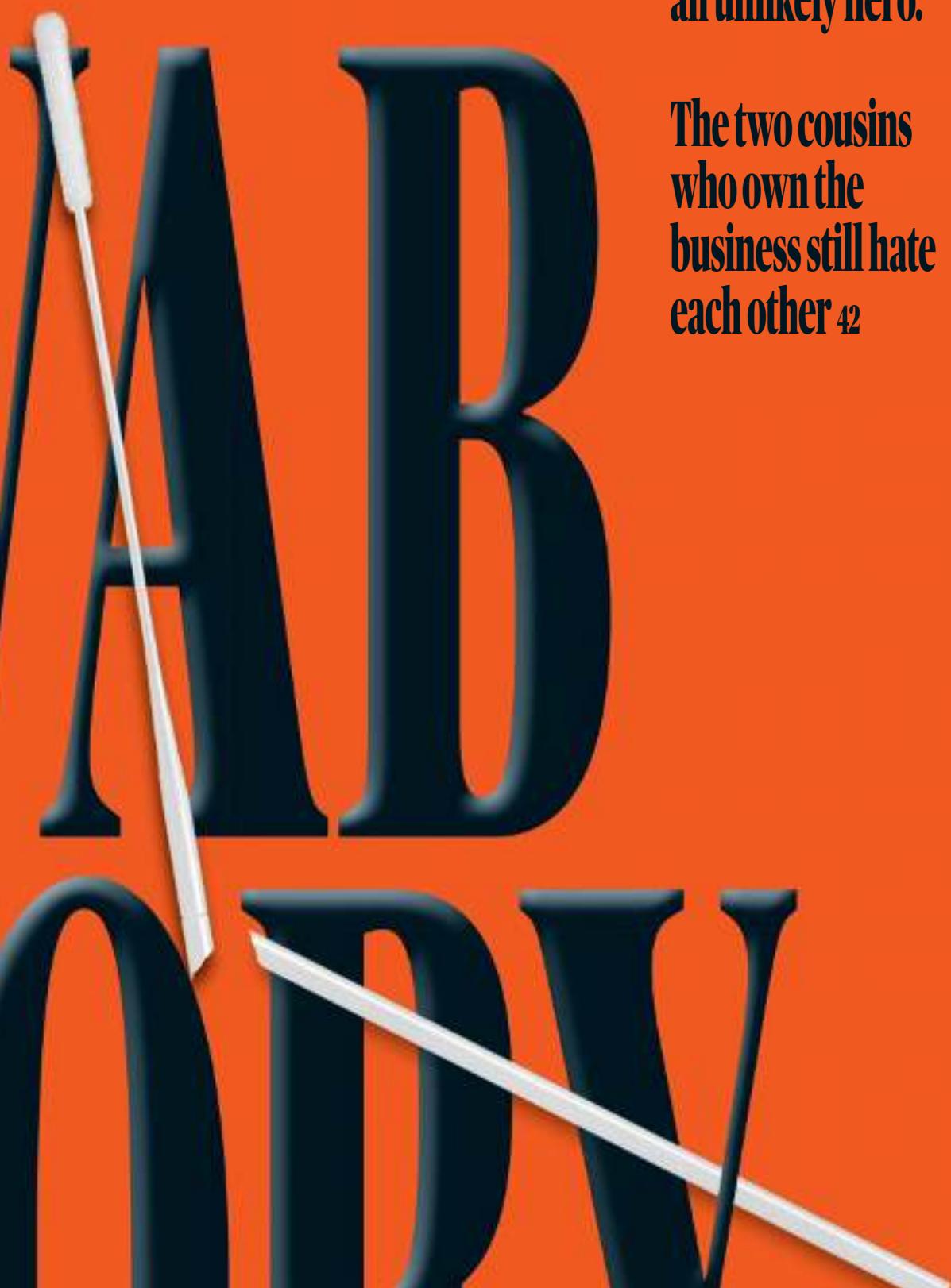
Bloomberg Businessweek

March 22, 2021

When America
needed Covid
swabs, a tiny Maine
company became
an unlikely hero.

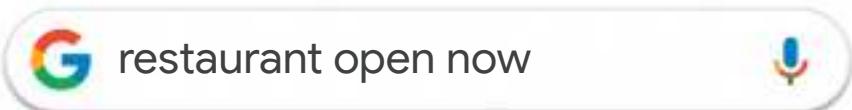
The two cousins
who own the
business still hate
each other ⁴²

SWAB STORY





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Irazu Costa Rican

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[1] Margin Loan rate as of 02/01/2021. IB calculates the interest charged on margin loans using the applicable rates for each interest rate tier listed on its website. Rates shown apply to IBKR Pro clients only. Rates subject to change. For additional information on margin loan rates, see ibkr.com/interest

03-IB21-1441CH1436



◀ Couto at his Animal Recovery Mission, where rescues get to live out natural lives

3

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One Essential Business, Two Feuding Cousins

To produce more Covid swabs, the government got into an epic family battle

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Fighting for the Animals

Richard Couto's campaign to bring down illegal Florida slaughterhouses

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Thanks a Million, Bobby Bo

The Mets made a shrewd deal with the retired outfielder. Not that fans care

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| CORRECTIONS | | An Agenda item in the March 8, 2021, table of contents should have read "Derek Chauvin's trial," not "George Floyd's trial." ● "Impact Investing Heads East" (Business, March 1, 2021) should not have described Howard Buffett as having "a back-seat role" in the running of I(x) Investments. |

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■ COVER TRAIL

How the cover gets made

1

"So this week's cover is about a little company in Maine called Puritan."

"Oh, yeah! We did a photo essay about them at the beginning of the pandemic. Don't they make popsicle sticks as well as all our Covid nasal swabs?"

"Yep, and it turns out the two cousins who own the company have a relationship about as complicated as Prince Harry and Prince William's."

"Well, this sounds juicy."

2



"I'm gonna need 100% less nostril."

"Ugh, fine."

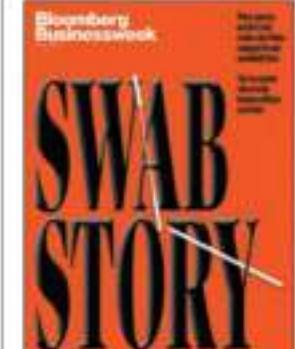
3



"Getting closer! How can we up the drama?"

"Maybe with an airport-newsstand-paperback vibe?"

"Yes! *Valley of the Dolls* meets James Patterson, and we're there."



Cover:

Photo: Courtesy Puritan Medical Products

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- There have been almost 121 million coronavirus cases worldwide, and nearly

2.7m

people have died. France, Germany, Italy, and other countries in Europe temporarily suspended use of the AstraZeneca vaccine while they evaluate possible side effects, including blood clots. The company says its shot is safe.

- President Biden is considering the first major federal tax hike since 1993.

His proposal would mostly affect those earning more than \$400,000 a year. The revenue would help pay for his broad economic and infrastructure plans.

- Purdue Pharma is exploring a settlement plan that calls for the Sackler family to pay more than **\$4.2b** to help resolve thousands of opioid lawsuits.

● “I know you, and you know me. If I establish this occurred, then be prepared.”

In an interview with ABC News on March 16, President Biden said that he had a “long talk” with President Vladimir Putin about allegations that Russia interfered in the 2020 U.S. elections—and that Putin would pay for meddling.

- Volkswagen's stock surged as much as

29%

on March 16, the most in more than a decade. Investors applauded the carmaker's ambitious push into battery-powered vehicles, targeting 1 million EV sales this year.



- The Netflix drama *Mank* scored 10 Oscar nominations.

The black-and-white film about *Citizen Kane* writer Herman Mankiewicz leads the pack for Hollywood's top honors. Because of the pandemic, the ceremony has been delayed to April 25; attendees will socially distance in Los Angeles's spacious Union Station.

- Police arrested Robert Aaron Long, 21, in connection with the March 16 shootings at three Atlanta-area massage parlors. At least six of the eight people killed were Asian-American women, a group that's seen an alarming increase in hate crimes during the pandemic.



● Thousands gathered at London vigils for Sarah Everard, 33, who disappeared on March 3 and was later found dead. The police broke up some of the groups for skirting Covid regulations, but their heavy-handed manner led to a public outcry.

- Uber will reclassify all 70,000 of its U.K. drivers as workers, entitling them to the minimum wage, vacation pay, and other benefits. It's a landmark decision for the gig economy, whose employees often enjoy only rudimentary protection and few perks.



- *Everydays: The First 5000 Days*, by the digital artist Beeple, fetched \$69.3 million, including fees, in a Christie's online auction on March 11.

Most expensive artworks sold at auction since 2020, by artist

| | |
|-------------------|---------|
| Sandro Botticelli | \$92.2m |
| Francis Bacon | 84.6 |
| Wu Bin | 76.6 |
| Beeple | 69.3 |
| Roy Lichtenstein | 46.2 |
| David Hockney | 41.1 |

As the Castro Era Nears An End, the U.S. Should Engage With Cuba

Some House Democrats are pressing President Biden to reverse U.S. policy on Cuba again, returning to the détente that prevailed before Donald Trump took office. Biden should indeed take the first steps toward renewed openness—and put the onus on Cuba's leaders to respond.

As with so many of his predecessor's policies, Trump was quick to declare the Obama administration's rapprochement with Cuba a "bad deal" and began dismantling it wholesale, imposing or reimposing more than 200 restrictions on travel, trade, and financial and diplomatic ties. The clampdown won Trump votes in South Florida, but by almost any other measure it failed. Cuba's Communist regime remains firmly entrenched, and it's grown even more dependent on U.S. rivals China, Russia, and Venezuela. Hard-liners in Havana have continued to crack down on dissent. Cuban entrepreneurs flourished when Americans were allowed to visit the island, but the combined impact of revived U.S. restrictions and the pandemic have left them struggling.

None of this serves American interests. Under President Obama, the U.S. and Cuba struck more than 20 agreements that addressed U.S. security concerns on issues including counternarcotics and the environment. Biden should open the door to renewing such cooperation.

That will require lifting Cuba's designation as a state sponsor of terrorism, which the Trump administration imposed in its closing days with no real justification. Biden will also need to restore frayed diplomatic ties—appointing an ambassador, staffing up the U.S. Embassy (taking additional precautions while the cause of a mysterious illness that struck U.S. diplomats in recent years remains under investigation), and resuming consular services so Cubans can more easily travel to the U.S. again. The two sides should cooperate on public health to combat Covid-19 and restart talks on security issues.

Further opening should focus on improving the lives of Cubans on and off the island. The administration should lift restrictions on remittances. And it should allow travel to the island, because American visitors are good for local enterprise. That means people-to-people exchanges and permitting flights to cities other than Havana, while drawing up a shorter "restricted list" of entities with which Americans are forbidden to do business.

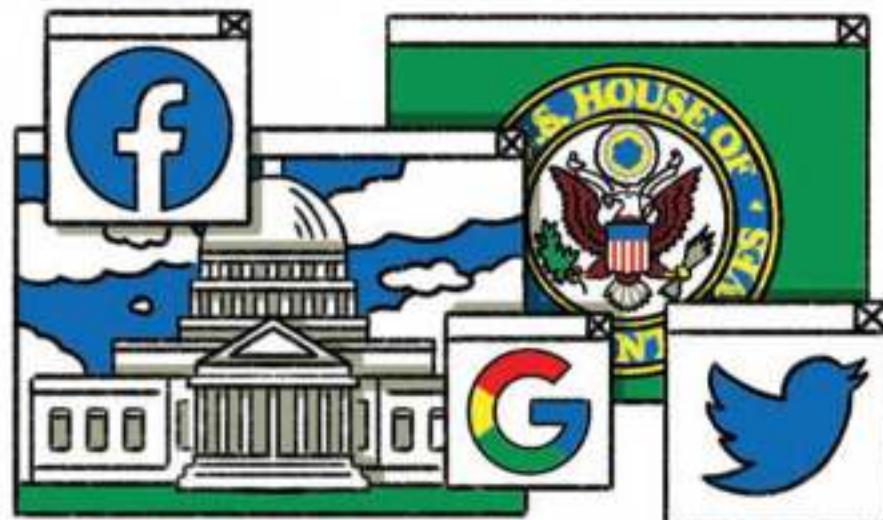
Cuba shouldn't expect the U.S. to lift more targeted sanctions, however, let alone the decades-old embargo—whose provisions are now codified into U.S. law—unless it begins to act, too. Among other things, that means addressing certified claims for property seized after the 1959 revolution, now estimated at almost \$9 billion, with interest. Cuba's leaders should

play a constructive role in resolving the Venezuelan crisis and improve their record on human rights at home. The government has recently taken some steps to rationalize the currency system and promote the private sector, but it should do more to open the economy to outside investment. The Communist Party transition next month, when 89-year-old Raúl Castro is scheduled to step down, offers a moment for the regime to affirm its intention to reform.

Stubborn and suspicious as they may be, Cuba's leaders should remember two things. First, all these measures are in their nation's own best interests. Second, any thaw in relations will be temporary unless Biden can point to results. The Cuban regime made a big mistake in failing to build on Obama's initiative, leading many in the U.S. to conclude that engagement was pointless. The next détente will fail unless it benefits Americans and Cubans alike. ■

For more commentary, go to bloomberg.com/opinion

■ AGENDA



► Social Media's Reckoning

The CEOs of Facebook, Google, and Twitter testify before a committee of the U.S. House of Representatives on March 25 about their roles in allegedly spreading and elevating false information on their platforms.

► Israel holds general elections on March 23. Prime Minister Benjamin Netanyahu is hoping his rapid vaccination campaign will impress voters more than his recent corruption trials.

► GameStop reveals quarterly earnings on March 23. The computer game retailer has found itself the darling of day traders and the source of some consternation among regulators.

► Tencent reports its quarterly earnings on March 24. China's government is increasingly cracking down on major internet companies to curtail their power.

► Mexico's central bank sets interest rates on March 25. Banxico faces a narrowing path to cut rates again from 4%, already the lowest they've been in almost five years.

► Fed Chair Jerome Powell and Treasury Secretary Janet Yellen make their first joint appearance on Capitol Hill on March 23, to discuss their response to the pandemic.

► The World Bank presents its annual *World Development Report* on March 24. The bank's major analytical publication is this year subtitled *Data for Better Lives*.

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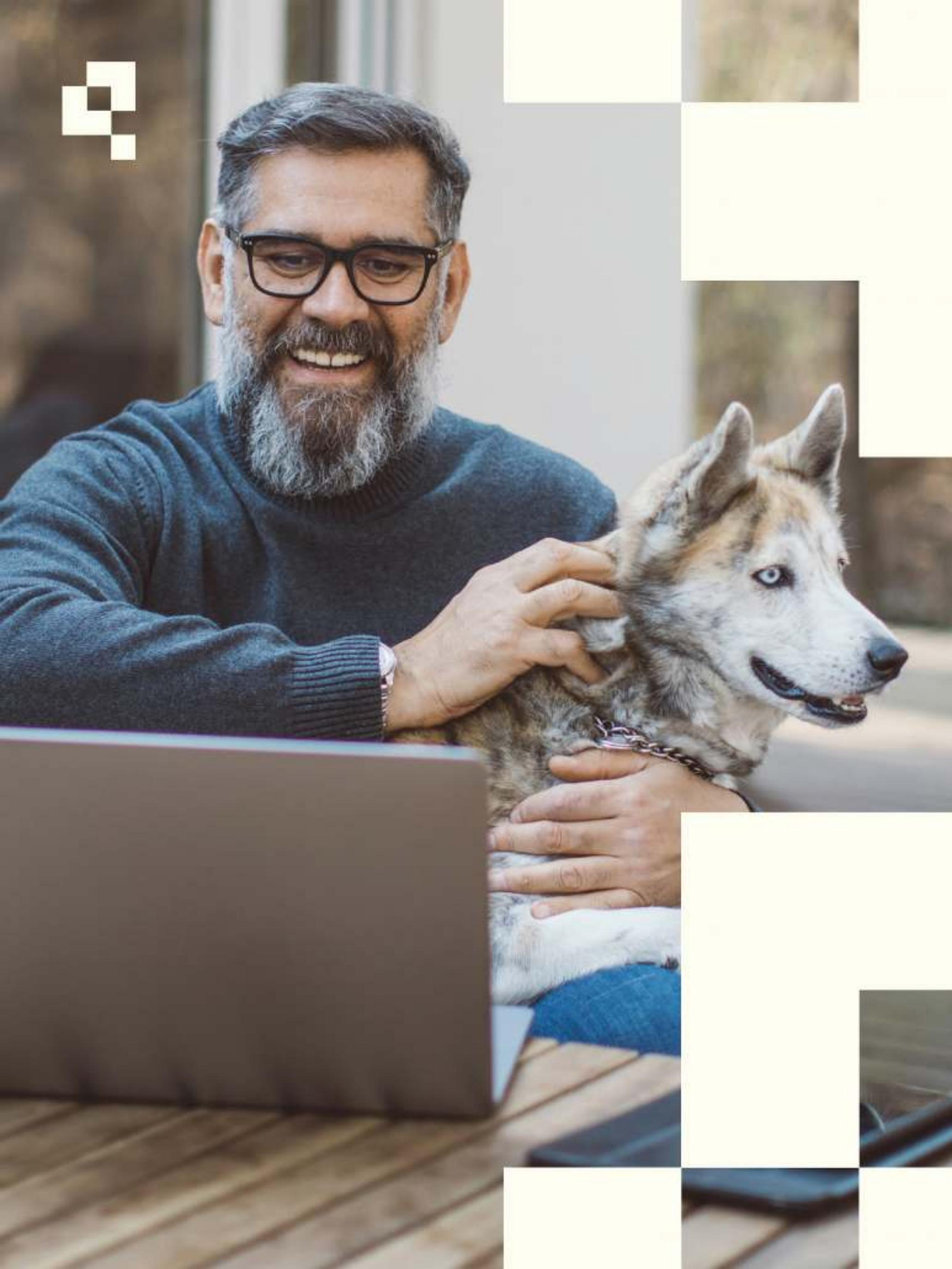
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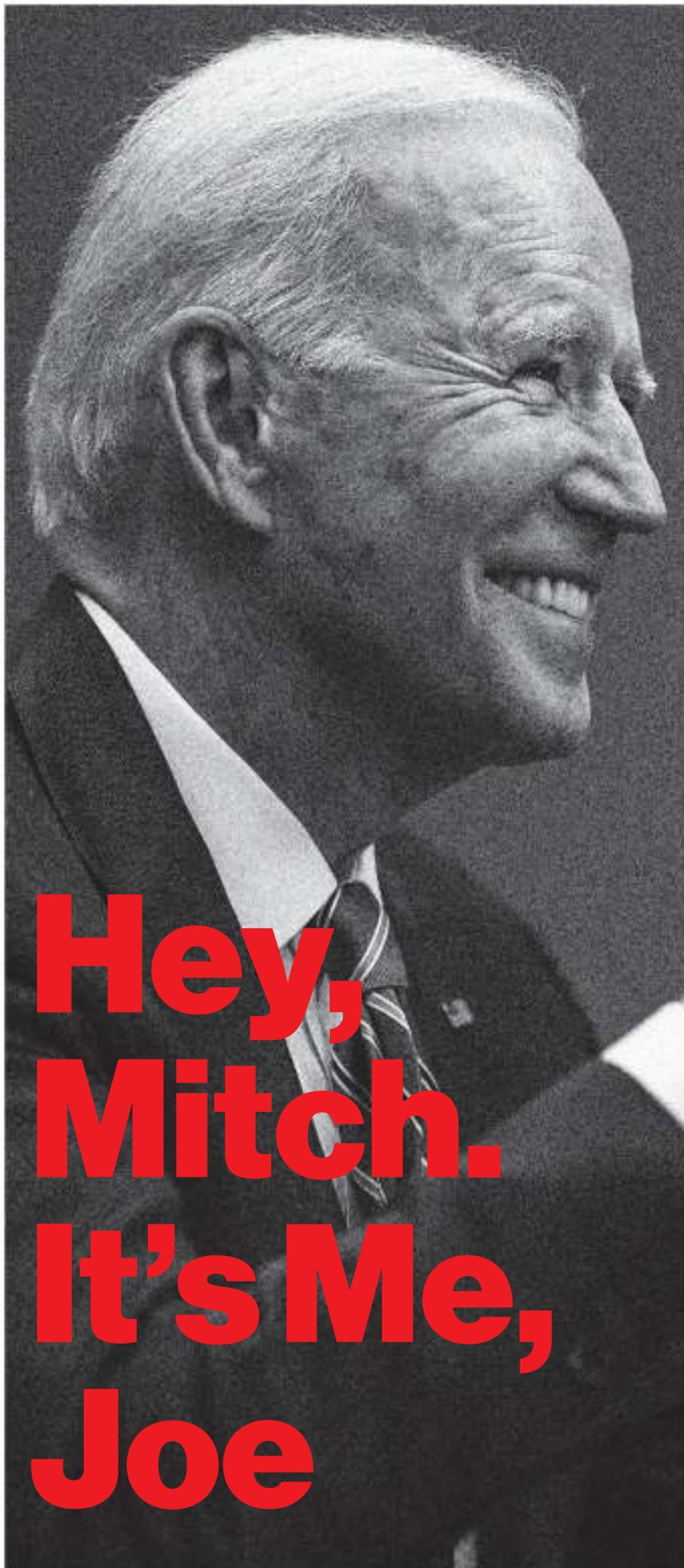
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■ REMARKS



Hey, Mitch. It's Me, Joe

● Biden wants to be bipartisan by appealing to GOP voters as much as their leaders

● By Peter Coy

In Washington there are three kinds of victories. Moral victories, where you lose but make a point. Pyrrhic victories, where you win but suffer greatly for it. And what you might call momentum victories, where success opens the way to more success. Those, of course, are the best.

The \$1.9 trillion American Rescue Plan that President Biden signed on March 11 looks like a momentum victory. Polls show it's popular with Republican voters as well as Democrats. Coming early in Biden's term, it marks him as a doer and a force to be reckoned with. Now Biden will try to ride that momentum to passage of his next big legislative priority, Build Back Better, a vast initiative that's likely to include funding for infrastructure, green investment, manufacturing, support for caregivers, and racial justice.

To notch another victory, though, Biden will have to change tactics. Democrats passed the American Rescue Plan with zero Republican votes by using the reconciliation procedure, which protected it against a Republican filibuster. But Joe Manchin of West Virginia, the most conservative Democrat in the Senate, is refusing to consider Build Back Better under reconciliation, so it will require the votes of at least 10 Republican senators—plus all 50 Democrats—to overcome a filibuster by the GOP minority.

Biden will have to be bipartisan, or at least perceived as such. For him the best outcome would be a bill that has Republican fingerprints but retains most of what Democrats want. "Great legislation that lasts the test of time is bipartisan. The Voting Rights Act, the Civil Rights Act, Medicare, they're unquestioned," says Mark Strand, president of the nonprofit Congressional Institute. "Laws that aren't bipartisan are immediately subject to being repealed, stripped down, the next time another party takes power."

But Biden's plan calls for a lot more spending on top of historic spending on pandemic relief (chart). If Republicans don't play along, things get more complicated. Should the GOP rebuff Build Back Better, Manchin and other conservative Democrats might be persuaded to allow the bill to be considered under reconciliation, requiring only a simple majority in each house of Congress. But that could be a Pyrrhic victory if a liberal bill that's passed on party lines allows Republicans to portray Democrats as socialist tree-huggers. That could contribute to the Democrats' losing control of the House and Senate in the midterm elections in 2022. Many Democratic strategists continue to believe that their party's big loss in the 2010 midterms was blowback from their partisan passage of the Affordable Care Act, although the weak economy also played a role.

Alternatively, Biden could remain bipartisan and settle for Build Back Slightly Better—essentially a conventional infrastructure bill focused on highways and bridges. Democrats could then blame Republicans for thwarting their more ambitious goals. That would be at best a moral victory: possibly tactically useful, but unsatisfying. A strategy of winning by losing would also anger the progressive wing of Biden's own party.

The path to victory for Biden is narrow in this period

of hyperpartisanship, when even the routine congressional task of naming post offices has become politicized. Republicans may try to stall Biden until 2022, when they hope to take back the House and Senate.

The path involves treating Republican leaders respectfully while also appealing directly to their constituents, making it painful for the GOP to be the Party of No. Ramping up pressure on the opposition, Biden told ABC News on March 16 that he'd support requiring a "talking filibuster" to block legislation.

For the American Rescue Plan, Biden invited Republican lawmakers to dinner to hear their ideas, decided they were too small, and went his own way. A Pew Research Center survey in early March found that 70% of respondents supported the plan—91% of Democrats and Democratic-leaning respondents along with 41% of Republicans and Republican-leaning respondents. A Morning Consult/Politico poll of registered voters showed even more bipartisan support. When a plan similar to Biden's was described to voters, 59% of Republicans said they supported it. In a different group that was told it was in fact a Democratic plan, 53% of Republicans supported it.

The White House has been explicit that bipartisanship means appealing to voters, not just lawmakers, of both parties. "Bipartisanship is not determined by a single ZIP code in Washington, D.C.," Press Secretary Jen Psaki said on March 5. GOP leaders keep needling Dems over Dr. Seuss and Mr. Potato Head but never managed to brand the American Rescue Plan as a Democratic giveaway of taxpayer money. "They can't conjure polarization out of thin air," says Mike Konczal, director of the Progressive Thought program at the left-leaning Roosevelt Institute.

Biden is likely to follow that same strategy in rolling out Build Back Better. He'll propose taxes to help pay for it—and Senate Minority Leader Mitch McConnell says there's no chance Republicans would back any tax increases—but the levies will be focused on corporations and people earning \$400,000 or more a year, an approach that polls well with rank-and-file Republicans as well as Democrats.

Infrastructure is an ideal second campaign for Biden because it's widely popular, says Thomas Patterson, a Harvard professor of government and the press. Republicans hate potholes as much as Democrats do. Biden predicted Republicans will come around to supporting popular policies, telling ABC News, "I think that epiphany is going to come between now and 2022." Getting votes for Build Back Better got easier on March 17 when House Republicans voted to join their Democratic colleagues in bringing back the system of earmarks, which allows members to propose projects in their own districts.

The Beltway label for bills that have no chance of passage is DOA: dead on arrival. Members introduce such bills not out of stubbornness but to get the party to "coalesce around a set of ideas that you hope to pass in the future," says Jeremy Gelman, a University of Nevada at Reno political scientist. That's not where Biden is right now. He needs wins that build on wins—momentum victories. "If you don't win, you can't make public policy," Rahm Emanuel, President

Deficit Spending Has Buoyed the Economy During the Pandemic

Federal surplus or deficit as percent of gross domestic product



DATA: FEDERAL RESERVE BANK OF ST. LOUIS

Obama's former chief of staff and later mayor of Chicago, once said. "Sometimes you've just got to win, OK?"

One hopeful, vestigial example of bipartisanship in Washington is the 2-year-old House Select Committee on the Modernization of Congress, chaired by Derek Kilmer, a Democrat from Washington state, with William Timmons, a South Carolina Republican, as vice chair. Democrats and Republicans on the committee went on a retreat together and alternated seats in hearings instead of sitting apart. The House has already adopted several of the 97 reforms they proposed.

The Problem Solvers Caucus, also in the House, is another role model. It was instrumental in shaping the consensus that led to passage of the \$908 billion coronavirus relief bill in December. It's co-chaired by Josh Gottheimer, a New Jersey Democrat, and Tom Reed, a Republican from western New York. Reed's Twitter feed is full of Republican talking points, blasting the American Rescue Plan as "a liberal wish list." But in a joint interview on March 15, Reed said, "Josh is my closest friend in Congress and one of my closest friends even outside of Congress." Gottheimer returned the praise: "We spend our time looking for places we can agree, recognizing that we're not going to agree on everything, with a principled approach of putting country first," he said. Gottheimer added that he thinks "we can get a strong infrastructure bill done through regular order," that is, without reconciliation, and Reed said, "Amen."

Good feelings can't be willed into existence. Democrats are angry that most congressional Republicans voted against the certification of Biden's Electoral College victory and haven't forgiven them for trying to block Obama's agenda. Republicans are channeling their constituents' inchoate rage that the system is rigged against them. But Congress simply can't function in its current state of cold enmity under the shadow of the horrific Jan. 6 invasion. Something has to change. With Build Back Better, Biden has a new opportunity to offer the bipartisanship that he lived as a senator and promised as a candidate. Republicans will then have to decide whether to reciprocate. It's not just Biden's momentum that's at stake. ■

GE Gets Back to The Simple Life



- The \$30 billion sale of its jet-leasing unit finally ends the company's often-troubled foray into financial services, returning GE to its industrial roots

Despite its storied history as an industrial icon founded by Thomas Edison, General Electric Co. by a decade ago had morphed into a massive financial-services company bigger than all but a handful of U.S. banks. That transformation brought with it a maddeningly complex web of businesses, opaque accounting, and financial risk that dogged it for years. So when Chief Executive Officer Larry

Culp on March 10 announced a \$30 billion deal to unload GE's aircraft-leasing business, the move returned something long absent from GE: simplicity.

Jet lessor GE Capital Aviation Services, or Gecas, was the biggest remaining business of GE Capital, the once-sprawling financial-services company that in 2010 had more than \$600 billion in assets. After the unit's sale to Irish rival AerCap Holdings NV closes a year from now, GE plans to transfer what it says are just \$21 billion in remaining GE Capital assets onto its industrial balance sheet. It will also stop reporting results for GE's financial-services, industrial, and combined businesses separately, streamlining the complex financial reports that fueled criticism that trouble could—and sometimes did—lurk for years in those accounting statements before revealing itself.

"That's why I say this is so transformational for us," Culp says. "We end up being all about our core four industrial businesses. We're really not going to talk about Capital going forward."

GE plans to use proceeds from the deal—which include \$24 billion in cash, a 46% stake in AerCap valued at \$6 billion, plus an additional \$1 billion at closing—to help pay down another \$30 billion from the company's bloated debt load. That would bring total debt reduction—a top priority for Culp since he became CEO in 2018—to about \$70 billion since that year. Taken together, the sweeping moves will reorient GE around its manufacturing operations, primarily making and servicing gas-fired power-plant equipment, medical scanners, wind turbines, and jet engines.

The moves "will significantly simplify not only reporting but also the ability for management to focus on GE 'making things' again," UBS analyst Markus Mittermaier said in a client note.

Simplification isn't without risk. GE's credit rating may be cut, because the debt on its industrial balance sheet will rise to about \$70 billion after the AerCap transaction closes. GE Chief Financial Officer Carolina Dybeck Happe says the company plans to buy back \$25 billion of its bonds after the sale and aims to reach debt of less than \$45 billion by 2023. JPMorgan Chase & Co. analyst Steve Tusa, a longtime GE bear, expressed concern about the deal's effect on the company's debt load in a note to clients, saying, "We see material downside from here" for GE's shares.

Culp's GE turnaround is still a work in progress, and its industrial units face a host of challenges. Airline travel is depressed and will remain below pre-pandemic levels for years, crimping GE's jet-engine unit. The company expects revenue to slip again this year at its gas-fired power-turbine business amid a shift toward renewable energy sources to meet carbon-reduction targets.

GE Aviation, the company's biggest industrial business at \$22 billion in revenue last year—and historically its most profitable division—has been gutted by the pandemic, with airlines parking jets and cutting flights. GE expects its revenue and profit margins to improve in 2021 as air travel begins to recover, but most of that improvement won't come before the second half.

Still, GE Aviation CEO John Slattery says the unit is continuing to invest in the next generation of jet engines as the industry faces increasing pressure to reduce its carbon footprint. The company plans to spend \$1.8 billion on research and development efforts this year, in line with 2020 levels, in a push to develop a next-generation engine

for single-aisle jets that offers a more than 20% reduction in fuel burn compared with the latest engines from CFM International Inc., GE's joint venture with France's Safran SA.

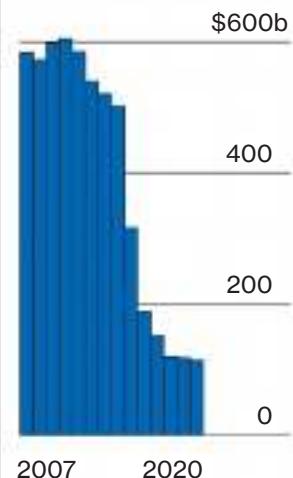
Power-plant operators' push to curb emissions also poses a challenge for GE Power, a gas-turbine business whose installed equipment provides about half of the world's gas-power generation. The unit is recovering from revenue declines caused in part by excess global capacity and the pivot toward renewable energy. It's made progress, generating positive free cash flow in 2020, a year earlier than planned. And though gas turbines are a major source of carbon emissions, GE executives have argued that gas is still a cleaner fuel for utilities than coal. GE Gas Power CEO Scott Strazik says the company's latest generation of large turbines emit about a third of the carbon dioxide produced by coal and can operate on fuels blended with as much as 60% hydrogen, which is drawing greater attention because it emits no carbon dioxide when burned.

The renewable energy division has been a focal point of GE's turnaround, benefiting from wind becoming a bigger part of the global power-generation sector and surpassing Denmark's Vestas Wind Systems A/S as the world's top turbine producer in 2020, according to BloombergNEF. GE expects the division—which has accounted for about \$1.5 billion in combined losses during the last two years—to begin generating cash this year and turn a profit in 2022 as it ramps up installations of massive offshore wind turbines. That market is expected to grow rapidly in the years ahead, and GE forecasts its offshore wind gear will produce \$3 billion in additional revenue by 2024.

Former CEO Jack Welch built GE Capital into one of Wall Street's biggest banks, offering everything from credit cards to commercial real estate loans to pet insurance. At its peak, it accounted for about half of GE's sales and profits. Cracks began to show after Jeffrey Immelt took over in 2001, and the lending unit almost sank its industrial parent during the 2008 financial crisis.

Immelt moved to shrink GE Capital in the years that followed. He hit the gas pedal in 2015 with a plan to offload more than half of GE Capital's assets while holding on to only those businesses that supported GE's manufacturing operations. But in early 2018, not long after CEO John Flannery took the helm, GE shocked investors when it disclosed a \$15 billion shortfall in reserves in an old portfolio of long-term-care insurance policies that had badly deteriorated, a reminder of the risks lurking in GE Capital. The news prompted an ►

▼ GE Capital assets



► investigation by U.S. securities regulators that resulted in a settlement in December, in which GE agreed to pay a \$200 million penalty without admitting or denying wrongdoing.

Some remnants of GE Capital will remain with the company after the AerCap deal. GE will hold on to the insurance portfolio, for example, which had \$50 billion in assets at the end of 2020; the holdings have become less of a wild card recently, thanks in part to rising interest rates. Culp told analysts that should a prospective buyer show interest, GE “would entertain those conversations.”

For now, his core focus is on managing debt while increasing revenue amid the rebounding

post-pandemic economy and the continuing green revolution, something some analysts say is a possibility. “As General Electric shifts to growth investments and organic sales after years of portfolio pruning and balance-sheet repair, we believe secular tailwinds in markets affected by climate change could fuel long-term market-share gains,” Bloomberg Intelligence analysts Karen Ubelhart and Christina Constantino wrote in a March 16 note. At the very least, having GE Capital in the rearview mirror leaves Culp with one less problem to worry about. —*Ryan Beene*

THE BOTTOM LINE A decade ago, GE Capital had more than \$600 billion in financial assets. After parent GE sells its aircraft-leasing unit, its financial-services assets will fall to \$21 billion.

An Arms Race on Autopilot

● Drones made in China are coming to a conflict near you

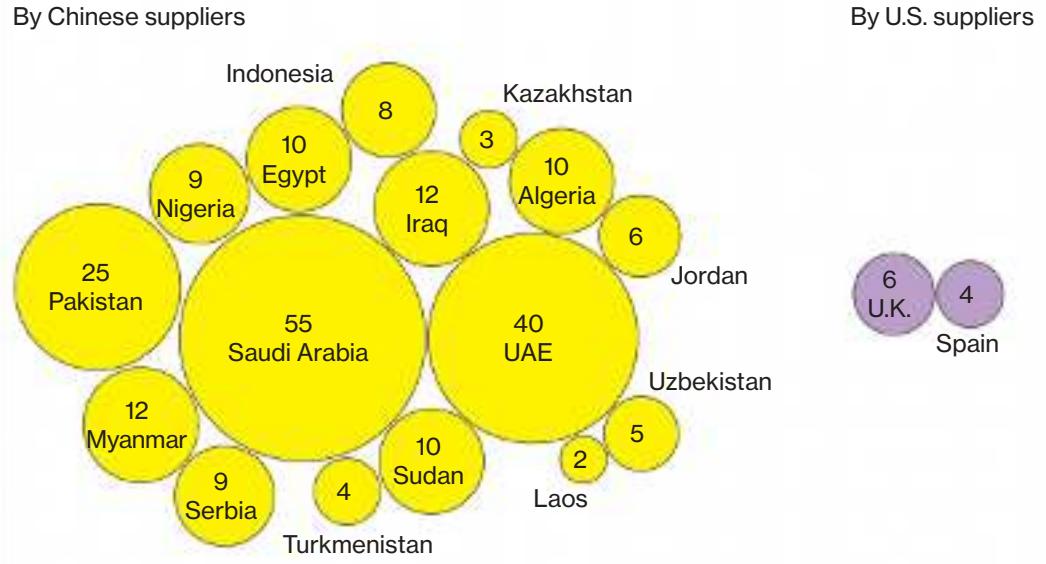
A dozen years into its fight with the Islamic insurgent group Boko Haram, Nigeria is getting some new weapons: a pair of Wing Loong II drones from China. The deal is one of a growing number of sales by state-owned Aviation Industry Corp. of China (AVIC), which has exported scores of the aircraft. The United Arab Emirates has used AVIC drones in Libya’s civil war, Egypt has attacked rebels in Sinai with them, and Saudi-led troops have deployed them in Yemen. The company’s drones “are now battle-tested,” says Heather Penney, a fellow at the Mitchell Institute for Aerospace Studies, a think tank in Arlington, Va. “They’ve been able to feed lessons learned back into their manufacturing.”

Nigeria is getting AVIC’s second generation of Wing Loongs—the name means “pterodactyl”—which can fly as fast as 230 mph and as high as 30,000 feet, carrying a payload of a dozen missiles. Since 2015, when AVIC introduced the newer model, it’s produced 50 for export and an unknown number for China’s People’s Liberation Army. And it’s working on even more advanced aircraft, such as a stealth combat drone with a flying-wing design similar to that of the U.S. B-2 bomber. The drone program, combined with deliveries of fighter jets, trainers, transporters, and assault helicopters, has propelled AVIC into the upper ranks of the global arms trade. In 2019 it sold military equipment valued at \$22.5 billion, according to the Stockholm International Peace Research Institute (Sipri), placing it sixth in the world, behind five U.S. companies.

AVIC’s drones have two big selling points: They’re cheaper than comparable aircraft from producers in the U.S. or Israel—the other primary manufacturers—and China doesn’t much care how they’re used, says Ulrike Franke, policy fellow at the European Council on Foreign Relations. “China is willing to export armed drones to almost anyone,” she says. AVIC didn’t respond to requests for comment.

Over the past decade, China has delivered 220 drones to 16 countries, according to Sipri. That’s prompted other nations to boost their capabilities in the field, says Michael Horowitz, a

Combat Drones Delivered, 2010-2020*



*EXCLUDES ORDERS THAT HAVE YET TO BE DELIVERED. DATA: STOCKHOLM INTERNATIONAL PEACE RESEARCH INSTITUTE



professor of political science at the University of Pennsylvania. Japan, South Korea, and Belarus are developing drone technology. Turkey supplied drones that helped Azerbaijan defeat Armenia in last year's conflict in Nagorno-Karabakh. Russia in January agreed to send drones to Myanmar and is working on longer-range models. Serbia and Pakistan say they intend to use purchases from China to seed their own programs. "Armed drone proliferation is inevitable because of Chinese exports," Horowitz says.

The Chinese government rejects the charge that it's fueling an arms race, saying it aims only to improve the defensive capabilities of its customers. And unlike the U.S., it refrains from meddling in their internal affairs, Foreign Ministry spokeswoman Hua Chunying said during a February press briefing. "We are prudent and responsible in exporting arms," she said. "This is totally different from what the United States does."

The Chinese drone push presents a challenge for President Biden as he tries to move beyond the Trump administration's go-it-alone foreign policy. Last fall, Trump deemed AVIC and its subsidiaries part of the Chinese military, restricting their access to U.S. technology. But last summer he reinterpreted the Missile Technology Control Regime—a 1987 agreement, signed by more than 30 countries, that had long kept a lid on U.S. drone exports—to allow sales of many such aircraft.

Despite criticism from Democrats, Trump agreed to sell 18 General Atomics MQ-9 Reaper drones to the UAE. In November the administration approved a \$600 million deal to provide Taiwan with four Reapers; and the next month, Trump's State Department informed Congress of a contract to sell four Reapers to Morocco following its

establishment of diplomatic relations with Israel. Although Biden has said he's reviewing the UAE sale, all three deals are on track to be finalized.

AVIC is at the heart of a broader push by China to develop its aerospace industry, both civilian and military. China Aerospace Science & Technology Corp. has sold combat drones to Egypt, Iraq, Saudi Arabia, and Serbia—the first time a European country has deployed Chinese unmanned aircraft. China North Industries Group Corp. in November completed development of its Golden Eagle helicopter drones, which the Communist Party-controlled *Global Times* newspaper said were "designed to meet the demands of the arms trade." Commercial Aircraft Corp. of China, 12% owned by AVIC, is developing a jetliner to compete with the Boeing 737 and Airbus A320. And AVIC has joint ventures with about 10 multinationals in China-focused civilian businesses such as aircraft components and avionics.

AVIC's growing expertise is paying off in improved quality, says Paweł Paszak, director of the China Monitor program at the Warsaw Institute, a think tank in the Polish capital. Although its drones don't match the best offerings from American and Israeli companies, they're increasingly competitive—and the price differential is significant: AVIC's top drones run \$1 million to \$2 million apiece, vs. more than \$15 million for a comparable American model. "Maybe Chinese drones aren't as good as American drones," Paszak says. "But 15 drones instead of one, and without any fuss about human rights? This is a good offer." —Bruce Einhorn, with Lucille Liu, Colum Murphy, and Nick Wadhams

▲ AVIC's Wing Loong II drone

Coming to America

- Jitse Groen's food delivery empire prepares to take on DoorDash and Uber Eats

The early months of the coronavirus pandemic were both a boon and a strain for U.S.-based food delivery companies. DoorDash, Grubhub, Postmates, and Uber Eats all saw a rush of business while still suffering from the dismal economics that had kept any of them from becoming profitable. It was unclear whether the lockdowns were a moment to shine or collapse.

So they started merging. In May, Uber Technologies Inc. was on the verge of acquiring Grubhub. The deal fell apart at the 11th hour, and Uber went on to buy Postmates for \$2.65 billion; Grubhub ended up in the arms of Just Eat Takeaway.com NV, an Amsterdam-based

company that had never had a presence in the U.S.

The deal, whose final value will be close to \$7 billion, was an inversion of the normal course of things in tech, where it's more common for high-flying U.S. businesses to sweep up smaller European companies. It also made Takeaway's founder and chief executive officer, a 42-year-old Dutch billionaire named Jitse Groen, one of the most important players in U.S. food delivery.

The Grubhub deal is expected to close in the first half of this year, pending approval by Grubhub shareholders, meaning Groen could arrive in the U.S. just as a semblance of normalcy returns. That could make things tricky for delivery companies, whose stir-crazy customer base is probably eager to avail itself of the opportunity to do almost anything other than sitting in the house eating out of plastic containers.

Compared to Uber Eats and DoorDash, Takeaway and Grubhub are focused less on delivering food themselves than on facilitating online orders. Groen believes this will make his company

more resilient, because its partners are largely takeout restaurants, while competitors work more with restaurants whose dining rooms will reopen. "We will not suffer that much from the end of the pandemic,"

he said on a March 10 earnings call. "We do believe that our competitors that are mostly logistical businesses will suffer from the reopening of the economies." Groen projects a further acceleration of growth in 2021, while DoorDash said in February its outlook for the year remains "highly uncertain."

Still, he'll be navigating new terrain and starting from a disadvantage. In January, DoorDash accounted for 56% of meal-delivery sales in the U.S., according to data analytics firm Second Measure. Uber Eats along with Postmates made up 26%. Grubhub had 17% of the market.

A come-from-behind victory in the U.S. would be a satisfying addition to Groen's résumé; its highlights include repeated instances in which he's outmaneuvered rivals in European markets. The jackets and thermal food bags employed by his company's couriers—colored a bright orange emblematic of the Dutch royal family—are now ubiquitous across the continent. He



declined to be interviewed for this article.

Groen started his company as a 21-year-old college student, inspired by seeing classmates promoting their companies in Dutch media, according to a 2009 interview he gave to the Dutch business publication *Emerce*. He settled on meal delivery after unsuccessfully trying to order Chinese food online for a family gathering in 1999. Six months later, Groen paid €50 to register a website and started programming in his dorm room. He eventually dropped out of school to pursue the project full time.

It was slow going in the beginning. "I had to beg the first 700 restaurants to be on my website," Groen said at a conference in 2016. He subsidized his core business by having his team of programmers build websites for telecommunications companies. As Takeaway's site gained traction, he opened an office and hired customer service agents to call restaurants and check if they'd received orders, freeing him to dress up and drive around the Netherlands—a country slightly bigger than New Jersey—signing up restaurants.

Over the next several years, Groen's business began posing an increasingly stiff challenge to Just Eat, a much larger British company that was dominant in many European markets. Just Eat had been used to steamrolling rivals, but it met its match with Takeaway in the Netherlands. "It was difficult for us because of him," says Adrian Blair, CEO of digital accounting platform Dext, who was Just Eat's chief operating officer at the time.

Groen's recipe for success involved spending heavily and playing rough. One former Takeaway employee remembers repeatedly clicking away at Just Eat's Google banner ads until they had exhausted its small budget for pay-per-click marketing, causing the ads to disappear. Groen's staff also removed Just Eat stickers from restaurant windows—while using a special glue to keep their rival from doing the same to theirs, according to Blair.

In 2016, Takeaway and Just Eat declared a truce. Takeaway acquired Just Eat's operations in the Netherlands and Belgium, while Just Eat took Takeaway's brand in the U.K. Groen then poured the profits from his Dutch operation into expansion in Germany, squeezing local leader Delivery Hero until it agreed to sell its brands in the country to Takeaway in 2018. The following year, Takeaway took over Just Eat entirely, an expensive deal that turned Groen's company into a major global player.

The merger with Just Eat was approved in April 2020. When it announced the Grubhub acquisition

two months later, Takeaway became the largest food delivery network outside of China—and Groen had the daunting task of integrating two large operations almost simultaneously.

The U.S. comes with distinct challenges. Some cities have passed caps on the fees companies can charge restaurants, which could further complicate their attempts to reach profitability. Even more attention has been paid to the practice of delivery companies classifying workers as independent contractors, deploying them via smartphone app and describing them as mini entrepreneurs rather than employees. The controversial labor model was effectively blessed in California last year through Proposition 22, a public referendum that classified gig workers as independent contractors while allowing them to access some benefits, but legal wrangling continues over how such workers are classified in the rest of the U.S.

In Europe, Groen employs his drivers directly. He's publicly questioned whether competitors that don't do so are breaching the law in Europe, which has been moving to a more restrictive approach on classifying workers as independent contractors. But Grubhub said in a public filing this month that classifying workers as employees would cause serious harm to its business.

Groen seemed to soften his stance on direct employment in the recent earnings call, saying his priority was to provide workers doing an inherently risky job with adequate insurance. In Europe, this has meant direct employment. But in the U.S. "there's a different way of arranging that, and that's also fine for us," he said. "We're not per se in favor of the employment model. We're in favor of treating our staff decently."

In Europe, Groen was willing to use profits from one market to secure growth in another. He'll have to be willing to do the same in the U.S., according to JMP Securities analyst Ronald Josey. Despite Groen's argument that the economics are better if his company doesn't primarily handle deliveries directly, that approach may keep Grubhub from gaining on its American competitors.

Josey says Takeaway is going to have to spend to expand Grubhub's delivery force, no matter what legal framework it attempts to pursue while doing so. "You have to have that these days," he says. And with Grubhub lagging behind in such a competitive market, "the big question is going to be how much is Just Eat Takeaway willing to invest in the growth here." —Natalia Drozdiak

THE BOTTOM LINE Takeaway's acquisition of Grubhub puts the company in a powerful position in the U.S. food delivery industry, but it faces significant challenges.



● Groen

▼ Countries where Takeaway operates, select years

● Western Europe

● Other European countries

● Americas

● Other

2000



2007



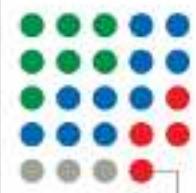
2014



2019



2021



U.S. deal is due to close in the first half of 2021

No Thanks, I Roll My Own

● Why Amazon and other big tech companies want to design their own chips

In the process of transforming itself from an online bookstore into a cloud computing giant, Amazon.com Inc. became one of the world's largest purchasers of the computer chips that power data centers. As its cloud business has expanded, the company has become increasingly fixated on designing its own chips instead of buying them. The shift could have potentially drastic implications for a critical aspect of the technology industry—and could prove threatening for traditional chipmakers such as Intel Corp. and Advanced Micro Devices Inc.

Amazon began signaling its intentions in 2015 when it acquired Annapurna Labs, a small Israeli chip designer. It's since become aggressive about developing chips specifically designed for Amazon Web Services' own data centers. "This work is foundational—when we improve the hardware, everything that runs on it improves," says Nafea Bshara, an Annapurna co-founder who's now an AWS vice president. Annapurna's staff has grown tenfold since the acquisition.

Smugmug Inc., an online photo service that uses AWS to show billions of photos to its users daily, says it's reduced its AWS costs by as much as 40% just by shifting to an AWS service that runs on Amazon's in-house chip, branded Graviton. AWS mostly still relies on Intel chips, but Amazon charges Smugmug 20% less for services utilizing its own hardware, and Smugmug can buy less computing power because Amazon's chips take 20% less time to run its tasks. "It results in a much lower bill for us without really having to do anything," says Smugmug Chief Executive Officer Don MacAskill.

Microsoft Corp. and Alphabet Inc.'s Google are also working on specialized chips. In part, the trend reflects how different the current crop of tech giants are from the data center operators of the past, which didn't have the resources to pour hundreds of millions of dollars into designing their own chips.

There's also a technical shift under way, ushered in by the rise of smartphones. While Intel and AMD were making chips for data centers that prioritized speed, mobile devices required processors that used

as little power as possible, so the things wouldn't die before the end of the day. As the demand for these devices skyrocketed, there was immense incentive to improve the low-power chips, which began closing the gap in performance with the muscle-car models for data center business.

Energy efficiency has become increasingly important. By 2025 data centers are expected to consume 15% of the world's electricity, up from about 2% last year, according to Applied Materials, the biggest maker of chip manufacturing equipment. Keeping power consumption down is becoming more important than the cost of the chips themselves for the data center owners.

The technology underlying low-power smartphone chips is made by Arm Ltd., a British semiconductor company that licenses it but doesn't make chips itself. Amazon and Microsoft use Arm as the basis for their internal chip designs. The Graviton chips were initially used only in specialized cases but have developed into arguably the first Arm-based chips to be a credible competitor to Intel's general-use data center offerings. "It's a renaissance in semiconductors," says Jon Bathgate, an investor at Colorado-based investment firm NZS Capital.

As Amazon, Google, and Microsoft compete for cloud computing customers, the specific virtues of their chips may become a selling point, says Smugmug's MacAskill. "It's going to get pretty interesting when these cloud providers begin to differentiate themselves even further."

None of these companies manufacture the new chips they design; they rely on the same international supply chain that's been showing strain during the coronavirus pandemic. If such a crunch continues, it will slow their progress and eat into profits.

**"It's a
renaissance
in semi-
conductors"**



Then there's the pending acquisition of Arm by Nvidia Corp., itself a designer of chips used in some data centers. Nvidia has promised to maintain open access to Arm's technology and says it has no incentive to do otherwise. Some of Arm's customers have already expressed concerns to regulators considering whether to approve the deal. These complaints are private, but Bloomberg News has reported that Google, Microsoft, and Qualcomm are among the companies that have made them.

The surge in custom-made chips could further reduce the cost of advanced computing products

and spark innovations, which would be good for everyone. Or almost everyone. To stay ahead of the newcomers, Intel has been buying startups that make AI-specific chips while it dedicates massive resources to improving the efficiency of its cloud computing products and offers to design custom builds for its biggest customers. But NZS's Bathgate thinks it will struggle to stay ahead. "This is an existential problem for Intel," he says.

—*Ian King and Dina Bass*

THE BOTTOM LINE Amazon's Graviton chips now rival the performance of the Intel chips it's traditionally used for its data centers, marking a potential turning point in the industry.

Phones Are Out. Fish Farms Are In

● Huawei looks for alternatives after U.S. sanctions crush its phone business

Six months after the Trump administration cut off vital supplies of chips to Huawei Technologies Co.'s smartphone business, the Chinese telecommunications giant is accelerating its work on a series of far-flung alternatives to fill the gap.

Among its newest customers is a fish farm in eastern China that's twice the size of New York's Central Park. The farm is covered with tens of thousands of solar panels outfitted with Huawei's inverters, shielding the fish from excessive sunlight while also generating power. In coal-rich Shanxi province, the company's wireless sensors and underground cameras monitor oxygen levels and potential machine malfunctions in mine pits. And next month, a new electric car featuring its lidar sensor will make its debut at China's largest auto show.

Huawei has been pursuing business beyond telecommunications gear and smartphones for years, but the efforts took on new urgency after phone shipments tumbled 42% in the final three months of 2020, largely because of a Trump-era order that deprived it of advanced semiconductors needed to make the devices. The Biden administration has shown no inclination to ease the pressure on Huawei, and the company isn't expecting that to change, according to Ren Zhengfei, Huawei's founder.

To meet the increasing demand for semiconductors, local suppliers are squeezing better

performance from technologies Washington hasn't banned, according to a person with knowledge of the situation, who declined to be identified discussing internal matters. Huawei's businesses in solar inverters and cars require less sophisticated chips that can partly be sourced from Chinese and European suppliers, according to two people familiar with the matter.

Huawei has worked with several manufacturers to test its autonomous-driving and driver-car-interaction technologies. Its entertainment features can be found in Mercedes-Benz sedans, and the company has teamed with domestic electric automobile makers to develop smart-car systems. The Arcfox S HBT, the first model under its partnership with Chinese EV maker BAIC BluePark New Energy Technology Co., will be unveiled at Auto Shanghai 2021 in April.

Another initiative, dubbed 5GtoB, involves Huawei working with companies from industries including health care and airplane manufacturing to adopt 5G technologies. The company has helped China build the world's largest 5G network, supplying more than half of the 720,000 base stations operating across the nation.

While Huawei is betting that inverters, electronic mining technology, and smart-car software may compensate for the decline of smartphones, its longer-term future—and its ability to continue powering China's 5G rollout—remains cloudy. For now, the company has told its wireless customers it has enough communications chips to support base station construction in 2021. But it's unclear how long those reserves can last and what options Huawei has once they're eventually depleted.

—*Bloomberg News*

● Decline in smartphone shipments for Huawei in the last three months of 2020

42%

THE BOTTOM LINE Huawei thinks it can replace lost revenue from smartphones with new businesses that don't rely on the tech the U.S. has succeeded in keeping out of its hands.

3

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Wall Street's Biggest Blunder

- Citigroup accidentally sent hundreds of millions of dollars to firms that won't return it

Fat-finger errors can happen at even the biggest financial companies. There was the time, three years ago, when Deutsche Bank sent €28 billion (\$33 billion)—more than its entire market value—to one of its outside accounts. Such mishaps typically result in major embarrassment, but are quickly reversed.

Then there's the latest saga involving Citigroup Inc., where a human error forced it into a showdown with some of its most aggressive clients. The bank mistakenly paid almost \$900 million to creditors of troubled lipstick maker Revlon Inc., the crown jewel of billionaire Ronald Perelman's business empire. The error has forced Citigroup to restate fourth-quarter earnings and do a good deal of explaining in front of regulators. And the bank could ultimately be out more than \$500 million.

Citigroup's fight to recoup the funds also laid bare the vitriol and resentment that's built up in the credit market, where institutional investors provide funding to companies, with banks acting as middlemen, and contract disputes are part of the game. In this case, some funds got money they felt they were owed by Revlon and decided to hang onto it—even though it was Citigroup's money, not Revlon's.

None of those ramifications were apparent to the three back-office employees at the origin of the wayward transfer. On a Tuesday evening last August, two Citigroup contractors based in India and one of

the bank's own senior managers in Delaware were preparing to process a \$7.8 million interest payment on a Revlon loan.

As one of the largest arrangers of corporate loans, Citigroup had distributed hundreds of interest payments to third-party lenders in the past. It's a clerical role that doesn't generate meaningful fees for the bank but typically paves the way to future deals.

A quirk made the Revlon transaction less routine. One of the investment firms that owned a portion of the loan had agreed to exchange its stake for a chunk of a different Revlon loan and needed to be paid interest that had accrued up to that point. It wasn't a maneuver that Citigroup's systems were designed to handle, but the bank had a workaround. It involved moving the principal of the loan temporarily into one of the bank's own accounts and then recreating the loan to reflect that the creditor would no longer own a piece of it.

What the employees didn't realize that Tuesday evening was that by failing to check two boxes in the byzantine software Citigroup uses to execute payments, they'd authorized the entire principal on the loan—about \$894 million—to be paid to the creditors with the bank's own money. Wire transfers of that size require the approval of three people, but no one handling the Revlon payment became aware of the mistake until hours after it had been distributed. "Bad news," the Citigroup manager in Delaware wrote in a Skype chat to his superior the next morning. "Principal out the door when it was supposed to be sent to wash for Revlon structure."

To make matters worse, the money could hardly have ended up in more hostile hands. Several of the

's cooper

creditors that had received the payments—including Brigade Capital Management, HPS Investment Partners, and Symphony Asset Management—had been embroiled in a bitter fight with Revlon and Citigroup over debt deals Revlon had made to improve its financial position and stave off a default.

Brigade, HPS, and Symphony had accused Revlon of violating the terms of its loan agreement by pledging some of its intellectual property, including trademarks, as collateral for new debt. In the eyes of these funds, this put some of Revlon's most valuable property out of their reach in the event of a bankruptcy. The investors also had made little secret of their antipathy for Citigroup, which they faulted for facilitating the move and for helping Revlon secure a new credit line from a lender sympathetic to Revlon management that would side with the company in disputes among creditors.

Once a mainstay of beauty aisles, Revlon had struggled to remain relevant in an era dominated by smaller companies promoted by Instagram influencers. The loan Citigroup had just repaid in full had been trading at less than 30¢ on the dollar, reflecting the high probability of a default.

Surprise quickly gave way to mockery among Revlon creditors as news of the payment—and notices from Citigroup demanding the money be returned—started to hit their inboxes. “Downside of work from home,” a portfolio manager at HPS quipped in a chat message among HPS employees. “Maybe the dog hit the keyboard.”

“How was work today, honey?” the same person wrote, imagining both sides of a dinner table conversation. “It was OK, except I accidentally sent

\$900 million out to people who weren’t supposed to have it.”

Some creditors agreed to return the funds, allowing Citigroup to recoup about \$400 million. But in spite of numerous requests from the bank, HPS and almost a dozen other creditors refused to budge, arguing that they were entitled to keep the cash. “We were just paid money that we were owed by a borrower and an agent who were involved in a significant game of chess,” Scott Caraher, head of loans at Symphony Asset Management, told a U.S. District judge when Citigroup went to court to get the money.

The judge, Jesse Furman of the Southern District of New York, has sided with the creditors, arguing that there was no way for lenders to determine the funds had been wired by mistake. The content of chat messages written by the HPS and Citigroup employees, some of which took place on a platform operated by Bloomberg LP, which owns *Bloomberg Businessweek*, were disclosed as part of the court proceedings. Citigroup is appealing the decision and has asked that the court keep the money frozen while the dispute continues. In a statement, it said the firms had “mistakenly received a windfall.”

Months later the consequences are still being felt. Citigroup has burned bridges with the firms that have refused to return the money. It’s excluding them from new debt sales and has refused to help some of them package their corporate loans into securities for other investors to buy.

It’s not surprising that the dispute between Citigroup and the investment firms couldn’t be amicably resolved. Brawls among borrowers and investors got dirtier and uglier than ever during the pandemic, as cash-strapped companies teetered on the brink of restructuring. The increasingly complex nature of loan and bond agreements, which critics say are riddled with loopholes, has made debt investing more than a matter of yields and credit quality. It’s a fight for the legal upper hand.

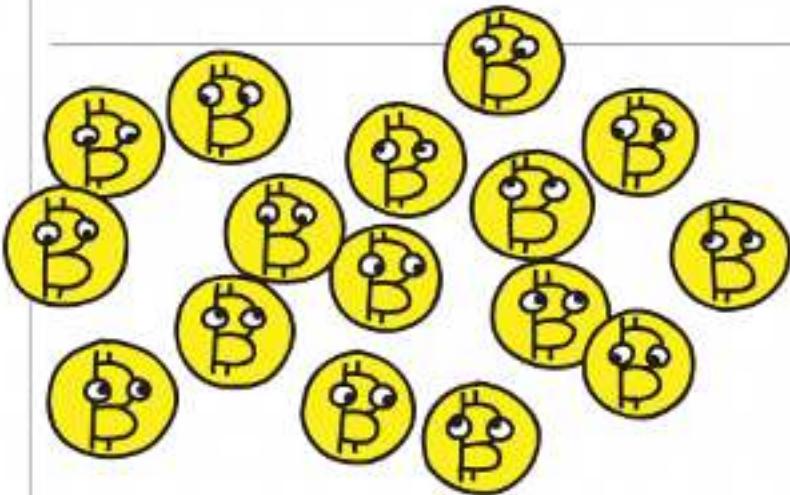
“We all know that these docs have really become Swiss cheese,” says Chad Valerio, a portfolio manager at Onex Credit Partners, which isn’t involved in the Revlon dispute. “When a company is backed up against the wall and when a sponsor is trying to figure out how to extend their option, or a creditor is trying to figure out how to get a better outcome for themselves, people are going to get really creative and do what they have to do.”

—Davide Scigliuzzo and Katherine Doherty, with Jenny Surane

“We were just paid money that we were owed”

Is Bitcoin Really An Inflation Bet?

- Cryptocurrency's history is too short to say if it provides protection against rising prices



Hardcore Bitcoin enthusiasts say the digital coin is the world's best hedge against rising consumer prices. The logic: Unlike U.S. dollars or any other normal currency, it's designed to have a limited supply, so it can't be devalued by a government or a central bank distributing too much of it.

Almost every bull case on Bitcoin has looked prescient lately—the cryptocurrency is trading at around \$56,000 a coin, up from about \$5,500 a year ago—so that's added some buzz to this inflation story. With the economic outlook perking up, Covid-19 cases falling, and greater amounts of fiscal stimulus on the horizon, investors in all kinds of assets seem to expect a bit of a rise in prices. But that's coming from a very modest base. Over the past year, the inflation rate in the U.S. has been 1.7%.

Then there's the question of whether the digital asset would really act as an effective hedge. It doesn't have a long enough history to establish that, says Cam Harvey, senior adviser to Research Affiliates and a professor of finance at Duke University. Theoretically, if investors come to regard it as similar to gold, Bitcoin might hold its value over a very long term—as in a century or more, Harvey says. In their research on gold, he and his colleagues have found that it's held its value well for millenniums. But they also found that it's prone to manias and crashes over shorter periods. (Gold, notably, is down 9% this year despite all the inflation talk.)

Bitcoin too has swung wildly in its short life for reasons barely connected to anyone's view on inflation. "What's going to happen to Bitcoin? It's really unclear," Harvey says. "The price is not just driven by the money-supply rule, it's driven by other

speculative forces. That's why it's multiple times more volatile than the stock market." It's conceivable that a bout of inflation could have the opposite of the expected effect on Bitcoin. If inflation induced a recession, investors might respond by stepping away from riskier assets such as cryptocurrencies.

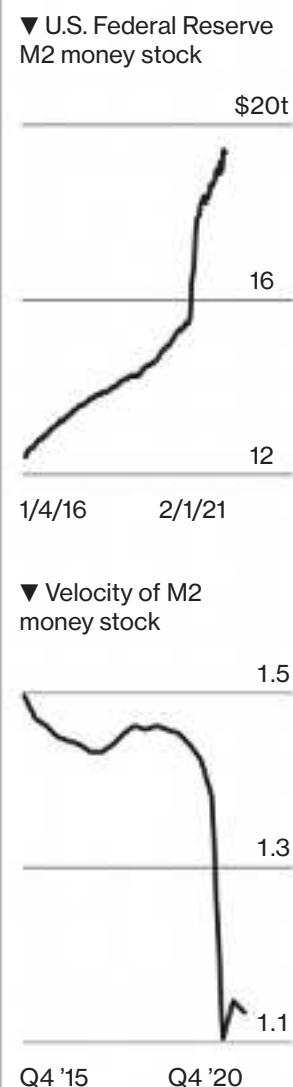
In recent weeks, when investors concerned about inflation pushed the 10-year Treasury yield from 1.34% to as high as 1.62%, Bitcoin suffered its worst drop in months. Crypto proponents argue that Bitcoin traders long ago anticipated bond yields would rise—and a subsequent spike in yields did roughly track with a bump in crypto. Still, Bitcoin's recent moves bear at least a passing resemblance to more straightforward speculative trades.

Bitcoin has received a stamp of approval from notable Wall Streeters, including veteran hedge fund manager Paul Tudor Jones, who say they like it as a store of wealth. "That is certainly an element that has driven investment by institutions, particularly in the wake of the ways in which policymakers have worked to jump-start the economy" after the Covid slowdown, says Michael Sonnenschein, chief executive officer at Grayscale Investments, which runs a fund that holds Bitcoin. "Certainly we have no shortage of global macro investors for whom adding Bitcoin has acted for them as a hedge for inflation."

Bitcoin's strongest advocates see its rising price as an early-warning sign that the traditional financial system is vulnerable, and argue that the cryptocurrency could rise further as investors look for a haven. Such arguments hinge on the idea that inflation won't just edge up with a growing economy, but could explode because of so-called money printing.

The Federal Reserve doesn't change the money supply by literally printing bills. However, a measure of the money in the financial system known as M2 has increased, thanks in part to accommodative policy. Fed Chairman Jerome Powell said in recent congressional testimony that the growth of the money supply no longer has important implications for the economic outlook. "We've had big growth of monetary aggregates at various times without inflation," he said. "So it's something we have to unlearn."

Jim Paulsen, chief investment strategist at the Leuthold Group, agrees. While there may be more money, its velocity—or the frequency with which money changes hands—has dropped off. That's a crucial factor because it shows money is being saved rather than spent, which keeps price pressures muted. But even if velocity turns higher, offsetting disinflationary forces could come into play, including an aging population and digital technology's propensity to push prices down. "Inflation is turning up a little bit, but I don't think that



● Wood

means that crypto is going to go nuts," Paulsen says.

Rising prices may well be a risk for investors. "The kindling wood for inflation exists," says Marc Chandler, chief market strategist at Bannockburn Global Forex. Yet Bitcoin's not tied to any other asset, such as oil or real estate or earnings from a business, that might naturally rise in value with prices, and it's also a bet on things besides inflation. One of Bitcoin's best-known bulls, Ark Investment Management founder Cathie Wood, said in a recent webinar that she's as concerned about the forces of deflation—or falling prices—as she is with inflation.

—Vildana Hajric

THE BOTTOM LINE Bitcoin is often compared to gold as a store of value, but, like the precious metal, it's prone to a lot of short-term volatility, which clouds the picture.

A Buzzkill for Japanese Retirees

- Despite harsh pot laws at home, Japan's state pension fund owns shares in weed growers

Even as much of the world embraces legal pot, Japan is sticking to its longstanding zero-tolerance policies. The country's ultra-harsh penalties for possession include prison terms as long as five years for the equivalent of a few joints, and in January the government floated a proposal to outlaw THC in the bloodstream, which could make it illegal to use weed during an overseas vacation. The national pension fund, meanwhile, is investing in the stuff.

Financial disclosures show Japan's Government Pension Investment Fund (GPIF) accumulated stakes totaling some \$80 million in at least three pot companies. With 1.7 million shares of Canopy Growth Corp., which trades on the Ontario stock exchange under the ticker WEED, the fund would be among the top 12 holders of the recreational marijuana dealer. Its shares in Cronos Group Inc., a Toronto company that owns pot brands such as Spinach and Happy Dance, are valued at about \$17 million. And the \$7 million stake it says it held in Aurora Cannabis Inc., which focuses on medical marijuana, would make it a top 10 shareholder. "It's a complete contradiction," says Michiko Kameishi, a criminal defense attorney in Osaka who's represented dozens of defendants in pot cases. "People's lives get ruined for this."

GPIF spokeswoman Nao Honda declined to say whether the fund still owns the stakes, which it reported in disclosures last summer. Even at \$80 million, the investments would be only about 0.005% of GPIF's \$1.6 trillion in assets. She says GPIF's rules bar it from direct purchases of shares and that the vast majority of the fund's stocks are bought via accounts intended to track equity indexes. "We are dedicated solely to ensuring long-term returns for our members," she says.

GPIF—the world's largest public pension fund—is confronting an issue faced by many managers of public money: How to ensure good returns while respecting the moral and legal principles of the community. State-managed funds in the Middle East, for instance, typically avoid investing in companies that specialize in activities such as gambling or selling alcohol or pork, but many hold shares—either directly or through other funds—in businesses that would violate a strict interpretation of Islamic law. The sovereign wealth fund of Norway, where recreational pot use is illegal, invested in Canopy and other pot companies but sold the shares after complaints from the Norwegian Narcotic Officers Association. And more than a dozen pension funds for U.S. states, including one for public schools in Texas, where even medical marijuana is illegal, hold stakes in a San Diego real estate fund that leases property to licensed cannabis growers.

It would be almost impossible to entirely avoid putting public money into companies that engage in activities that conflict with a society's values, says Meeta Kothare, an adjunct professor at the McCombs School of Business in Austin, Texas. Most pension funds hold shares in index funds, which invest in dozens or even hundreds of companies that can be involved in myriad businesses. And regulations often lag shifts in social mores, Kothare says. For her, a more important question is whether GPIF is taking too big a gamble with pensioners' money by investing in pot, a drug that remains illegal in most places. But she says many such funds have increasingly embraced risk because safer investments such as sovereign bonds no longer offer the returns needed to provide for retirement—especially in Japan, the country that the World Health Organization says has the world's longest life expectancy. "I do worry about how pension funds are getting riskier and riskier over time," she says. "That is the ethical issue." —Jason Clenfield, with Michael Arnold and Matthew Martin

THE BOTTOM LINE GPIF's 1.7 million shares of Canopy Growth, a recreational pot business trading under the ticker WEED, would make it one of the company's top shareholders.



ECONOMICS

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- Prime Minister Modi is dangling investment incentives in a drive to increase self-sufficiency

India's budget went paperless for the first time this year. That's because the pandemic rendered unsafe the traditional practice of locking away dozens of Finance Ministry staff inside a government printing plant to ensure none of the blueprint's secrets spilled out. Instead, Finance Minister Nirmala Sitharaman presented the spending plan to Parliament reading from a Samsung electronic tablet, which the media took pains to identify as "Made in India."

"Our manufacturing companies need to become an integral part of global supply chains, possess core competence and cutting-edge technology," said Sitharaman in her Feb. 1 address. Tucked into the government's spending plan for the coming fiscal year, which starts on April 1, is a \$28 billion program to persuade foreign manufacturers to set up operations in India. It offers cash incentives for meeting certain sales targets in industries including autos, electronics, and pharmaceuticals, aimed at luring investors from regional rivals such as China and Vietnam that have lower operating costs.

Part of Prime Minister Narendra Modi's "Self-Reliant India" drive, the program is expected to boost output by \$520 billion over five years, according to official projections. Credit Suisse sees it adding 1.7% to gross domestic product by 2027, while creating 2.8 million jobs.

It's tempting to see Self-Reliant India as a repackaged version of ambitions outlined repeatedly over past decades. The most recent was Modi's "Make in India" campaign. Unveiled in 2014, it aimed to bump up manufacturing's contribution to GDP

from 15% to 25% over five years. Instead, the share fell and now languishes at around 13%.

This time around there are some early signs of success. Amazon.com Inc. unveiled plans in February to set up a manufacturing line in Chennai to produce Fire TV streaming devices in partnership with an Indian subsidiary of Taiwanese electronics giant Foxconn Technology Group. And Apple said this month it will begin producing the iPhone 12 in India for local customers. "The relocating to India trend has already started to gain momentum," says Tanvee Gupta Jain, a Mumbai-based economist at UBS Securities. "This is a significant turn in India's manufacturing policy."

The Modi administration is courting other big-name foreign manufacturers, including Tesla Inc., which filed paperwork in January to register a business in India, fanning speculation that it plans to open a production line there. While the company hasn't commented on the rumors, Transport



Minister Nitin Gadkari has said the government is prepared to offer incentives to ensure that Tesla's cost of making electric vehicles in India would be less than in China.

In late February, Modi's cabinet approved earmarking \$1 billion of the larger incentives package for a program geared at expanding domestic production of tablets, laptops, and computers, which hasn't kept up with surging demand. Imports of

► A Foxconn-owned plant in Tamil Nadu

INDIA

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laptops alone, mostly from China, have soared 42% in the past five years and are estimated to have reached almost \$5 billion in the current fiscal year, according to a report commissioned by the India Cellular & Electronics Association.

Under the new rules, companies will be eligible for cash payments equal to as much as 6% of the value of their sales, depending on how much they increase domestic production.

The story in India has long been that for every optimistic new entrant, there's a battle-scarred business looking for the door. Harley Davidson Inc. pulled out of India late last year, while Toyota Motor Corp. in September threatened to shelve expansion plans because of the high taxes India levies on new-vehicle purchases. What sends foreign companies fleeing is a combination of entrenched protectionist tendencies, complex regulations, and rickety infrastructure. India ranked 63rd among the 190 countries the World Bank surveyed in its latest *Doing Business* report. China came in at No. 31, and South Korea was No. 5. "The real problem in India is the unease of doing business," says Pranjal Bhandari, HSBC Holdings Plc.'s chief India economist.

Around the world, pandemic-induced shortages and supply chain disruptions have brought new urgency to government-led efforts to achieve greater self-sufficiency, whether in ventilators or semiconductors. China's latest five-year plan contemplates large increases in investment in areas such as integrated circuits and clean tech, while in the U.S. the Biden administration has urged Congress to appropriate funds for subsidies to spur the construction of new U.S. fabs.

India's efforts to nurture domestic supply chains have historically relied heavily on import tariffs, which are still the highest of any major economy in

Asia. By adding investment incentives to its arsenal, the government hopes to persuade more multinationals to open plants in the country. If the policy mix seems incongruous, it's because in today's India, economic priorities are often at odds with political realities. Modi must boost manufacturing to create the 10 million new jobs a year the country needs to accommodate its growing workforce as well as curb yawning trade deficits, especially with China. But he also has to cater to the small and mid-size enterprises that make up his ruling Bharatiya Janata Party's base, and they've become accustomed to being shielded from foreign competition.

This clash makes it tough to tell whether Self-Reliant India will succeed where initiatives of years past failed. India is the world's second-most populous country, which should be incentive enough for foreign businesses. Modi's sweeteners may compel more of them to take the plunge.

—Vrishti Beniwal and Anirban Nag

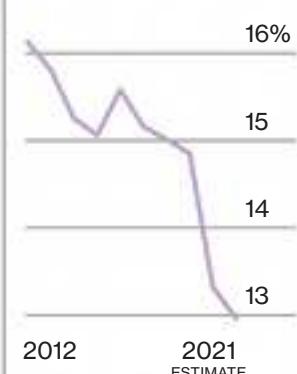
THE BOTTOM LINE The Indian government has authorized \$28 billion for cash payments and other perks for companies that ramp up domestic manufacturing.

The Last Gasp Of the Call Center

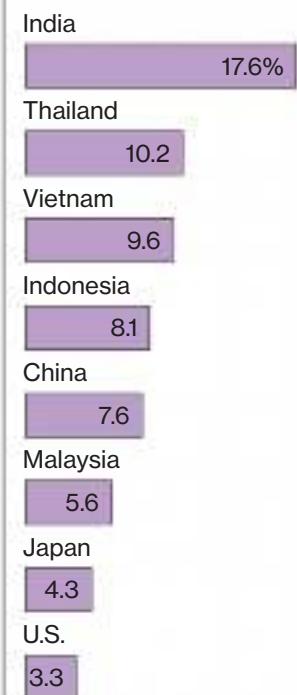
- Artificial intelligence and chatbots are increasingly replacing human operators

The coronavirus pandemic has been tough on the global call-center industry, and nowhere more than in the Philippines, the world leader in the field. Hundreds of thousands of employees in the former U.S. colony field queries from the other side of the planet, and for the past year many of them have ►

▼ Manufacturing as share of India's GDP, by fiscal year



▼ Average applied tariff



had to work alone from home through the night, grappling with frequent electricity outages, isolation from friends, and the snores of parents, partners, siblings, or children crammed into tight quarters. What comes after Covid-19 is likely to be even worse.

The lockdowns of the past year have accelerated the shift to greater automation in responding to inquiries to lenders, insurers, and telecom operators. Callers looking for assistance with a bill or bank statement increasingly communicate with artificial-intelligence-powered bots. And when they do connect with a human, it's more frequently in a chat window with someone who's engaged in multiple conversations at once.

Before the outbreak, clients used chat and AI bots less than 10% of the time, but that's climbed to almost 25% and could reach 35% by yearend, says Mike Small, the executive responsible for U.S. and Canadian corporate clients for Miami's Sitel Group, an operator of call centers with more than 20% of its 100,000 employees in the Philippines. "Because of Covid, plans that would have taken four to five years to implement were implemented in months," says Small, who hasn't increased staffing since 2019.

The shift away from voice operators threatens many of the 1.3 million people employed by outsourcing shops in the Philippines, about half of them call-center operators. As companies have taken advantage of the country's low wages, cultural affinity with the U.S., and widespread English fluency, the sector has grown to account for 9% of gross domestic product, according to Oxford Business Group, generating \$26 billion in revenue in 2019.

The threat is building as AI enables bots to be as efficient—and empathetic—as humans for many basic transactions. The Asian Development Bank predicts that by 2030 AI and similar technologies could displace 286,000 workers, or almost a quarter of the people in the Philippine outsourcing industry today, though the bank says productivity gains may create other jobs. The country's IT and Business Process Association expects the sector to employ just 1.4 million next year, down from the 1.6 million it forecast before the pandemic. "We are alarmed," says Mylene Cabalona, president of BPO Industry Employees' Network, a union for call-center workers. "This will lead to massive displacement."

Some local industry executives insist the situation isn't as dire as many predict. AI is a long way from replacing humans for more complicated voice calls or chats, says Jonathan De Luzuriaga, president of the Philippine Software Industry Association. He predicts that companies fearing a slow payoff from expensive technologies will continue to stick with the cheap labor readily available in countries such



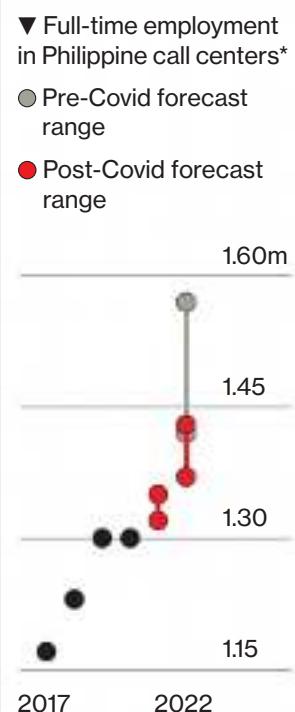
▲ At a Sitel Group call center in Metro Manila

as the Philippines. "The chatbot is at the bottom of the rung," he says. "The high-level, industry-killer type of engagement—it's not going to happen yet."

And creating and perfecting those systems requires workers, says Arthur Nowak, head of the Philippines for TTEC Holdings, an outsourcing shop based in Englewood, Colo., with about 20,000 employees in the archipelago. True, up to 40% of simple transactions can be automated by implementing the latest technology, he says, and fine-tuning can increase that by 5% or more annually. But that's shifting the focus of many TTEC workers in the Philippines to keeping the bots running smoothly. "Part of the job now is not only to answer customer inquiries, but also to work with teams on identifying areas where the customer experience is inhibited by digital gaps," says Nowak, whose head count has been flat in the past year, vs. the 3% to 5% growth he typically sees.

To meet the evolving needs of the industry, the government in Manila is stepping up efforts to retrain workers at risk of being bounced by bots and shift the focus to more sophisticated areas of business process outsourcing, or BPO. President Rodrigo Duterte is increasing scholarships for science and technology education and wants to offer tax incentives to outsourcing companies that focus on non-voice services less at risk of automation, such as health-care information management and game development. The programs "will enable the creation of a Filipino workforce that is better able to adapt to the disruption brought by increased automation," says Acting Economic Planning Secretary Karl Chua. "There is potential for the Philippines to transition from a BPO services hub to a big data-processing and analytics hub." —*Bruce Einhorn, Siegfried Alegado, and Ditas B. Lopez*

THE BOTTOM LINE AI and similar technologies threaten 286,000 jobs, or almost a quarter of the workers, in the Philippine outsourcing industry, which accounts for 9% of the economy.



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Where the Housing Boom Never Ends

● Real estate dominates Canada's economy to an alarming degree

In December, Aaron Moore bought an unremarkable three-bedroom house in the Toronto suburb of Brampton and, after throwing on a fresh coat of paint and laying down new hardwood floors, put it right back on the market. He sold it this month for C\$810,000 (about \$651,000), a stunning 28% more than he paid.

Normally this kind of quick-buck speculation would be interpreted as a sign of a housing bubble. But Moore has been a professional house flipper in the Toronto area for more than a decade, during which a seemingly endless line of illustrious doomsayers have taken the other side of his bet on real estate, only to be proven wrong.

Mark Carney, then Canada's central bank governor, called the country's reliance on housing wealth "unsustainable" back in 2012. Then came the wave of U.S. financiers whose collective bet on a Canadian housing crash was nicknamed "The Great White Short." Among them was American investor Steve Eisman whose prescient call on the U.S. housing collapse earned him top billing in Michael Lewis's 2010 book *The Big Short*.

When Covid-19 hit, even Canada's own national housing agency seemed sure this was finally the end, predicting a dive in home values ranging from bad to catastrophic. Instead the market went on to another record year, and the housing agency's leader had to take to Twitter to say they'd gotten it wrong, shortly before being replaced.

Just because there's been no bust doesn't mean all is well. In Canada, the buying, selling, and building of homes takes up a larger share of the economy than it does in any other developed country. Spending on residential structures climbed to a record 9.3% of gross domestic product in the final quarter of 2020, which in the U.S. peaked at 6.7% during the housing boom. It also soaks up a larger share of investment capital than in any of Canada's peers. "We're spending a lot more keeping a roof over our heads than we are on machines and factories and AI," says Sal Guatieri, a senior economist with the Bank of Montreal. "That fundamentally is not healthy."

A dearth of housing supply combined with plunging interest rates—the average rate on a common fixed-rate mortgage was 1.97% at the

end of 2020—has propelled home prices to new heights, even with immigration falling. Data for February showed several communities around the country racking up year-on-year gains of 30% or more. Speculation may also be on the rise: In January 6% of all houses listed for sale in Toronto's suburbs had been bought in the previous 12 months, up from 4% a year earlier, according to brokerage Realosophy.



◀ This Toronto garage was listed at C\$729,000

All this is putting homeownership, once Canadians' surest path to middle-class stability, out of reach for many, exacerbating inequality. In a ranking compiled by urban-planning consultant Demographia, Vancouver was the second-least-affordable city in the world, trailing only Hong Kong. Toronto, where a detached garage recently listed for C\$729,000, was No. 5.

Policymakers from Prime Minister Justin Trudeau to Toronto Mayor John Tory have signaled they're considering new taxes in an effort to address the affordability problem. But Canada's long housing boom has survived policy tweaks before, from changes in down payment rules to taxes on foreign buying and ownership. In the end, those proved to be just speed bumps.

With housing inventory across the country at its lowest level on record and the Trudeau government ratcheting up immigration targets to make up for last year's lull, there's every reason to think the trend will continue. Says Moore, the house flipper: "It would take something crazy, like a communist government, for me to lose my faith in the Toronto market." —Ari Altstedter and Kevin Orland

"We're spending a lot more keeping a roof over our heads than we are on machines and factories and AI"

THE BOTTOM LINE Home prices in parts of Canada rose more than 30% in the year to February. Ultralow mortgage rates and a return to high levels of immigration will keep the trend going.

Work Shifting

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March 31, 2021

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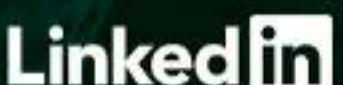
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● The ex-president's sudden return to politics sets up a 2022 clash with Bolsonaro

The battle for Brazil's top office is likely to be fought between two men whose careers were made—or were thought to have been ended—by the landmark anticorruption probe known as Operation Car Wash.

On March 10, former President Luiz Inácio Lula da Silva blasted the probe, declaring himself a “victim of the biggest judicial lie in 500 years” of the nation’s history, before taking aim at his chief rival and accusing current President Jair Bolsonaro of turning Brazil into a Covid and economic catastrophe. Lula refused to say whether he’ll seek the presidency next year. “That’s a discussion for the future,” he told reporters.

But he didn’t have to. Two days earlier a Supreme Court justice tossed out a pair of graft convictions that had put Lula, a leftist who was Brazil’s president from 2003 to 2010, behind bars and had permanently banned him from elective office. Now the growing consensus among investors, legal scholars, and even would-be opponents is that Lula is probably back to stay.

The decision is not final, and Bolsonaro’s hand-picked prosecutor general is already challenging it. But even the president recognizes that the appeal is unlikely to succeed and a 2022 matchup with Lula is a real possibility. Bolsonaro considers the leftist Workers’ Party as his main adversary in next year’s election, and he isn’t afraid of facing Lula, according to close adviser Onyx Lorenzoni. “Lula will suffer the biggest defeat in his life in 2022,” Lorenzoni said in an interview at the presidential palace.

After the ruling, the Brazilian real sank as investors guessed that the prospect of vying for voters against Lula would lead Bolsonaro, a hard-right populist, to set aside his promise to fix ailing public finances. They fear the candidates will pledge more spending in the middle of a protracted fiscal crisis.

In his address—his first public appearance since his convictions were annulled—Lula accused Bolsonaro of fueling one of the world’s worst Covid-19 outbreaks with a business-over-lives attitude. The normally mask-warey Bolsonaro appeared on television hours later with his face covered. “We have been and are tireless when it comes to combating the pandemic,” he said.

Early polls are mixed. (Officially the campaign kicks off in the second half of 2022.) But veteran politicians say that given the political weight of the

two men, there's now much less room for a third candidate, even though a lot of voters have reservations. "Both Bolsonaro and Lula have a strong electoral base, which indicates polarization," says Congressman and former House Speaker Rodrigo Maia. "At the same time, there is huge rejection of the Workers' Party and *bolsonarismo*." São Paulo Governor João Doria, once seen as a top contender, indicated he may no longer seek the presidency. "Polarization won't bring any benefit for Brazil," he said in an interview.

A onetime trade unionist, Lula held office in an era of relative plenty fueled by a commodity boom and expanding social programs. A subsequent economic slump and the graft charges have left a lasting stain on him and his long-ruling Workers' Party.

Lava Jato, or Car Wash, was born out of a 2014 inquiry into money laundering at a gas station in the capital, Brasília. Prosecutors unraveled a web of kickbacks and illegal contracts centering on state oil giant Petrobras, and ensnaring some of Latin America's most elite executives and leaders—including Lula. According to Brazil's prosecutor general's office, hundreds were arrested and more than 4.3 billion reais (\$770 million) in ill-gotten funds were recovered.

Bolsonaro may be hoping to sell himself as the clean candidate once again. Back in 2018, he was a political outsider who found an opening when Car Wash-related charges ended Lula's candidacy. But after years of jaw-dropping revelations about their leaders, analysts say, Brazilians have become jaded about corruption and are much more concerned about the pandemic. There are also many doubts about Bolsonaro's own graft-fighting bona fides. Perhaps most glaring is that he ended Car Wash, declaring last year there is "no more corruption" in Brazil's government. The office of the president declined to comment on its closure of Car Wash. Yet Geert Aalbers, a partner at Control Risks in Brazil, says there has been backsliding in anti-corruption enforcement since Bolsonaro took office.

One of the biggest doubts about the Car Wash probe is the fallen-star judge Sergio Moro, who spearheaded the operation. He became Bolsonaro's justice minister in 2019. A series of hacked phone messages published by the *Intercept* showed apparent coordination between Moro and the case prosecutor, casting doubt on his methods and motivations. (Moro later quit the administration and has denied wrongdoing.)

In the March 8 ruling that involved Lula, Supreme Court Justice Edson Fachin annulled two convictions of corruption and money laundering (and two pending cases) on the grounds they were tried in the

wrong jurisdiction. Other cases are pending. Still, it's very unlikely that the government could retry one of the nation's highest-profile cases and get two convictions before Election Day, and given statutes of limitations, 75-year-old Lula is likely to walk, says Michael Mohallem, a professor of law at the Getulio Vargas Foundation in Rio de Janeiro.

The bigger worry, legal experts and antigrant activists say, is that the Supreme Court will soon decide if Moro was a biased judge. The fear is that there would be grounds to do away with any conviction he ever obtained. It "could—and this is an extreme—undo a very large part in terms of convictions that Lava Jato achieved over the past six or seven years," Aalbers says. —Andrew Rosati and Simone Iglesias, with Marisa Wanzeller

THE BOTTOM LINE Brazil's Lula will likely be free to run for president again next year. The prospect of a Lula-Bolsonaro race may dissuade other contenders and is chilling investors.

◀ Lula speaks at a news conference on March 10

Australia's Politics Of Misogyny

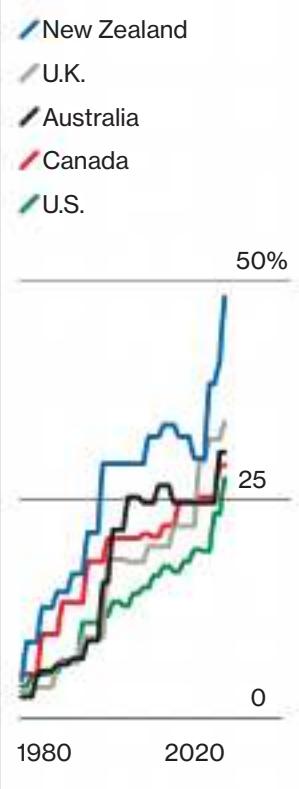
- Assault allegations inside Parliament lead to protests and calls for structural change

Thousands of women rallied in cities across Australia on March 15, angered by the government's handling of rape allegations inside Parliament. Gender equality advocates hope that the high-profile cases will prove a tipping point: It's been more than a decade since Australia's first and only female prime minister came to power, but there's been little progress on changing a political culture that is often described as toxic for women.

The strong public reaction to the cases shows "that conversation that has been building to a real national focus, and I do think it creates the environment for real change," says Kate Jenkins, the sex discrimination commissioner at the Australian Human Rights Commission.

The Australian government has ordered multiple investigations since Brittany Higgins, a former parliamentary staffer, went public last month with the allegation that she was raped by a colleague in 2019. Pressure is mounting on Prime Minister Scott Morrison to hold a separate inquiry into an allegation that Attorney General Christian Porter raped a woman he met at a school debating event ►

▼ Share of women in national legislatures (unicameral and lower houses)



more than 30 years ago. Police say they aren't pursuing that case because of a lack of admissible evidence, and Porter, who strongly maintains his innocence, has started a defamation lawsuit against the Australian Broadcasting Corporation over its reporting on the claim.

The problems associated with gender inequality reach well beyond the political sphere. By one estimate, workplace sexual harassment costs the Australian economy A\$3.5 billion (\$2.7 billion) a year, based on figures from Deloitte Access Economics for 2018. Yet, in politics in particular, equality has stalled.

Australia ranks above the world average in female parliamentary participation, at 31%, according to Inter-Parliamentary Union data, putting it ahead of Canada and the U.S. However, the country's success has slackened on that front; since 1999 its ranking has plunged from 15th to 50th. Meanwhile, the U.S. now has a record number of women serving in Congress. And there's more progress in Australia's private sector; women's representation on corporate boards hit 30% in 2019, following a yearslong push by pressure groups and pension funds.

Female politicians in Australia have long decried sexist behavior. Former Foreign Minister Julie Bishop said on her resignation in 2018 that women in Parliament put up with things that wouldn't be "tolerated in any other workplace across Australia." Julia Gillard, the first woman to serve as prime minister, famously stood up to then-opposition leader Tony Abbott in 2012 and called out his "misogyny," adding that she'd been offended by "cat-calling" to her inside Parliament.

Past attempts to address sexual discrimination, including through a code of conduct, have faltered, as have efforts to make lawmakers subject to the country's Sex Discrimination Act. That has left them neither protected from nor liable for sexual harassment. Another bid to make the law apply to public servants, including lawmakers and judges, will be heard in Parliament this month.

"We don't need more royal commissions, inquiries, and reviews," says Louise Chappell, director of the Australian Human Rights Institute at the University of New South Wales. "What we need is a code of conduct with strong sanctions that covers sexual harassment and gender disparities, and we need structural change."

Some remain pessimistic about the pace of change. Leonora Risse, an economist at RMIT University in Melbourne, says she doesn't see any signs that government leaders truly understand the nature of the problem and the ingrained factors that contribute to gender inequality. "If not this, then what will it take?" she says.

On March 15, Higgins, whose allegation lit the fuse of public outrage, made a surprise appearance at the protest against gender-based violence in Canberra. "We are here because it is unfathomable that we are still having to fight this same stale, tired fight," she told the sea of placard-waving protesters.

Organizer Janine Hendry noted that she rejected an offer to meet privately with the prime minister beforehand: "They have had enough advice about what to do," she said. —*Rebecca Jones*

THE BOTTOM LINE Sexism is a long-standing problem in Canberra, the capital. Activists and experts say reports and committees aren't enough: Those who abuse women must face consequences.

Britain's Courts Are At a Breaking Point

- Case backlogs have soared, and public defenders are underpaid and burned out



Alejandra Llorente Tascon dreamed of becoming a criminal lawyer for years. Now the 27-year-old struggles to see a future for many of Britain's public defenders. Based in London and self-employed (like most of the U.K.'s public defenders), Tascon says she generally earns less than the country's hourly minimum wage after accounting for preparation work and advising clients. "The more time goes on, the more I question whether it is something I can do long term," she says.

After the financial crisis a decade ago, Britain's liberal-conservative coalition government introduced austerity measures. Spending on publicly funded criminal legal defense declined by 35% (in real terms) from 2010 to 2020, according to Britain's

parliamentary library; spending on civil legal defense (for cases in areas such as housing and immigration) was also heavily hit. In recent years the government has also cut the number of “sitting days” for judges, leaving some courtrooms empty at certain periods.

Lawyers have launched campaigns and held demonstrations, warning the changes would damage Britain’s justice system and hinder the right to a fair and impartial trial.

Then came Covid-19. In March 2020, as the pandemic swept across Britain, the government stopped most jury trials and suspended hundreds of courts. When they reopened at reduced capacity, the coronavirus continued to affect trials, infecting judges, jurors, defendants, and lawyers—and fueling high backlogs of cases waiting to be heard. In the third quarter of 2020, the most recent period for which court statistics are available, there were more than 53,000 outstanding cases in England and Wales’s crown courts (which try more serious crimes)—a 44% increase from the previous year—and about 412,000 cases in lower-level (magistrates’) courts. Thomas Winsor, Britain’s chief policing inspector, told Parliament’s justice committee in January of his “grave concern” about the backlogs in a system already beset by delays, decaying buildings, and chronic underfunding.

Delayed trials mean more people waiting longer in jail before judgment and sentencing and potentially weaker evidence, in part because people’s memories may fade over time. Tascon says she has clients in detention still waiting for news about when they may be tried, while one of her cases is now scheduled for 2023. “There is absolutely nothing I can do if the court hasn’t got the judges or the room to hear the cases,” she says. “Our hands are really tied.”

By the time some of the outstanding trials take place, more criminal lawyers may have left their jobs. According to a December survey of self-employed barristers (who, like Tascon, argue cases in court) by the Bar Council, the organization that represents them, 61% said they’ve had to survive the pandemic on personal debt or savings, and 20% said they were unsure if they would renew their licenses to practice this year. The Bar Council has warned that the profession’s precariousness will particularly impact Black, Asian, and ethnic minority barristers and threaten the field’s diversity. In October the council noted that some junior barristers are earning less than £13,000 (\$18,000) annually pretax.

“The real danger of where we are now is that we will end up with a system far more like what you

see in the United States public defender system,” says David Lammy, who’s the justice spokesperson for Britain’s opposition Labour Party. Noting the regional disparities in the U.S. court system, he adds, “There are some exceptional jurisdictions with great public defenders, but the lion’s share of them just are not of the quality we’ve traditionally enjoyed in the U.K.” The risk, he says, is if there are fewer top criminal lawyers, the system will have to resort to “people who aren’t fully qualified to take [cases] forward and very junior lawyers.”

Lammy, a former barrister himself, is also the author of a major government review into racial and ethnic disparities in Britain’s criminal justice system. Published in 2017, it noted that “there is greater disproportionality in the number of Black people in prisons here [in England and Wales] than in the United States.” Poorly funded criminal defense risks exacerbating inequities; deprived communities, often including minorities, would be less likely to access high-quality representation.

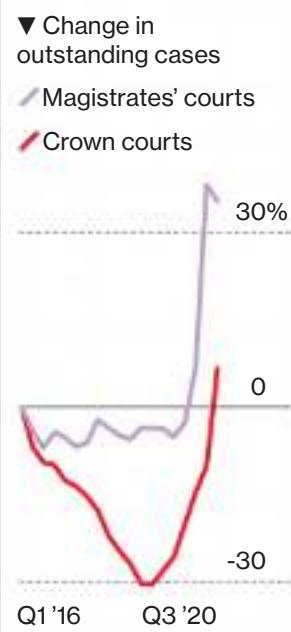
In recent months the government has opened more than 20 pop-up courtrooms in several unusual venues, including theaters, cathedrals, and hotels, to combat the backlog of cases. More so-called Nightingale courts are in the works; last summer the head of the country’s court service said 200 additional venues would be needed to clear the backlog. A justice ministry spokesman says that “legal professionals are being supported through this challenging time,” noting the government is investing £450 million to modernize courtrooms and improve technology. An independent inquiry into the future of criminal defense funding is also under way. The government announced last year it would boost annual funding for the public defense sector, and it plans to increase judges’ sitting days again.

But James Mulholland, chair of Britain’s Criminal Bar Association, says the government’s latest funding announcements are making little difference. Payment rates still remain “pretty much peanuts,” he says, and money isn’t filtering down to barristers, in part because fewer cases are being heard.

Kate Brunner, a senior barrister focusing on murder cases, hopes that the independent inquiry will lead to further investment—and that the government and public will recognize the scale of the problem in Britain’s courts. If not, she’s fearful that many of the brightest lawyers will avoid her line of work. This would mean darker days still for the country’s justice system. “We really are at a crisis point,” she says. —Josh Jacobs

THE BOTTOM LINE Covid has exacerbated the strain on Britain’s justice system from earlier funding cuts. Case slowdowns and low public-defender pay threaten the future of fair trials, lawyers warn.

“There is absolutely nothing I can do if the court hasn’t got the judges or the room to hear the cases”





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B-Schools Minecraft MBA

B-schools try virtual campuses and online competitions to emulate real-life networking

When Grégoire Gloriod joined the master's program at Neoma, a business school with sites in three French cities, he enjoyed the academics but found himself savoring the social aspect of campus life even more. He attended lectures and mixers, met people from all over the world, and did his share of partying. Then Covid-19 hit, and suddenly all that was left were the marketing, accounting, and other classes

on his computer screen. "The biggest miss is the moment between classes," says Gloriod, who graduates in 2023. "That's the point where you can meet classmates, drink coffee, and talk about life."

A key selling point of business schools is their ability to bring together students of various nationalities and backgrounds, who forge friendships in the hallways and lounges that ►

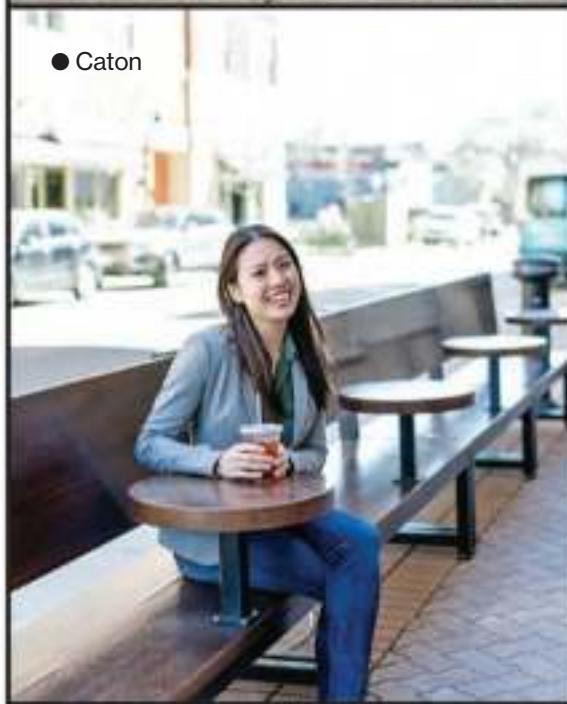


► pay dividends decades later. “The network is a close second, if not as important as the academic experience,” says Minya Nance, assistant dean for student experience strategy at Northwestern University’s Kellogg School of Management. But in an era of online learning, MBA students are struggling to make such connections—spurring schools everywhere to develop new avenues to those crucial relationships via virtual campuses, Slack channels, and Zoom roadshows.

Neoma has created a *Minecraft*-like world with 80 virtual rooms, lecture halls, and workspaces where students—or, rather, their avatars—can wander and engage in casual conversations, cooperate on projects, and debate the issues of the day. The polygonal representation of the campus, hosting activities such as language courses, concerts, and case-study contests, is redecorated regularly for Christmas, the Lunar New Year, and other seasonal events. The idea is to offer a break from the routine of back-to-back videoconferences, says Alain Goudey, Neoma’s chief digital officer, whose blocky avatar—decked out in a form-fitting black suit and with better-kempt hair than the real human—frequently ambles through the virtual world. “We provide the context for people to be together at the same time, in the same place, and do what happens on the real campus,” he says.

At Kellogg, students have taken matters into their own hands. Finding the Zoom-class experience lacking, Marilyn Caton, a member of the class of 2021, created DIY Kellogg, an informal Slack channel where students can chat about life outside the classroom. The channel has been used for everything from networking groups to trivia nights and cutest pet competitions. Several times last year, students took to Slack to play a weeklong mafia game in which they secretly colluded to decide whom to “kill off” each night until only one was left standing. Kellogg students also teamed up with 10 other schools for a virtual game show that raised \$55,000 for Doctors Without Borders. “We all place a premium on in-person experiences, and thinking about doing it virtually was tough to wrap our minds around,” Caton says.

Students at the University of Virginia’s Darden School of Business have organized online games of Jeopardy! to create a sense of cohesion. And though annual



fixtures such as the Darden Follies and Spring Soirees were canceled, the Darden Cup—a sporting competition among the school’s five sections—took place through the Strava fitness app. Students and staff logged a combined 10,496 miles of biking, running, hiking, and even playing rounds of golf. The events “take your mind off the many stressors of the MBA program by giving you a chance to have fun with your classmates,” says Nick Talbott, a Darden student who set up the Jeopardy! games.

Harvard Business School professors have started making time after online classes to chat informally with students or respond to their questions about assignments. But for Rashveena Rajaram, a member of the class of 2022, those sessions fell flat compared with the interactions she’d been expecting. So she and her friends created a virtual version of the school’s annual visit to venture capital companies on the West Coast, during which students can connect with tech companies and VC firms. In January, Rajaram and her peers organized a series of online meetings with Silicon Valley stalwarts such as Sequoia Capital and Accel, but they also included funds from Europe

and Asia—something the pre-Covid physical trek didn’t offer. “I wouldn’t be surprised if some components of the virtual trips stay,” Rajaram says, “especially when it comes to being able to expand our footprint.”

Harvard MBA candidate Grace An organized a smaller health-care-club trek in March, inviting employers to meet with current MBAs. The member of the class of 2022 says she appreciated the chance to engage in candid conversations with people from the companies and get insights into their aims for hiring, but she’ll have no regrets about a return to pre-pandemic life. Sure, online forums can help with contacts, and participants often get together for informal Zoom calls to shoot the breeze in much the same way they might offline. But she’s tired of relationships that rarely progress beyond texting, chat-rooms, and video meetings. Far more important “is the bonding and the dinners afterward,” she says. “Just giving someone a hug.” —Chris Stokel-Walker

THE BOTTOM LINE MBA candidates studying online struggle to make the connections that are a key part of the degree, so schools have sought to develop new avenues to those crucial relationships.

Making America Welcoming Again

In 2016 half of American MBA programs reported an increase in international students. The following year less than a third saw international applications climb as many foreign students, put off by the “America First” rhetoric of the new Trump administration, looked elsewhere. For the last four years there was “a perception that applying to business schools in the U.S. was a riskier proposition,” says Brigitte Madrian, dean of the Marriott School of Business at Brigham Young University, which saw a 60% increase in international students from 2011 to 2016 but ended the decade with fewer than it had in 2010.

The beneficiaries of this trend, of course, were non-U.S. programs. At Rotman School of Management in Toronto, the number of international students jumped 45% from 2015 to 2020. Essec, a B-school near Paris where 94% of MBA candidates are non-French, saw applications increase by half last year. International interest in European programs has been on the rise since 2017, and last year 74% of schools there reported global applications either climbed or stayed stable. “European and Canadian schools have benefited from people who otherwise would have gone to the U.S.,” says Virginie Fougea, director of admissions at Insead, which has campuses in France and Singapore.

Two months into the Biden administration, U.S. schools are cautiously optimistic that the tide will turn in their favor. Marriott saw a 117% increase in international applicants for the class of 2022. And NYU Stern says global interest was strong last year, with a third of that class holding non-U.S. passports. But Miami Herbert Business School says applications from China—a key component of the international student body for most programs—are about the same as last year. Chinese students “who would prefer to come to

Foreign applications to MBA programs fell during the Trump era. U.S. B-schools want those students back

the U.S. are hedging their bets by also applying to Canadian and U.K. schools,” says John Quelch, Herbert’s dean.

Non-U.S. programs, meanwhile, are trying to maintain the advantages they gained during the Trump administration. One big selling point is price: European schools cost \$40,000 to \$100,000 for the one-year programs typical there, vs. roughly \$150,000 for a two-year degree at a top U.S. school. “Although immigration and visa policies may have influenced candidates’ choice, we also noticed that cost had a great impact on the decision,” says Antonella Moretto, associate dean of MIP Politecnico di Milano, which charges about \$44,000 for a degree.

Biden is clearly less antagonistic than Trump, but many foreigners have lingering concerns about how welcoming Americans really are. That doubt has spurred non-U.S. schools to stress their open atmosphere and the multicultural makeup of the student body. At Oxford Saïd in England, for instance, less than 10% of students are from the U.K. That means that once on campus, “most people are in a minority, and that’s why they choose to come,” says Matthew Conisbee, the school’s MBA program director.

Many foreigners had long seen an MBA from an American school as a first step toward employment in the U.S., but Trump barred new H1-B visas, which allow skilled immigrants to work in the country. Biden has lifted some Trump-era immigration restrictions, but he hasn’t reversed the H-1B ban, which is set to expire on March 31. Meanwhile, Rotman has been highlighting Canada’s relatively lax visa policies, including the ease of getting a three-year postgraduate work permit.

B-schools rise and fall on the perceived value of a degree, the connections one makes while studying, and especially the employment prospects of graduates. Four classes of MBA students have now had ample incentive to explore Europe, Asia, and beyond, and many have found highly paid jobs outside the U.S.—proving that an American MBA isn’t required for success. That alone offers a good reason for non-U.S. schools to be optimistic, says Joseph Milner, vice dean of Rotman’s MBA program. “Students may have more options than under the last U.S. administration,” he says. “But many have learned about Rotman and see it, and Canada, as a good move.”
—Chris Stokel-Walker



THE BOTTOM LINE With American immigration policies easing again, B-schools elsewhere around the world are seeking to maintain the recruiting advantages they enjoyed under the former U.S. administration.

Stanford B-school Dean Jonathan Levin on the challenges of learning in a pandemic

Levin is an economist best known for his work on contracting relationships and the design of market rules. Education-finance reporter Janet Lorin caught up with him via Zoom to discuss the coronavirus, jobs, and the diversity initiative introduced last year by Stanford's Graduate School of Business, where he's been dean since 2016. Here's an edited version of their conversation.



Has your diversity push involved changes to the case studies you use to illustrate the issues business leaders face?

We set a goal that we would try to have all of the cases feature protagonists who in some broadly defined way expand diversity. In particular, we wanted to increase the number of cases with 100% minority protagonists. We got a lot of help from alumni, particularly our Black alumni, who helped us find interesting protagonists. About 19 are completed or in progress. Two years ago, about 1% of our cases featured Black protagonists. Next year it will be 6%.

What will the B-school look like a decade from now if your efforts are successful?

We want everyone who comes to the school to be exposed to a diverse community, a global community, of students and faculty, and to be in a place where there's all kinds of different experiences and perspectives and a strong sense of belonging. If the school does its job well over 10 years or 20 years or 30 years, what will be different is the pictures of corporate leaders in the U.S. and around the world.

What's your sense of the job market?

It's much, much better than last year. There's a robust pipeline of internships, and so far our

students seem to be having good success. But we're watching it carefully, because it's such an unusual time, with so many challenges. It's a little early to tell, but I'm hopeful that the opportunities for graduates will be quite rich this year. There's been so much disruption during the pandemic that, in a certain way, it's a great time to be starting out, because there are a lot of possibilities.

What have you and the faculty learned during the pandemic?

It's been the year of the most innovation in education in decades, maybe ever. Every faculty member has had to rethink the way they teach. Lectures are not that effective on Zoom, so many of



our faculty have done things like extensively using breakout rooms. But there are parts of the in-person educational experience that we just can't replicate: the serendipity of bumping into people on campus and talking after class—the people you meet in unplanned ways and the ideas that come up.

Will you keep anything from the way you've run things this year?

You can bring in guest speakers from China for 10 minutes instead of flying them over for a three-day trip to talk to a class. And business school has typically been an intense residential experience for a short period of time. With a virtual environment, you can start giving access before students come and after they leave. You can spread things out. We've already seen that in the last year in the types of events we can run for alumni.

Were students from other countries able to attend in person this year?

Last summer we offered all our international students the opportunity to defer the start of the program, because it was unclear whether they could get to campus. The great majority of them decided to come. We've continued to see strong applications internationally.

A black and white photograph of a young woman with long, dark hair styled in tight braids. She is wearing a light-colored t-shirt under a dark, plaid blazer. She is looking down at a piece of paper she is holding in her hands, which appear to be writing or drawing on it.

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One essential business



42

The U.S. government gave the tiny company that makes Covid swabs \$250 million to increase production. That doesn't mean the guys in charge stopped fighting

By *Olivia Carville*
Illustration by *Pete Sharp*

A year ago, on Friday, March 13, about 50 government officials and experts met for the first time to talk about a crucial problem: how to test more Americans to determine if they were infected with the novel coronavirus. Jared Kushner stopped by; Mike Pence made an appearance later that weekend. SARS-CoV-2 had spread to more than a hundred countries—Tom Hanks had been infected in Australia—and the death toll in the U.S. was expected to reach as high as 250,000. Offices, schools, and streets were emptying; stocks were plunging. The NBA had just suspended its season. It was the official start of the global pandemic.

Admiral Brett Giroir, then an assistant secretary for health at the Department of Health and Human Services, had been put in charge of testing, and he had plenty of concerns. But on that afternoon he was mostly concerned about one essential component of the testing process: swabs. Specifically, the particular 6-inch swab flexible enough to sweep the depths of the nasopharynx where the coronavirus replicates, the one now known as the brain tickler, and the only one approved for testing for such respiratory viruses. The U.S. had enough of them to conduct about 8,000 tests a day. That was short by

Two feuding cousins



three orders of magnitude—the U.S. needed to do millions of tests a day. Kushner told the admiral to secure a billion swabs however he could and then left.

“How many nasopharyngeal swabs are in the national stockpile?” Giroir asked the officials. None. “Does anyone know who manufactures them?” No. Giroir ordered an urgent market analysis of the industry. Some started Googling. Throughout the evening and into the morning, the group remained in the conference room next to his office on the seventh floor of the Hubert H. Humphrey Building, overlooking the Capitol. They drank Diet Coke, ate cold pizza, and called the chief executive officers of Thermo Fisher Scientific, BD, Henry Schein, and other medical suppliers to ask about their capacity to manufacture the swabs. One by one, the executives said they had no such capacity.

Giroir was in his office early Saturday afternoon when one of his staffers finally reported back: “Sir, I’m sorry to inform you what we initially thought were 10 to 15 swab producers are in fact only distributors.” Giroir was further told that only two companies in the world make the swabs: Copan Diagnostics Inc. in northern Italy, an area then being ravaged

by Covid-19, and a small, family-owned business in Maine called Puritan Medical Products Co. The swabs are highly specialized devices requiring precise manufacturing in proprietary machines to meet the strict regulatory requirements of hospitals. No other companies could quickly step in. “I had this sinking feeling, like my entire blood supply just went to my feet,” Giroir recalls.

He immediately arranged for C-17 Globemaster military transport planes to pick up an order for a half-million swabs from Copan before Italy closed its borders. Then he called Puritan. It was Saturday evening when Timothy Templet, the co-owner and executive vice president for global sales, saw a Washington, D.C., number flash across his cellphone. Giroir told Templet he needed about 100,000 nasopharyngeal swabs within a week. Templet told the admiral that wouldn’t be possible. Giroir asked him to reconsider. The next morning, Templet told him it would be possible.

Never before had Puritan, founded a century ago in the tiny town of Guilford, been more important. And never before had it been so dysfunctional. A yearslong feud between the two owners, Templet and his cousin John Cartwright, had ►

◀ left the business in a management crisis. Three weeks before Giroir's call, Templet had filed a lawsuit in Cumberland County Superior Court to dissolve their joint ownership of Puritan and its other business, Hardwood Products Co., which had started out making mint-flavored toothpicks, because of "major, longstanding and irreconcilable disagreements" between him and his cousin.

The rift had resulted in delayed investments to modernize manufacturing lines, stagnant wages for a dwindling workforce, and an outdated back-office information technology system. "The general partners' deadlock has created a dangerous situation, leaving the companies close to a point where something is going to break," the lawsuit read. "Cartwright and Templet no longer speak, no longer make joint decisions, and are essentially unable even to be in the same room together."

When Giroir heard about the lawsuit, he assumed Cartwright and Templet would set aside their animosities. He also knew what might happen if they didn't: The government would have to buy Puritan—or buy out one of the cousins—at an outrageous price. "Either they were a good, stable company, or we were going to do something to make it that way," he says. What the government did was invoke the Defense Production Act, invest a quarter of a billion dollars into Puritan to boost production tenfold, and hope that would make it a good, stable company, at least for the duration of the pandemic.

In the year since that first call, Puritan has retrofitted two idle plants in Pittsfield, Maine, and made plans to build one in Tennessee. Giroir estimates Puritan produced as much as 90% of the 195 million swabs the government bought through January, when he left with the Trump administration. (He's now an adviser to Gauss Surgical Inc., which makes rapid at-home Covid tests.) The company used to make about 20 million swabs a month. Soon it will be almost 300 million. Puritan and Hardwood had sales of about \$55 million a year in 2019. Government contracts will likely have doubled that. As protocols changed to emphasize rapid antigen testing, which requires 3-inch foam or polyester nasal swabs, Puritan's role only expanded. It makes those, too. "The world is still exquisitely dependent on Puritan," Giroir says.

Speaking on his cellphone while driving to one of the new factories back in June, Templet was happy to talk about Puritan's success. "Our employees have gone way beyond the call of duty for the company and the United States," he said. When it came to the lawsuit, he had less to say. "I'm not going to comment. It's personal. It's not your business, and Puritan is in a great position for America. Trust me." Later he wrote in an email: "Our families along with all our employees have

worked hard since March 2020 to provide swabs for Covid testing." He said that doing so is their first priority and also that he, Cartwright, and the company's senior managers meet regularly. He wouldn't discuss the company's finances over the past year. Cartwright declined to comment, instead referring to a previous statement from his lawyer: The family trust Cartwright represents does not "think the press or the public have any basis for asking to know the details of the differences between two cousins in how they run their company."

The fight between the owners over Puritan's fate continues in private courtroom sessions, according to previously sealed legal documents *Bloomberg Businessweek* obtained. Puritan now has three factories and soon a fourth, hundreds of new employees, and a dominant share of a multibillion-dollar industry. But the U.S. never developed a national testing strategy under President Trump. He tried to diminish its importance and discounted the data that was available. More

than 530,000 Americans have died from Covid-19, far more than in any other country. And in Guilford, those close to the cousins say their dispute over the future of the company is likely to become even more fraught now that Puritan is worth so much more.



A rare sighting of the cousins, Cartwright (left) and Templet, in October 2020, announcing expansion plans

Guilford, population 1,500, is about a two-hour drive north of Portland, divided by the Piscataquis River and surrounded by birch forest. Those woods made it an ideal location 100 years ago for Lloyd Cartwright to manufacture flavored toothpicks and later

other disposable products such as ice cream sticks, corn dog skewers, and tongue depressors. By 1950 his two sons, Joe and Edgar, and son-in-law Don Templet had taken over. The "three generals," as they were affectionately called, ran the company as equals. Former employees recall them often visiting the factory. They knew most of the workers by name, and often the names of their kids and dogs, too. In the 1960s, the generals made an aggressive push into the disposable medical products industry under the trade name Puritan.

Puritan manufactures more than 65 different types of swabs: for cleaning electronic devices, collecting blood samples at crime scenes, testing for strep throat and sexually transmitted diseases. Flocked nasopharyngeal swabs were one of its most niche products, typically used only if a patient was sick enough with a respiratory virus to be hospitalized. The medical community prefers them because the tiny fibers on the tip easily absorb viral particles and quickly release them for testing. They're more complex than they look. A swab has to be able to travel up the narrow shaft of the nose, through a passageway less than 4 millimeters wide, to an area roughly halfway between the ears. It has to be soft enough not to damage

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the nasal canal, yet sturdy enough to push through mucus and collect cells from the nasopharynx, where viruses grow.

Puritan's proprietary machines can produce about 2,000 flocked swabs a minute, employees say. First, an extruder pushes thin sticks out of a big vat of molten plastic, similar to the way a pasta maker squeezes out strands of spaghetti. Then the sticks are loaded into a vibrating container with a thin slot at the bottom that feeds them individually into the grooves of a conveyor belt chain. There an apparatus places a tiny dot of specialized adhesive on one end and then each tip is inserted into a box full of synthetic fibers. An electrostatic charge causes these fibers to stand on the tip of the stick, like a delicate pipe cleaner; every tip is measured within a few thousandths of an inch. A weighted razor blade scores an indent onto the stick, allowing clinicians to snap the tip off into a vial after extraction. Finally, the swabs are sanitized, heat-sealed between two layers of paper, and sent to distributors.

Before the pandemic, U.S. hospitals needed only about a million nasopharyngeal swabs a year. Puritan and Copan manufactured all of them; Copan, the bigger of the two, provided about 60% of those. Both companies have patented their swabs and repeatedly sued one another for design infringement. Rival manufacturers have had no interest in entering a static market for a relatively low-profit-margin product dominated by two litigious incumbents.

In 2005, when the generals retired and "the younger fellas took over," the easy relationship between management and the 500 or so workers ended, says Frank Conner, who spent four decades with the company. "The whole mill was a family operation. It seemed like you had a name, and then they just lost your name, and you got a number on your time clock." As older workers left and Guilford's population began to shrink, with younger people headed to college, Templet and Cartwright struggled to recruit. Puritan and Hardwood's factories are in the poorest county in Maine, with an average household income of about \$30,000 in 2018, according to Data USA. The company is one of the few options there for a steady income. For years the cousins have paid fully trained employees \$15 an hour, significantly higher than the state's \$12.15 minimum wage, and offered full benefits, including a 401(k) plan. But the mill's 10-hour shifts, which either start at 5 a.m. or end at 1:30 a.m., cramped social life, and the ban on cellphones on the factory floor scared off millennial hires and the college students who used to work there during the summers.

The company is important to Guilford in all the ways thriving companies are to small towns everywhere. It contributes to the local food pantry, donates playground equipment,



With government funding, Puritan retrofitted this plant in Pittsfield, Maine

offers scholarships to employees' children, and encourages staff to volunteer for the fire department by keeping them on the clock if they're called to help during work. "It's the bread and butter of Guilford," says William Thompson, who's served on the town board for more than 40 years.

Locals can still point out the three generals' former homes, white, wood-framed, clustered on the edge of town, and now used as company housing. Five family members still live in Guilford. The sour relationship between Cartwright and Templet is common knowledge, says Tom Goulette, Guilford's former town manager. When news of the lawsuit broke in Maine newspapers last February, few were surprised.

Some in Guilford say the feud started with a backyard fist-fight when the cousins were kids. Others say it began later, when their fathers passed away. Despite jointly running the company for two decades, the two have never been seen on the factory floor together, according to a dozen former

and current employees. Even family members can't recall when the cousins last spent time together. At Hardwood Products' 100th anniversary celebration picnic in Guilford in 2019, they avoided each other the entire day.

"I think the town is holding its breath as to what will happen next," Goulette says. "Everybody thinks that maybe with these multimillion-dollar grants that this is going to fix things. Maybe it's enough to make them say, 'Let's resolve our differences.'" He pauses a moment. "Dream on."

Early in their careers, Templet and Cartwright ventured beyond the family business. Templet worked as a salesman on the West Coast, and Cartwright as a contractor in Alaska. By the mid-'90s, they were both back in Maine and both in sales, Templet with Puritan and Cartwright with Hardwood. Jerry Noble was the general manager of the businesses at the time. "I was aware there could be conflict, even back then," he says. "The Cartwright family was primarily interested in the woodworking side, and Templet was primarily interested in the medical side. There were some underlying conflicts on what direction they wanted to take the company in." Noble says the dispute is a result of classic cousin rivalry. "If you do any research on businesses, when the third generation and cousins come along, that's when a lot of the problems start," he says. Studies show that 30% of family businesses survive through the second generation, but only 13% through the third.

Those close to Templet and Cartwright say it's not only their business priorities that clash. Cartwright is known as a methodical thinker, a frugal planner, and a sometimes distant boss. He also owns another business in Guilford with ►

◀ his wife, Stephanie, that supplies plastic knives, forks, and straws. He's become increasingly private as his fortune has grown. "Not many people know him now. That's John's personality," says Janie Lander, a former classmate. Cartwright and his wife built a sprawling estate, known locally as "John's big white mansion," at the end of a 320-foot driveway and next to the home he grew up in. He's one of only a few homeowners in Guilford to ban the local four-wheeler group from crossing his property.

Templet is more approachable, to a point. During his early dealings with the government, White House officials called him Mr. Templet, not Timothy—and definitely not Tim. Templet lives with his wife, Elise, in Cumberland, on the coast, and commutes two hours to Guilford. Relatives and associates say he considers himself a visionary. He's as stubborn as his cousin, more willing to spend money on the company, and more likely to stay in five-star hotels when he travels for work. He's also more comfortable in the role of company spokesman. Throughout the pandemic he's appeared on national television and radio. Relatives describe Templet and Cartwright as having a kind of tortoise-and-hare relationship: Cartwright moves slowly but with purpose, while Templet "will run for the sake of running, even if he doesn't know where he's going."

Former employees say conflict was inevitable as Hardwood and Puritan grew into completely separate businesses operating at different speeds and generating different profit margins. Alvin McDonald, who used to keep track of how much it cost to make all the products, says Hardwood's business was "nowhere near" as profitable as Puritan's. "The medical side was always interested in investing money in new equipment, because they had the resources available, whereas the Hardwood plant was on a tight budget," McDonald says. The summer before last, in an interview with the business journal *Mainebiz*, Templet said the connection between the companies could be frustrating: "They're linked by family, and that's all." The forests surrounding Guilford are great for Hardwood, but no longer necessary for Puritan, he said. And the town's remote location makes it harder to keep the factory fully staffed.

The growing tension turned into a full-blown corporate fight in the summer of 2018, according to the lawsuit Templet filed, which was shifted to Maine's Business & Consumer Docket. "The Partnership formerly held multiple meetings per year to approve budgets, salary increases, and capital expenditures. Cartwright walked out of the last meeting in May 2018 and no subsequent meetings have taken place," the document states. The pair disagreed on salary increases, capital investments, upgrading technology systems—pretty much everything. Michael Coombs, who spent two decades at Puritan, recalls how the rift would spill over onto the factory floor. Three years ago

computerized power bars were installed at Puritan, allowing machine operators to insert an ID key card rather than fill out paperwork at the start of every shift. Coombs, who was excited to use the new technology, remembers the power bars were "there one day and gone the next"—without explanation. The lawsuit refers to an incident where the company spent hundreds of thousands of dollars on a technology upgrade organized by Templet and abruptly terminated by Cartwright.

In 2019, Templet began seeking support among relatives for a potential sale of the company, according to people who didn't want to be named discussing private information. At one point he approved a buyout bid from an investment fund. Cartwright rejected it. Templet also sought an appraisal, hoping he could sell his stake in the company, but deemed the valuation too low. The Cartwright-Templet family partnership terminates in 2026, and the contract states that unless both sides agree to end it early, the partnership must remain in effect.

Templet had one other option. In Maine a court may end a limited partnership if it's impracticable to maintain. Templet asked the court to dissolve ownership of the company and supervise its sale—and, in the meantime, appoint the company's general manager, Terry Young, as its interim custodian, with the power to break deadlocks between the owners. Young had worked at Hardwood Products for 20 years, and for much of that time he'd been the go-between for Cartwright and Templet. A few weeks after Templet filed the suit, Young retired. When reached at his new home in Florida, he declined to comment.

It was Admiral Giroir who managed to bring Cartwright and Templet together, if only for a phone call. After Templet disclosed the lawsuit to White House officials, Giroir spoke with both cousins. He thanked them for their service and asked them to rise above their differences. "I remember tell-

ing them how critical they were," the admiral says. "I said they may not realize it now, but a lot of the pandemic response will depend on them. I said the country is counting on them." Rachael Baitel, the former deputy chief of staff at the U.S. International Development Finance Corporation and Puritan's point of contact, says the call lasted only a few minutes and Giroir was the only one who spoke. "He knew they needed a motivational speech of sorts," she says. "I don't think any of us realized how fundamental that call was in the scheme of Puritan's history." Templet seemed to agree. When he next spoke to Baitel, he said, "That was exactly what we needed to hear."

In April 2020 the Department of Defense announced it was investing \$75.5 million in Puritan to double its production of the foam-tipped swabs used for rapid antigen testing. The company renovated a dormant 95,000-square-foot factory in Pittsfield in eight weeks, with

Cartwright (left) and Templet in 1971



government contractor Bath Iron Works building proprietary swab-wrapping machines in a quarter of the time normally required. This facility is now making about 100 million swabs a month.

On June 4, former President Trump's motorcade pulled up outside the Puritan headquarters. He was the first sitting president ever to visit Guilford in an official capacity, and residents lined the streets. Trump spoke to a crowd that included the owners. It wasn't lost on employees that it was the first time many had seen Cartwright and Templet together. "Powered by the dedication of the men and women in this room, America has become the world leader in coronavirus testing," the president said. "And now Puritan is doing better than it's ever done, I guess by a factor of a lot, right?" Indeed, by a factor of a lot. One month later, Puritan received an additional \$51.2 million grant from the Cares Act and repurposed a second facility in Pittsfield to produce about 50 million flocked nasopharyngeal swabs a month. In November \$11.6 million in other funds arrived, and in January an additional \$110 million allowed Puritan to procure equipment to increase production of its foam-tipped swabs. The government is also likely to fund Puritan's fourth facility, in Tennessee, according to people familiar with the situation who didn't want to be named discussing private matters. The government made a modest investment in Copan, too. In September it provided \$10 million to help increase production of flock-tip swabs at a factory in Puerto Rico.

Nonetheless, Puritan almost has a monopoly on the market for Covid swabs in the U.S. now and is positioned to dominate a global medical swab industry that could be worth as much as \$4 billion by 2027. Even with vaccines, the virus won't disappear, variants will likely continue to emerge, and testing will still be important. For now, new competitors don't seem much of a threat. Experts did design injection-molded and 3D-printed testing swabs, but production is expensive, and clinicians are reluctant to switch to devices from new companies. A dental brush manufacturer in Wisconsin also started making flocked swabs last May and by September had produced 20 million. U.S. Cotton LLC—best known for its Q-tips—modified 7 of its 180 machines to switch from cotton, which interferes with Covid test results, to spun-polyester swabs. The company is producing about 80 million swabs a month for Covid testing, according to CEO John Nims, and plans to keep expanding to meet demand. But its machines aren't able to produce foam or flocked swabs, which the medical community still prefers. The rise of saliva-based testing could plausibly damp Puritan's sales growth, what with spitting into a tube or onto a strip of paper being considerably less uncomfortable than having a swab up your nose. But saliva tests have their limitations (e.g., leakage



Puritan is the biggest company in Guilford, but it struggled to recruit workers

in transit), and Puritan will continue to benefit from its lucrative agreement with the government.

A deadly pandemic, an extraordinary business opportunity, and a quarter of a billion dollars in federal funding haven't quelled the cousins' feud. Court records show they have fought over the location of the case. Cartwright sought to shift it to Piscataquis County, where he lives, but Templet demanded it remain in Cumberland County, where he lives. When *Businessweek* filed a motion to unseal the case file, they disagreed about that, too. Cartwright fought to block access, and Templet chose not to.

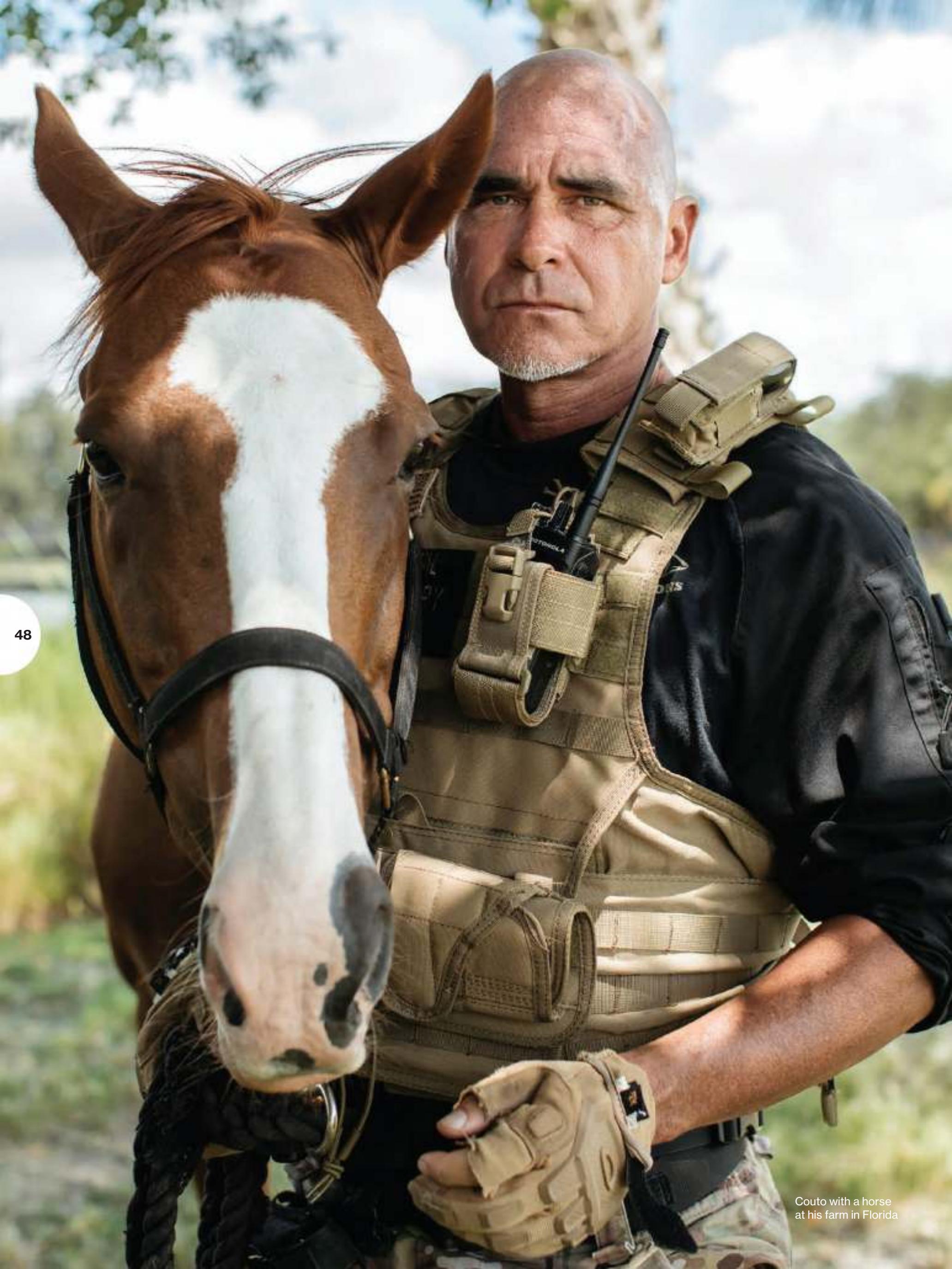
Last March, as the lockdown began, Templet wanted to expedite the case because of Puritan's crucial role in the

Covid response. Cartwright objected. In April, with infection rates rising, Cartwright filed a counterclaim that denied all of Templet's allegations, including that they were at an impasse, and asked the court to instead require Templet to sell his stake back to the company. Templet objected. Cartwright accused Templet of "secretly" seeking business opportunities and of filing the original complaint, and sending a subsequent press release, as part of a "smear campaign" against him. He alleges that Templet has wanted to sell the company, not save it: "Mr. Templet insists that everyone's interest in this family gift must be put up for sale because John Cartwright does not agree often enough with Mr. Templet and Mr. Templet could make more money by selling to a third party, to heck with everyone else in the family."

A document Templet filed in May suggests the pandemic had exacerbated the cousins' dispute: "The tremendous surge in demand for Puritan's swabs and the need for decisive decision-making to respond to that demand are among the primary factors that have caused ongoing and critical conflict between Cartwright and Templet."

In July, as the U.S. death toll surged past 150,000, Templet requested a temporary stay so the case didn't distract Puritan. Cartwright objected. His motion alleged that Templet wanted to delay so he could "goose the pandemic numbers," that is, the sales numbers. "Mr. Templet picked this fight and he should not be allowed to walk it back because it is going to cost him some time and money, and because he wants more time to see how the dust settles before deciding whether he is in or out of the family business."

A relative says the cousins are "tolerating" each other, communicating only when necessary. The judge stated, "They were able to set aside their differences—at least for now—in order to come to agreement on an extraordinary and presumably lucrative arrangement." The company remains busy; the case is on hold. And Templet and Cartwright are biding their time. **B**



Couto with a horse
at his farm in Florida

THE HORSE MEAT VIGILANTE

BY David Gauvey Herbert

PHOTOGRAPHS BY Rose Marie Cromwell

In a fetid Florida backwater, butchers operate black-market equine slaughterhouses. One man is determined to end the trade

You don't find the Dark Knight of Florida's animal-slaughter underworld. You put out a signal, and he finds you.

Last March, I flew to West Palm Beach, drove a rental car inland, and settled into a room at a chain hotel that Richard Couto had chosen for me. Then he texted me an address. The drive to his secret compound took me past orange groves, belching tractors, and homemade Trump billboards. Down a dirt road flanked by tall Australian pines, I reached a series of remote-control gates guarded by closed-circuit TV cameras and screaming eagle busts. A final fence slid open to reveal a sprawling 100-acre sanctuary. Cows, horses, and pigs grazed, rescued by Couto and his team from slaughter. I pulled up to the command center, open-air on one side, with white leather couches, standing desks, and Spanish tile. It was the Bat Cave, with a Sunshine State twist.

Couto is 50 years old, bald and powerfully built, with a white goatee. He wore tactical gear and carried a concealed handgun. Decade-old YouTube videos suggest that his voice had dropped an octave to the Christian Bale-ish growl with which he barked orders from his swivel chair. A massive black Ford F-350, with tinted windows and a dash camera, sat in the driveway. An outbuilding held a cache of pistols, tactical shotguns, and a 50-caliber rifle. In an evidence freezer a few feet away were slabs of illicit equine flesh, purchased undercover during a recent operation in Couto's longtime quest to take

down America's illegal horse meat market.

Horse meat is slightly sweeter than beef and rich in protein and omega-3 fatty acids. In many parts of the world, it's celebrated as a delicacy. You can eat horse tartare in Montreal, horse salami in Italy, and horse sashimi in Japan. But in the U.S., its consumption has been essentially banned since 2007, when Congress stopped funding plant inspections. For the curious American, sampling equine flesh usually means a plane trip.

But there is one place, closer to home, where the adventurous can find equine steak. In South Florida (really, where else?), only 20 minutes from South Beach, festers a hotbed of open-air abattoirs. Butchers make good money: Horse meat can start at \$7 a pound from a tired nag and increase to five times that from a racehorse, whose flesh some believe can cure impotence. They may source their meat from Craigslist, buying horses for a few hundred dollars or by falsely promising to give rescues a good home. When all else fails, the horse butchers become horse thieves.

"Who's killing horses in Central Florida?" the *Tampa Bay Times* asked last February, as a yearslong wave of horse thefts reached the middle of the state. Most horse owners file police reports and wait in the futile hope that justice will be served. Those who long for a more muscular response might turn to Couto, whose zeal for supersecret undercover operations is matched only by his love of publicity. It's a tension pointed out by

several prosecutors who have tried to work with him only to be burned by what they cast as a cavalier attitude toward evidentiary rules and trespassing laws. It's also made him a target for the butchers and thieves whose livelihoods he attacks. "The horse killers feel invincible," said Couto, whose baseline facial expression is that of a road-raging I-95 driver reaching for his tire iron. "And it's true."

When I met Couto that first time, he and four investigators—animal lovers who included an ex-cop and an erstwhile fruit picker—had been conducting an undercover operation at a notorious illegal slaughterhouse for 18 months, recording video evidence and making controlled meat buys. They'd documented everything they could. Now he needed the police to listen.

Over a decade ago, Couto was living in South Beach, earning good money flipping houses, utterly bored. He'd grown up in Newport, R.I., in a family of polo-and-khaki Republicans who saw "success as dollar signs, and that's it." Couto was different from a young age. He came home with frogs and mice in his pockets, and he graduated from a school for students with learning differences. He worked as a model in New York City, bombed out of several corporate jobs, and trained with an America's Cup team in San Diego.

In 2004, he moved to Miami, where he surfed, sailed, and finally won his father's approval. The housing market was booming, and Couto began flipping houses. ►

He moved into a home on North Bay Road. Hulk Hogan and Shakira were his neighbors. Life was good, but Couto felt empty. A friend hit him up for a donation to the Society for the Prevention of Cruelty to Animals, and he visited the charity's ranch outside Miami. His childhood love of animals was rekindled. Soon he was mucking horse stalls on weekend mornings.

In 2008, Couto was at the ranch when Laurie Waggoner, director of rescue operations for the South Florida SPCA, got a call from the police. They needed her help a few miles away, in the C-9 Basin, a rugged ecological buffer zone between the Everglades and the strip malls and condo developments of Miami-Dade County. (The C stands for "canal.") "Wanna ride with me and see what we actually do?" she asked. When they arrived, they found an illegal slaughterhouse. One of the hundreds of live animals at the site, a brown horse with a big white stripe running up its face, was tied to a tree. He was emaciated, with a broken leg and a skin infection known as rain rot. Couto decided to adopt him. Not long after, he found an ID number tattooed on the animal's upper lip, indicating it was a thoroughbred. He called the Jockey Club, a breed registry in Kentucky, and asked them to check the tattoo against its records. "It came back positive," an employee told him. "But there's gotta be a mistake."

The bedraggled horse, it turned out, was Freedom's Flight, descended from two famous grandpas: Secretariat and Seattle Slew. Three months earlier, Couto learned, Freedom's Flight had broken his leg coming out of the gate at Gulfstream Park racetrack. He somehow still finished third, but his career was over. He was passed around to different owners, gave pony rides in downtown Miami, and was finally sold for \$50 to the proprietor of the farm in the C-9 Basin. Couto had wandered into a fraught, and lucrative, underworld.

Since the beginning of recorded history, humans have been squabbling over whether horse meat is fit for consumption. Paintings dating back 30,000 years in France's Chauvet Cave show men hunting horses. The Book of Leviticus later banned horse meat for Jews, and in 732,

Pope Gregory followed suit for Christians, calling it an "impure and detestable" pagan meat.

During the French Revolution in the late 18th century, however, aristocrats' horses were slaughtered to feed the starving masses, and a culinary trend began. Americans remained aloof for some time, exalting horses for their role in the nation's early history, from Paul Revere to the Pony Express. As the financial value of horses declined and Europeans celebrated the meat, though, it entered the American food chain in fits and starts until, at the turn of the 20th century, horse was de rigueur. In 1905 the Harvard Faculty Club introduced horse steak to its menu. The Depression spread the popularity of horse meat, and it gained new fans when beef prices soared after World War II. In 1952 the Office of Price Stabilization introduced price controls on what had become a \$100 million horse meat industry.

And then, just as suddenly, perceptions changed again. The postwar economy took off, and beef prices plummeted. The 1961 film *The Misfits*, about cowboys who sell wild horses for slaughter, stirred outrage, and horses regained their status as noble and beloved pets. Domestic consumption cratered.

Exports remained big business for decades, though. In 1990 more than 344,000 American horses were slaughtered for the international market, according to the Humane Society of the United States. But equestrians lobbied to end the practice, arguing that humane killing was impossible, and in 2007, Congress defunded U.S. Department of Agriculture inspections of slaughter facilities. Horses started being exported in increasing numbers to Canada and Mexico to be killed. Last year, Canada's horse meat exports totaled C\$42.8 million (\$33.8 million), with roughly half going to Japan and most of the rest to Francophone Europe.

By the time Couto found Freedom's Flight in 2008, horse meat had been almost impossible to procure in the U.S. for several years. The primary exception was the world he'd stumbled into. In Cuba, horse meat is a staple food, on par with chicken in the U.S., and many émigrés still long for horse soup and horse steaks. Some like the

taste. Others say horse meat has medicinal purposes, including curing blood cancer and treating erectile dysfunction. Gina Milhet, a Cuban American equestrian, still mourns the killing of her horse Destiny by thieves in 2019, but even she subscribes to the theory. Several years ago, she insists, horse broth provided to her by a friend cleared up a staph infection. "The Cubans are the ones who believe!" she says, stressing the last word.

Distressed by what he'd seen at the farm in the C-9 Basin, Couto grabbed his dirt bike and took a handheld video camera into the area. Restaurants and plant nurseries sit at its fringes, but as you drive deeper, it becomes a riot of banana groves and shabby fences. Caged fighting roosters can be heard crowing behind tarps and corrugated metal. Couto began learning the area's peculiarities, like the way turkey vultures would circle in wide arcs overhead when horse butchering was most intense, then swoop down to feed on discarded intestines. He skulked around, shooting tape of dogs feeding on horse carcasses and incidents of animal cruelty: pigs boiled alive and vicious cockfights with shouting, drunken bettors. He researched property records and learned that few of the slaughterhouses he'd found were zoned for butchering. Many dated to the 1980s, when Cuban immigrants, many of them ex-convicts who came over during the Mariel boatlift, settled in the area and began producing illegal horse meat, mutton, pork, and beef. A local newspaper called the area "perhaps the closest thing in America to a Wild West outpost."

As Couto's horror increased, he grew more brazen. He stole a pig from a slaughterhouse and named it Oreo, eventually giving it to a close friend as a pet. Rescued goats destroyed furniture in his South Beach apartment. Waggoner started getting calls from police asking who this guy was and what he was up to. "Couto was pissing a lot of people off and making me uncomfortable," she says. He was telling people he was with the SPCA and lining up sources to snoop around slaughterhouses. When one of these spies was savagely beaten in the Florida Keys, Waggoner confronted Couto. "I kinda thought it

"He's a very sweet person, but for him it's 24/7"

put me at risk," she says. "I was out at my barn, by myself, in a very rural area at 10 or 11 o'clock at night." Undaunted, Couto resigned from the SPCA's board and started his own nonprofit, Animal Recovery Mission (ARM), funding it with his profits from house flipping.

In December 2009 he approached the Miami-Dade district attorney about his discoveries, which included dozens of butchered horse corpses. They agreed to take a look, and the tip ballooned into an investigation. On Jan. 12 the hammer dropped: Couto awoke to a 5 a.m. phone call from a local TV reporter who was in the C-9 Basin. "Get up and get out here," he told Couto. When Couto arrived, he saw officials from more than a dozen agencies pouring into the area. They issued 100-plus violations for illegal dumping and illegal slaughterhouses, broke up 17 cockfighting rings, and condemned more than 400 structures.

Four months later he and his allies scored another win: Governor Charlie Crist signed a law that made it a felony to mutilate or kill any horse or purchase horse meat for human consumption. The *Miami New Times*, a local alt-weekly, named Couto "best citizen," depicting him on their cover as a gun-wielding vigilante dressed in black leather.

Emboldened, Couto and ARM opened costly animal-cruelty investigations in other parts of Florida. But by late 2010 he was running out of money. He'd stopped visiting work sites, meeting architects, and picking out flooring. He ultimately closed his

real estate company, a decision he now regrets. If he'd spent a bit more time flipping homes, he says, "I could have self-funded forever." Instead he started writing grants. "I thought it'd be easy," he adds. It wasn't. He estimates that he spent roughly \$1.5 million of his own money on ARM.

Couto's investigations had also expanded to include Miami-area Santería churches that performed animal sacrifice rituals, prompting fresh blowback. "He has no authority to do what he's doing," said Oba Ernesto Pichardo, a prominent Santería priest, in a 2011 interview with the *Miami New Times*. "He's an extremist wearing guns, impersonating a law enforcement officer, raiding people's homes"—accusations Couto denies, save for legally arming himself for protection. Pichardo noted, correctly, that animal sacrifice was his constitutional right. His congregation, the Church of the Lukumi-Babalu Aye, had won a landmark 1993 U.S. Supreme Court ruling protecting the practice. Pichardo soon formed the nonprofit C-9 Family Farm Alliance and hired a lawyer.

The optics weren't great for Couto, a preppy bandit disrupting working-class immigrants' businesses. The ethnic boundaries of his fight to end illegal horse slaughter didn't break down neatly, though. He had support from a number of Cuban American equestrians, and his biggest media allies were Univision

Communications Inc. and Telemundo Group Inc., which gave the horse killings more airtime and outrage than English-language networks. But some white businessmen were eager to see the horse meat trade resume and had little patience for bleeding-heart fanatics such as Couto. ("Somebody's gonna do it," says a long-time broker who once shipped thousands of horses a year to Texas for slaughter.)

As Couto made enemies, he became paranoid. At one point Pichardo exhorted his followers over the radio to appeal to the deities—one of whom, he pointed out, was known for hurling thunder stones. Couto says he came home several times afterward to find odd trucks parked out front. He decided to get a concealed-carry permit. A follower of Pichardo later doxxed Couto and his sister, posting their addresses online. While buzzing around the C-9 Basin on investigations, Couto says, he fled gunfire more than 20 times.

He decided that to persuade police and prosecutors to pursue criminal cases he needed to recruit more operatives. At the beach he would paddle his surfboard out to Spanish-speaking surfers and offer them \$500 to make controlled undercover horse meat buys that he could present to police. He even recruited girlfriends. One of them, Claudia, who asked to be identified only by her first name for safety reasons, says she met him through friends. She knew straightaway that he was an animal ►

Outside a private property in the C-9 Basin



lover. He would often pull over to pick up stray dogs and take them to shelters, and he was sweet and relaxed with his own rescue dog, a German shepherd named Reef. When Couto and Claudia, who was born in Colombia, started dating in 2010, he asked her to drive him into the C-9 Basin and wait there while he traipsed around the brush filming. She was happy to help.

They soon began making buys together, with him wearing a wig and her wired with a hidden camera and handling the Spanish. Couto jokes that she'd hit him up for Jimmy Choo shoes after their missions, but Claudia remembers it differently. "It was emotionally draining," she says. On Claudia's last foray, Couto sent her and a

special. Donations grew. In 2013, Animal Recovery Mission brought in \$286,000. Within three years it would be cracking seven figures annually.

Couto's early investigations coincided with a recession-era increase in the number of abandoned horses, some of which were rescued only to have butchers either adopt them under false pretenses or steal them. As the economy rebounded, thieves also began targeting expensive show horses. In October 2015 famed equestrian Debbie Stephens arrived at her barn in Palmetto, Fla., to find that Phedras de Blondel, a prized show jumper worth roughly \$200,000, had been slaughtered,

breaking any laws and attributes the accusations against him to bruised egos in law enforcement.

Judy Arco, an assistant state attorney in Palm Beach County, says that in 2015, after she pleaded out three of eight defendants in a case Couto had worked on, his supporters bombarded her office with emails for weeks. "It was not a good experience," she recalls. Prosecuting illegal slaughterhouse and animal-cruelty cases can be tough under the best of circumstances. "I was surprised during jury selection how many people did not believe animal cruelty belonged in the criminal court system," Arco says.

Even Couto's staunchest allies in law enforcement sometimes tried to rein him in. "He's super intense," says Jason Pizzo, a state senator who worked on more than a half-dozen cases with Couto and ARM when he was an assistant state attorney in Miami-Dade. "I've gotta tell him to calm down a lot."

The South Florida slaughterhouses were back in force by January 2018, when a woman feeding stray dogs in the C-9 Basin spotted a Chihuahua gnawing on a severed horse leg. She called police, who eventually found body parts from at least 20 dead horses. Couto had by then been fighting the trade for a decade, but his marquee prosecutions and legislative wins were years past: He craved another takedown.

Toward the end of the year, at the tail end of the busy Christmas season for C-9 Basin butchers, an opportunity presented itself. A.J. Garcia, ARM's director of investigations, was making his rounds when he spotted a sign for fresh pork. He turned into a long driveway packed with cars and beer-drinking revelers. He could hear the screams of pigs. Garcia went in and purchased a live hog, the first move in what became Operation Genesis. He, Couto, and others visited the facility undercover again the next week to buy pork and cockfighting roosters. They recorded video of the proprietor, a middle-aged man, stabbing pigs, snorting cocaine, and selling guns.

What to do with this information was a problem, however. Couto's operation



Milhet at her farm with one of her horses

Venezuelan girlfriend in alone. As night fell, Claudia looked down and realized the battery light on her hidden camera was glowing through her shirt. The butchers hadn't noticed, but that was it for her. "He's a very sweet person, but for him it's 24/7," she says of Couto. Their relationship lasted only a year.

Officials were unhappy, too. Some sheriffs and prosecutors maintained that Couto was better at fanning outrage and generating local news coverage than at gathering usable evidence. On the other hand, those tactics were helping him build a profile and open up wallets. He even got some free surveillance and combat training, when someone from a private military contractor called him after he appeared on a TV

his flesh expertly sliced off and taken away. Sometimes an owner would find a filleted carcass nearby. Other times pets simply vanished into banana groves or the back of a horse trailer.

In at least four separate cases from 2011 to 2018, Couto worked with local law enforcement on undercover investigations that ended badly, with frustrated sheriffs, judges, and prosecutors accusing him of sensationalizing evidence, claiming police work as his own, or breaking surveillance laws. In 2016, for example, a Florida 11th Circuit judge threw out evidence collected by Couto, finding that his methods were unlawful. And in 2018 a Lee County sheriff made the same determination in another case. Couto denies

was flush; he'd collected \$2.6 million in donations in 2018, up from \$2.1 million the year before. But his tumultuous relationship with law enforcement in Florida had hit bottom, and his opponents were still targeting him. Months earlier someone had broken into ARM's remote compound and poured bleach into some vehicles' gas tanks, causing \$100,000 in damage.

In November 2019, Garcia returned to Florida from an undercover operation at a dairy farm in Indiana and drove out to the C-9 Basin slaughterhouse to make another controlled buy for Operation Genesis. This time he found it partially burned. The butcher was gone. When Garcia called the man, he said he'd left



Couto with horse meat recovered as evidence

off his wrist in between brutal killings of pigs and goats. Couto also produced bags of horse meat he said had been purchased from the man. Samples had been sent off for tests to establish their equine provenance. (I didn't check to see if lunch-meatless chicken sandwiches—was stored in the same fridge.)

Two days later we met in a Home Depot parking lot and headed out in Couto's massive pickup for the C-9 Basin. The butcher had been gone for months, but evidence of slaughter in the area wasn't hard to find. Couto pulled over on a back road, and attempted a demonstration he'd performed for other reporters in the past. He got out and charged into the brush, emerging with a sack heavy with...something. He sliced it open and out tumbled garbage. He went back in and found another. This time, desiccated horse vertebrae and ribs clattered out.

Then the pandemic descended on South Florida, and Operation Genesis went dark. Informants reported to Couto that the markets were still thriving and that the coronavirus was spreading through illegal slaughterhouses much as it was through legal ones. Couto enlisted an old ally, Pizzo, to lobby the state attorney for Miami-Dade for help prosecuting the butcher. Her office declined. A similar request to the commissioner of Florida's agriculture department went unanswered. Couto decided he had one last-ditch option left: make a final undercover buy, then call 911 and hope the responding officers make arrests.

By late November, Garcia had resigned. His daughter has respiratory issues, and he was concerned about potentially bringing the coronavirus home from an undercover operation. So Couto enlisted someone else to drive to Homestead and buy meat as his team hid behind a power station a 15-minute drive away. I was there, too, along with a crew from Local 10 News. At 4:15 p.m., the ARM operative returned in an unmarked SUV with two baby goats peering out the window; he'd told the butcher he needed some to sacrifice for a black-magic ceremony. He unloaded two trash bags containing the freshly skinned and gutted carcasses of a sheep and a pig. The goats bleated and chomped on hay,

happily undecapitated, as they got a lice check. All over the grounds, the operative said, were horses awaiting slaughter.

He and Couto called 911 on speaker-phone to report animal cruelty at the property. Then we formed a convoy and drove into a warren of unpaved roads, farms, and slaughterhouses. When police arrived, they were exasperated to find Couto on the scene. They refused to storm the lot, then threatened Couto himself, accusing him of illegal tactics. He pushed back against the claim, and before leaving the officers promised to review ARM's Operation Genesis report.

"This is such a clusterf---," Couto said once they'd departed. He was embarrassed and frustrated. The operation had cost roughly \$150,000 in salaries, hazard pay, veterinary care, undercover buys, and more. He'd been wrong to believe that the police would go in, he said. "Nothing ever seems to come of it."

A few days later, detectives would return to the property to find the slaughterhouse shut down, the animals and their butcher gone. Police representatives later told me they'd like to work with Couto in the future, if he'll follow wiretapping laws and other evidentiary rules. "There has to be structure," a spokesman says. "It's got to be done right."

That November evening, Couto headed home from the raid. He stopped for gas, his mind swirling with doubts about the future. But as he pumped fuel under fluorescent lights, he spotted a Hispanic man approaching. The stranger had something in his hand.

"Have you ever seen this name before?" the man asked Couto, passing him a shred of paper. "I know who you are and what you do. You're gonna want to look him up."

"Is he a horse killer?" Couto asked.

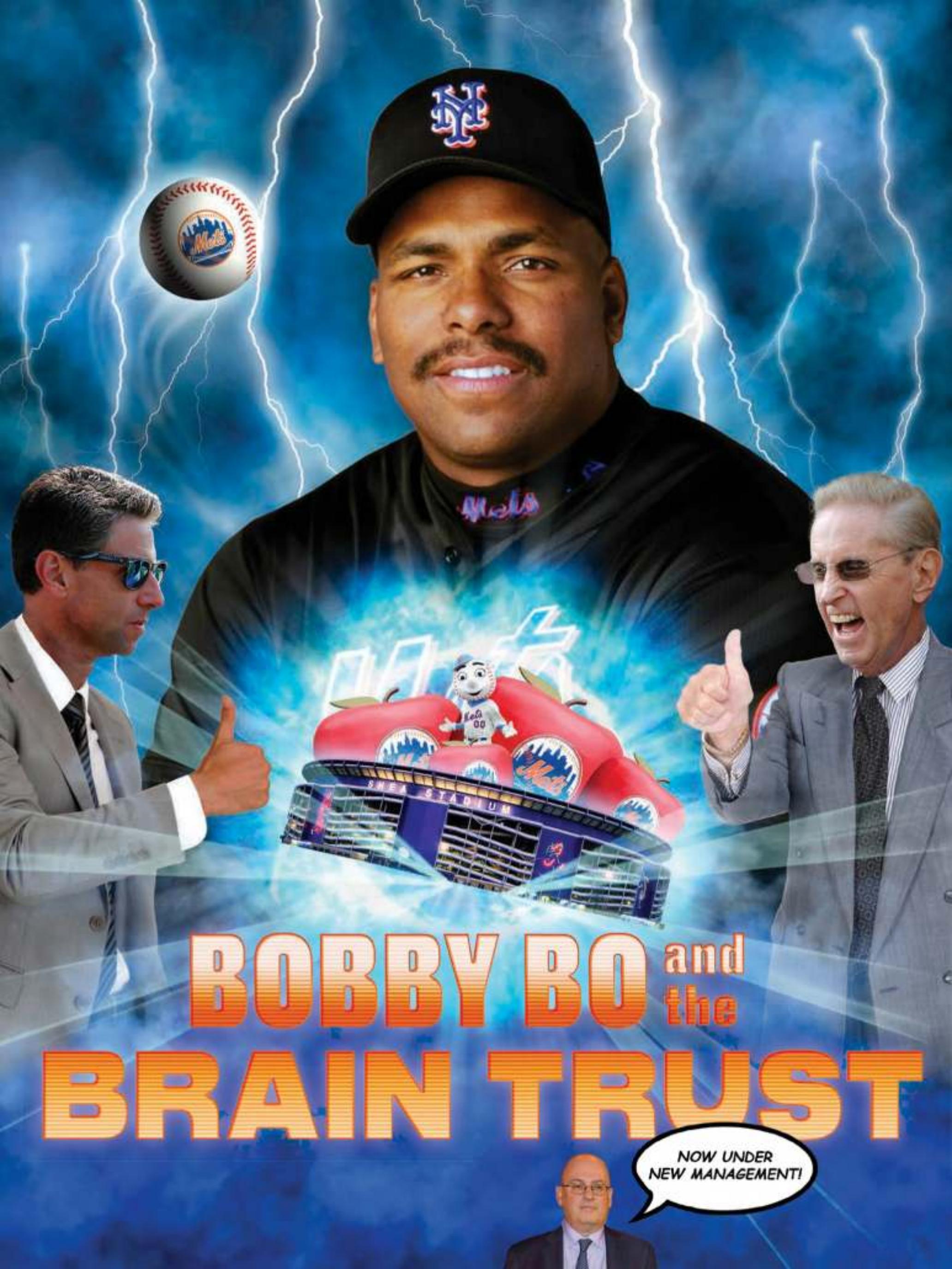
"Yes."

The tipster drove off, and Couto climbed into his truck and headed north to ARM headquarters. The pig and sheep remains would go into an evidence freezer. The baby goats would get names and graze in the sanctuary alongside Freedom's Flight. The doubts were, for the moment, erased. The Bruce Wayne of South Beach had a new lead. **B**

the C-9 Basin. It was getting too hot with activists and police. He invited Garcia to visit his new farm in Homestead, a 45-minute drive southwest from Miami.

ARM investigators wanted to learn if the butcher was selling horse meat, too, but asking for it outright might have tipped him off. Instead, one of the investigators lied and said he had a son with anemia. The butcher suggested he feed the boy horse meat. Soon the man was boasting about stealing them for slaughter, claiming he killed 20 horses a week. By last spring, ARM was ready to take the evidence to the district attorney.

During my March visit to Couto's compound, he showed me shaky undercover footage of the butcher snorting cocaine



BOBBY BO and the BRAIN TRUST

NOW UNDER
NEW MANAGEMENT!

Thanks to a deal with the old owners, the former outfielder still gets a \$1 million check every summer. The arrangement helped the Mets get to the World Series. But a new book says no matter how effective the move was, July 1 will always be an ironic holiday for fans. It'll always be Bobby Bonilla Day

By Devin Gordon

An oft-forgotten fact about the Bobby

Bonilla era with the New York Mets is that there were actually two Bobby Bonilla eras. The first one began in December 1991, when Bonilla, then 28 and a four-time All-Star with the Pittsburgh Pirates, signed a five-year, \$29 million contract—Major League Baseball's most lucrative ever up to that point—to move to Queens and anchor the Mets offense.

The Bobby Bo who arrived in New York fresh off back-to-back National League East titles and back-to-back top-three MVP finishes was sunny and smiley and beloved—a big teddy bear, here to rescue the team that he and his surly co-star, Barry Bonds, had been brutally dismantling. Bonilla seemed like the perfect antidote to the PTSD from the Mets' post-1986 World Series decline. Instead he became the face of what Mets beat writer Bob Klapisch dubbed “the worst team money could buy”: the 1993 Mets, 59-103, a record that doesn't come close to capturing how disgraceful they were in the flesh. Eighteen months later he was gone in a trade to Baltimore. And good riddance, too. Good riddance all around.

So naturally, three years later, in November 1998, the Mets reacquired Bonilla in a trade with the Florida Marlins. The circumstances behind the holiday that Mets fans have come to know as Bobby Bonilla Day transpired at the end of Bonilla's second stint in New York.

Which is to say, the first Bobby Bonilla era was such a generational failure that the Mets refused to rest until they had topped it.

Even though he was 36 in 1999, and coming off an injury-plagued season, Bonilla returned to New York expecting to start. He did not. In fact he barely played at all, appearing in only 60 games and batting just .160, prompting him to declare that there would be “fireworks in the millennium” if he didn't start in right field during the 2000 season (assuming the Y2K bug didn't end the universe at the stroke of midnight, which it didn't).

This was bound to be a problem, because the Mets had no intention of starting Bonilla in right field in 2000. Either way they were stuck with his \$5.9 million contract, which was a ton of money for a reserve outfielder in 2000. In that moment the Mets would have done almost anything to give it to a really good pitcher and not Bobby friggin' Bonilla.

Dennis Gilbert, Bonilla's agent at the time, had Mets ownership by the throat. They could either pay Bonilla to poison their clubhouse next season, or they could pay him to go away quietly. Gilbert says the Mets approached him first and that authorship on a contract like that is impossible to untangle. “It wasn't a five-minute call, put it that way,” he said with a laugh during an interview

via FaceTime from one of the gardens on his estate in Malibu, Calif. He's cagey about who had the original idea for the arrangement, but it was pretty clearly his. Soon after this deal, he went back to the insurance business because, he told me, there's way more money in it than representing superstar professional athletes. Evidently he is right.

In any case, the idea could only have come from the mind of an insurance salesman: *What if we defer the remaining money on Bonilla's deal for a really long time, like a decade, and until then you don't pay my client a cent—but then you start cutting him a big check every year for a much longer period of time? Like, say, 25 years.* The Mets could spend Bonilla's \$6-ish million however they wanted, and then when he was in his 40s and retired and maybe his bank account could use the fresh influx, he and the Mets would be back in business together.

They haggled a bit on terms, and here's where they landed: Bonilla leaves for nothing, now, as in, right this minute—GTFO—but starting in 2011, the Mets agree to pay him precisely \$1,193,248.20 every July 1 for 25 years, until 2035, when he would be 72 years old. For the rest of his life, basically. That's a grand total of \$29.8 million, which is a lot more than \$5.9 million. In exchange for waiting a decade to collect a penny, he was asking for an additional \$24 million. It was an ►

◀ easy call for the Wilpon family. Their investment portfolio was booming. Their money guy was killing it. They could free up room in their budget and go get their front-line starter, and all they had to do was bankroll Bonilla's retirement.

The Mets said: *Where do we sign?*
Bonilla said: *Where do I sign?*

And that's how July 1 became, for Mets fans, a day which shall live in annuity—sorry, infamy. Annuity infamy. There's no parade, not even a barbecue. It's a holiday we celebrate with a communal sigh—you know the one—and maybe a votive on big anniversaries. (Like this one: Happy 10th anniversary, Bobby Bonilla Day.)

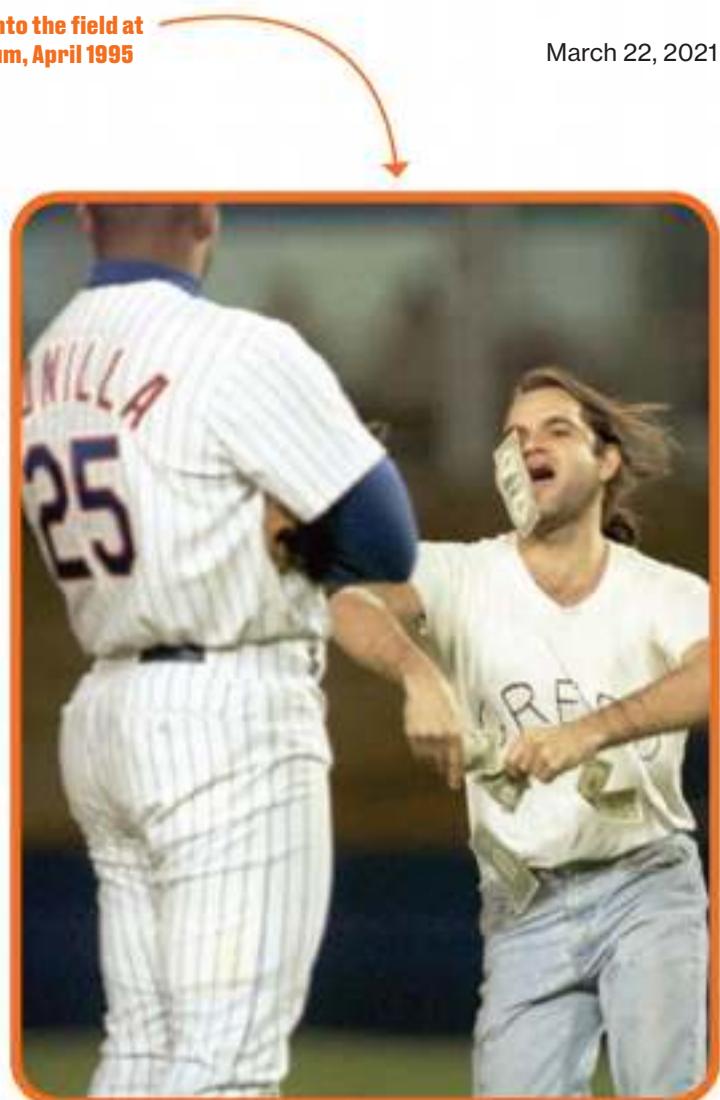
"Bobby Bonilla Day really should be a parade for his agent," late-night host and lifelong Mets fan Jimmy Kimmel told me. "I hope whoever has to sign that check now—I hope it's done electronically. I hope it's a direct-deposit situation because I can't think of too many things more painful than that."

Last year's bizarro, Covid-shortened season didn't begin until July. But when the 2021 season starts April 1, as it's scheduled to, it will be a particularly joyous spring awakening for Mets fans. Last fall the Wilpon family, who'd owned the team outright since 2002, sold it to billionaire

of such epic proportions that fans have memorialized it with a sarcastic holiday. Somehow the Mets managed to get it wrong even when they got it right. They blew it, even though they nailed it.

With the savings created by the deal, the Mets were able to trade for Houston Astros ace Mike Hampton, who had just gone 22-4 and finished as the Cy Young runner-up, and absorb the cost of his contract's final year: \$5.75 million. Hampton had a strong year for the Mets (15-10, 3.14 ERA), and then he won the National League Championship Series MVP, pitching 16 shutout innings, striking out 12, and recording two of the Mets' four wins over St. Louis. Hampton never liked New York, though, and he couldn't flee the city fast enough. Barely a month after the 2000 Subway Series (a loss to the Yankees), he signed a rich free-agent deal with the Colorado Rockies because, he said, he and his wife preferred Denver's public schools.

Hampton's departure via free agency gave the Mets a gift, though: a compensatory pick in the upcoming MLB draft—



was just an annuity. (Technically, Gilbert clarified for me, it was "nonqualified deferred compensation." Annuities pay out for life.)

In fact, Bonilla received a similar, smaller arrangement from Baltimore that kicked in before the Mets deal. Did you know the Mets are still paying former outfielder Darryl Strawberry, too? He gets \$1.6 million annually. And pitcher Bret Saberhagen? Sabes still gets a \$250,000 check from the Mets every year. Two-time Cy Young Award winner Jacob deGrom has a similar postcareer bounty built into his current contract with the team. By now it's standard operating procedure, a way for players to turn brief athletic careers into a lifetime of paychecks. And no matter how you slice the interest, the difference between \$5.9 million upfront vs. \$28.9 million spread out over 25 years is more than worth it for a World Series appearance, and almost two. So how could a deal that not only worked, but worked kinda perfectly, gain immortality as perhaps the Mets' greatest blunder?

The answer lies in one, super-important fact that the Wilpons didn't know at the time, even though, according to prosecutors, they should've. And while it would be another eight years before any of us learned the truth, it was already true in 2000 when they

Somehow the Mets managed to get it wrong even when they got it right. They blew it, even though they nailed it

hedge fund manager Steve Cohen for more than \$2.4 billion, bequeathing Mets fans with the wealthiest owner in baseball and ridding us of the people responsible for the most infamous contract in pro sports.

Now that the Wilpons are gone, though, and the coast is clear, it's time to reveal the hilarious truth: The deal worked beautifully for the Mets. It was one of the franchise's savviest and most successful transactions. It paid instant dividends, triggering moves that led to a World Series appearance in 2000 and a deep postseason run in 2006. And yet that same contract has become a shining symbol of the cloddish Mets, a blunder

the 38th overall in 2001—which they used to select David Wright, a third baseman from Norfolk, Va. By the time he retired in 2018, Wright had become the Mets' all-time leader in just about every offensive category, and even more impressive, he managed to spend almost 15 years playing in New York City without ever once being disliked.

Nothing about this Bonilla contract seems so bad so far, right? No talent squandered, no flotsam acquired in return. Just a rich family's pocket change. Who cares? It's not your money. Most accounts of the Bonilla deal describe it as a bold innovation gone awry, but it wasn't in either respect. It

promised Bobby Bo all that money: The Wilpons were broke.

In December 2008, less than three months after the Mets choked away a playoff berth for the second straight season—a déjà choke—a team of FBI agents slapped handcuffs on the Wilpons’ longtime friend and trusted financial adviser, Bernie Madoff. And because investigators suspected Fred Wilpon and his son, Jeff, might’ve been co-conspirators, they had to spend the next two years proving that they weren’t guilty, just stupid. (The Wilpons were never charged with any wrongdoing.) And right after that—July 1, 2011—is when the back end of their deal with Bonilla kicked in. When they were hanging on to the Mets franchise by their fingernails. If Bonilla’s paydays had kicked in earlier, say in 2006, when the world believed the Wilpons were solvent, no one would’ve noticed. Instead they had to start cutting \$1.2 million checks to a 48-year-old who’d been retired from baseball for a decade when they could barely afford to field a team.

Bonilla grew up a mile from Yankee

Stadium in the South Bronx, which means that he grew up a Yankees fan, but also that he grew up in one of the most underserved parts of New York City during one of its most hopeless periods. His neighborhood was smack in the middle of the NYPD’s 40th Precinct, notorious for its bloodletting. He played sports 24 hours a day and taught himself to switch-hit by pretending to be the Yankees’ Chris Chambliss from the left side and the Mets’ Tommie Agee from the right side. That’s how he got out.

“I’m the type who pinches himself every day,” he told the *Los Angeles Times* when he was 25 and still with Pittsburgh and about to play in his first of four straight All-Star Games. “I mean, people talk about the pressure of playing in the big leagues, but where’s the pressure compared to growing up in a ghetto and looking for ways to get out? I’m talkin’ about houses burning and people starving, and I’m supposed to be tremblin’ playing the first-place Mets or [the] Dodgers? I’m having the most fun

I’ve ever had. Sports has always been my release. I’d turn on the news as a kid and couldn’t wait for [sportscaster] Warner Wolf. How many murders can you put up with in a day?”

Jim Leyland, his manager with the Pirates, a soft-shell crab who puffed cigarettes in the dugout and once got into a fist fight with Barry Bonds, couldn’t quit gushing about Bonilla. “I’ve never seen him down,” Leyland told the *Times*. “I’ve never seen him pout or panic. You can’t tell if he went 0 for 4 or 4 for 4. He always comes to the park in good spirits.”

Was everyone in Pittsburgh wrong about Bobby Bonilla? Or were we?

“He loved baseball as much as anybody,” said Gilbert, Bonilla’s former agent, as he power-walked a loop around his estate. “His first five years in the major leagues, this guy’s an All-Star, and he’s playing winter ball [during MLB’s off-season]. People don’t do that.” Coming home, though, turned out to be more of a curse than a blessing. Bonilla assumed it’d be a love affair from Day 1. Nope.

“There was a lot of pressure there,” Gilbert said. “It started from the time the negotiations were starting. I mean, here’s somebody who grew up in New York, and his family really wanted him to play in New York, and it’s really tough. He left at least a dozen tickets every night at the ballpark for his family.”

It’s hard to get a nuanced answer from Gilbert about anything other than insurance, but what came next surprised me, not just because of the admission itself, but the acknowledgment of how self-evident it had become: “A lot of people can’t play in New York,” he said. “A lot of people don’t perform.”

Like so many splashy free agents before him and like so many since, and not just for the Mets, Bonilla had an awful first season in New York. In this case the Mets had overlooked the degree to which he’d received easier treatment from pitchers because they feared the next batter, Bonds, so much more. Now Bonilla wasn’t nearly as “protected,” to use the baseball term, with Howard Johnson behind him in the order. Now pitchers were going straight at him.

His average slumped from .302 in 1991

to .249 in 1992. He had no protection, not in the lineup, not in the dugout, not in the front office. Bonilla, though, had the fat contract, and in 1990s New York, there was no juicier target than a guy making big bucks on a bad team. The competition to sell newspapers was brutal, lucrative, and often unscrupulous. Pouring gasoline on fires was a job requirement.

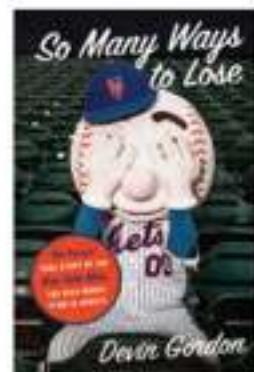
Bonilla wouldn’t talk to me. He works for the MLB Players Association now as a special assistant for international operations. He’s never said much on the subject of his contract, and it’s clear that he’s said all he has to say. He thanks God, he thanks Gilbert, sometimes he says it’s a beautiful thing, and then that’s that. No more questions, please. Most Mets fans assume he’s ecstatic, that he wakes up every morning with a mirthy chuckle.

“I don’t know, I’m guessing he feels good,” Gilbert told me with some mirth of his own. “He gets a check.”

This is just a guess, but I doubt he feels all good. I don’t know him, obviously, but I don’t think Bonilla takes any pride or sees much humor in Bobby Bonilla Day. I’m sure he likes the check—annual \$1.2 million checks are indeed a beautiful thing. But there’s an implicit insult buried in there that Bonilla doesn’t deserve the money, that it’s being wasted on him, that maybe the Mets were rubes, but he’s still a grifter.

He was a six-time All-Star. He batted over .300 three times. He hit almost 300 home runs in his career. I’m sure he’d prefer to be remembered for his record on the field, rather than those annual checks. Because once you’re done with baseball—once any of us are done with anything we’ve put everything into—all that’s left is your name. **B**

Adapted from So Many Ways to Lose: The Amazin’ True Story of the New York Mets—The Best Worst Team in Sports by Devin Gordon, published on March 16 by Harper, an imprint of HarperCollins Publishers.



Let's not

Party

Meet up

Bro-hug

Defy

Let's

Stay put

Binge watch

Video-happy-hour

Save lives

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#AloneTogether

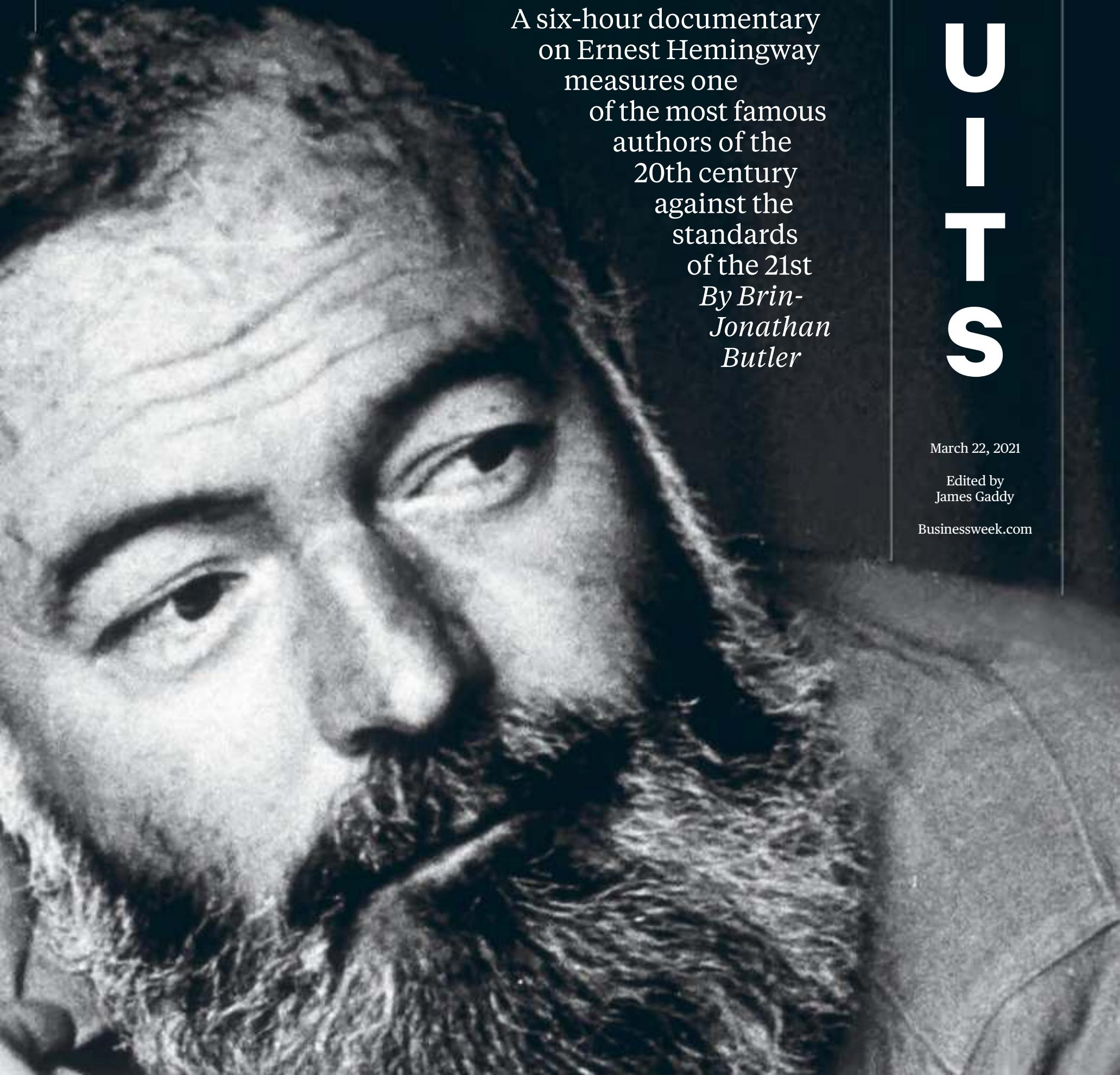
TOGETHER, WE CAN HELP SLOW THE SPREAD.



P
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SPRING CULTURE PREVIEW

Not the Man You Thought You Knew



A six-hour documentary on Ernest Hemingway measures one of the most famous authors of the 20th century against the standards of the 21st
By Brin-Jonathan Butler

March 22, 2021

Edited by
James Gaddy

[Businessweek.com](#)

Truman Capote once described Ernest Hemingway as a “closet everything.” In the first 15 minutes of *Hemingway*, his first wife, Hadley Richardson, provides a more nuanced take on the dynamic Capote identified: “There were so many sides to him,” she’s quoted as saying, “that he defied geometry.”

Since Hemingway’s death nearly six decades ago, his absence from the world stage has lasted almost as long as the controversial life that he lived. The forthcoming six-hour, three-part reappraisal from the Emmy Award-winning duo Ken Burns and Lynn Novick—who’ve produced acclaimed documentaries together about the Vietnam War, baseball, jazz, and Prohibition—persuasively challenges the stereotypes of toxic masculinity that have evolved around this most divisive of literary figures. It begins airing April 5 on PBS.

“Too often films are an execution of an already-arrived-at end,” Burns says. “That’s not the way we work. We understand that the first thing we do is check our baggage at the door and just go in and be reeducated.”

To separate man from myth, Novick and Burns took advantage of unprecedented access to Hemingway’s original manuscripts, correspondence, and scrapbooks. They also had a well of archival footage shot throughout his adult life from around the world and at the Finca La Vigía, his 20-year home in Cuba.

Most surprisingly, the documentary shows a man who—far from being a relic of the past—is instead an avatar for the 21st century, with the narrative coalescing around themes near and dear to the millennial heart: gender inequity, mental health, and the thirst for fame.

“People who had not read a word he’d written thought they knew him,” Peter Coyote, the film’s narrator, says early on from the script. “Wounded veteran and battlefield correspondent. Big-game hunter and deep-sea fisherman. Bullfight aficionado. Brawler and lover and man about town. But behind the public figure was a troubled and conflicted man who belonged to a troubled and conflicted family. The world saw him as a man’s man, but all his life he would privately be intrigued by the blurred lines between male and female, men and women.”

The film reminds us that, for all Hemingway’s machismo—posing next to dead lions in Africa, offering \$250 to anyone in Bimini, Bahamas, who could last three rounds with him in a boxing ring—he confronted the brutality of date rape from the perspective of a female protagonist in “Up in Michigan.” That story was written in 1921, five years before the publication of *The Sun Also Rises* would make him famous.

Irish novelist and playwright Edna O’Brien defends Hemingway in the film from commonly held accusations of misogyny. “I would ask his detractors, female or male, to read that story,” she says. “And could you in all honesty say that this was a writer who didn’t understand women’s emotions and who hated women? You couldn’t.”

In “Hills Like White Elephants,” published in 1927, Hemingway explored the subject of abortion, depicting a troubled relationship in which a man callously pressures a

woman into emotional submission. “It is recognizable for most women,” literary scholar Miriam Mandel says of the story, “even if it’s not the situation. The pushing. The insistence. The masculine assertion.” In the conclusion of *A Farewell to Arms*, a mother and baby die together in childbirth. “It could have been written by a woman,” O’Brien says of the novel.

Hemingway’s attitudes toward gender fluidity were ahead of their time, too. Lady Brett Ashley, the heroine in *The Sun Also Rises*, operates with vivid sexual ambiguity and is the most essential and realized character in the novel. His last book, *The Garden of Eden*, about a man and his wife who fall in love with the same woman, makes androgyny the dominant theme. It was a novel Hemingway thought “too sexually adventurous to be published during his lifetime,” Coyote says.

The writer’s many contradictions are illustrated through the intimate lenses of the remarkable women in his life—Martha Gellhorn, his third wife, was arguably the greatest war correspondent of the Second World War. He was mentored and befriended by the modernist poet Gertrude Stein and Sylvia Beach, founder of the pioneering bookstore Shakespeare & Co. Both were lesbians. He openly supported Karen Blixen, who wrote under the name Isak Dinesen, to get the Nobel Prize over him. “He was very drawn to powerful, extraordinarily capable women,” Burns says. “But he was threatened by them for exactly the same reason.”

Viewing his death by suicide through today’s understanding of trauma and mental health yields surprises as well.



Hemingway's Finca
La Vigía in Cuba



The film provides an extensive inventory of the Hemingway family history with depression. His father, sister, brother, and a granddaughter, Margaux, all died by suicide. Paul Hendrickson, author of the biography *Hemingway's Boat*, states in the film, "I think Hemingway, among his many, many fears, was terrified [about] 'Will that happen to me? Will I become my father?'"

Apart from what was in Hemingway's DNA, he suffered at least nine major concussions throughout his life. The first occurred while he served as an 18-year-old on the Italian front in World War I when a mortar exploded beside him. Forensic psychiatrist Dr. Andrew Farah argues in the film—and in his 2017 book *Hemingway's Brain*—that the author's depression and psychosis demonstrated "a textbook case" of chronic traumatic encephalopathy, the fatal disease associated with repeated

The Room With a View

A half-hour ride from Havana to San Francisco de Paula is Hemingway's **Finca La Vigía** (Lookout Farm). You pass among 18 species of mango trees along the short road from the main gate to a house that rests on a gentle hilltop. All his books are there, as well as clothes, bottles of liquor in the living room, paintings, photographs, and records of

his weight and blood pressure scrawled in chicken scratch on the bathroom wall. The bedroom is where Hemingway wrote *For Whom the Bell Tolls* and *The Old Man and the Sea* standing at a portable typewriter atop a bookcase. Although he abandoned the house in the fall of 1960, it still feels as if he might return from an errand at any moment. —B.B.

brain injuries that's been linked to NFL players and boxers.

To what degree Hemingway's years of prodigious drinking exacerbated his strong indications of CTE remains open to speculation. But Farah adds in the film, "When you have a head injury, your mind and your body are less well-equipped to tolerate the effects of alcohol." In this light, his drinking appears to be less indicative of manliness and looks more like self-medication for a deeply tormented, traumatized person.

As much sympathy as these revelations drum up, the film doesn't shy away from Hemingway's less-than-heroic characteristics. Periodically he demonstrated remarkable cruelty toward his wives and ostracized many literary friends and mentors, including Stein and F. Scott Fitzgerald. There are some pages from his letters that contain vile racist and anti-Semitic language. If he felt threatened, Hemingway would attack—he once punched a journalist who questioned the hair on his chest. And yet no matter how abusive he became, he always played the victim. Like a certain former president, he would have been obsessed with Twitter.

Hemingway's genius for self-publicity rivaled anything Trump or the Kardashians could concoct today. The documentary traces how ruthlessly he cultivated his own notoriety by supplying publicity photos of him going out and doing all the adventurous, often dangerous things he wrote about—utterly narcissistic behavior in those days but normal today. Imagine how many Instagram followers Hemingway's globe-trotting life might have commanded if the app existed back then.

Novick and Burns have assembled an all-star cast. Jeff Daniels voices Hemingway's letters and literature. Meryl Streep reads the words of Gellhorn, while Keri Russell, Mary-Louise Parker, and Patricia Clarkson voice his other three wives—Richardson, Pauline Pfeiffer, and Mary Welsh, respectively.

The late Senator John McCain is included as well, describing how Robert Jordan, the protagonist of *For Whom the Bell Tolls*, was a lifelong role model. (Barack Obama, coincidentally, has also cited Jordan as his favorite literary character. Fidel Castro, meanwhile, said he used the book for pointers on guerrilla warfare.)

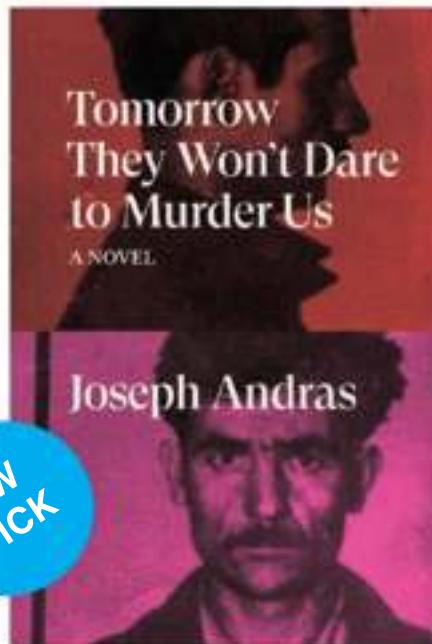
Obsessed as he was with celebrity, it's unclear how Hemingway would have felt about all these boldfaced names celebrating his life and art; he said nobody should ever read his letters—but then again, he kept carbon copies of many of them. Just one more contradiction from a man full of them. B



Choose Your Book Adventure

The best new books for whatever journey you prefer to take this season
By James Tarmy

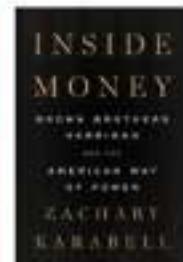
Travel Back in Time



TOMORROW THEY WON'T DARE TO MURDER US

By Joseph Andras

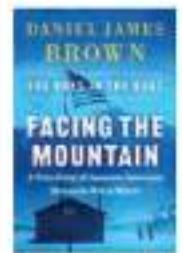
In 1956, National Liberation Front member Fernand Iveton planted a bomb near Algiers. The hoped-for explosion was intended only to be a piece of symbolism, and as such, he put it in an unused shed. But its location was academic: He was arrested before it could go off and then mercilessly tortured, brought to trial, and swiftly guillotined. Andras's fictionalized retelling of Iveton's saga was published in French in 2016 to immediate acclaim, winning the prestigious Prix Goncourt. It's now been translated into English by Simon Leser. The book is just 137 pages long, but every one of them is taut and fraught, a nightmare of noble intentions gone horribly wrong. Available now



INSIDE MONEY: BROWN BROTHERS HARRIMAN AND THE AMERICAN WAY OF POWER

By Zachary Karabell

Given complete access to the 200-year archive of the U.S.'s oldest private bank, Karabell weaves a fascinating tale of the East Coast WASP establishment. Its intersection with the U.S. government includes characters such as Alan Greenspan and Averell Harriman, one-time governor of New York. The firm has remained privately held, so its inner workings have been a mystery until now. May 18



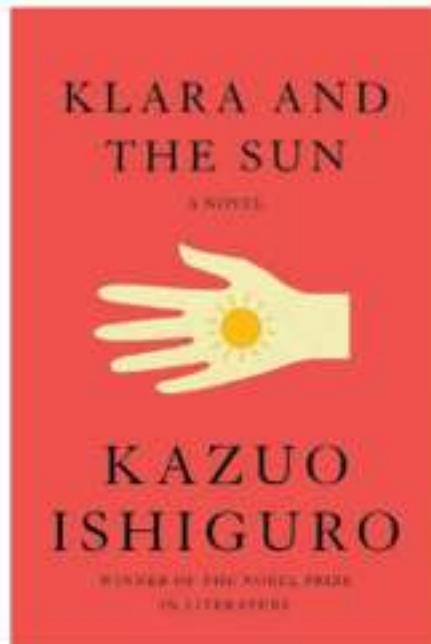
FACING THE MOUNTAIN: A TRUE STORY OF JAPANESE AMERICAN HEROES IN WORLD WAR II

By Daniel James Brown

The author of *The Boys in the Boat*—a bestselling chronicle of rowers competing in the 1936 Olympic Games in Nazi Germany—is back, with the story of Japanese-Americans who, after Pearl Harbor, volunteered for service. While they were fighting for their country (and their lives) in Europe, their families faced xenophobia and internment camps back home. May 11

BW
PICK

Or See the Future



KLARA AND THE SUN

By Kazuo Ishiguro

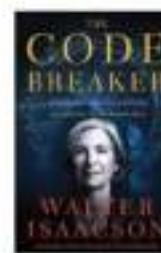
The author of now-classic titles such as *The Remains of the Day*, *When We Were Orphans*, and *Never Let Me Go* is a master at constructing narratives in which the plot is something very different from what the characters believe they understand. In Ishiguro's hands, gaps in a character's memory often are the plot. His latest takes those blind spots to their logical conclusion in the form of a robot named Klara, a so-called Artificial Friend designed to be a child's companion. Klara is intelligent but not all-knowing; what she doesn't know, unfortunately, is exactly what she needs to. Like many of Ishiguro's protagonists, Klara is a tragic figure, pure of heart and doomed to sorrow. Available now



THE FLIP SIDE OF FREE: UNDERSTANDING THE ECONOMICS OF THE INTERNET

By Michael Kende

It's not a new insight that we pay for "free" apps and sites with our personal data, but Kende has a more detailed take than most. The digital development specialist at the World Bank Group looks at risks like cybersecurity, how the web came to be free via unified standards, and the looming social considerations that will need to be faced once the public understands how much "free" actually costs. Available now



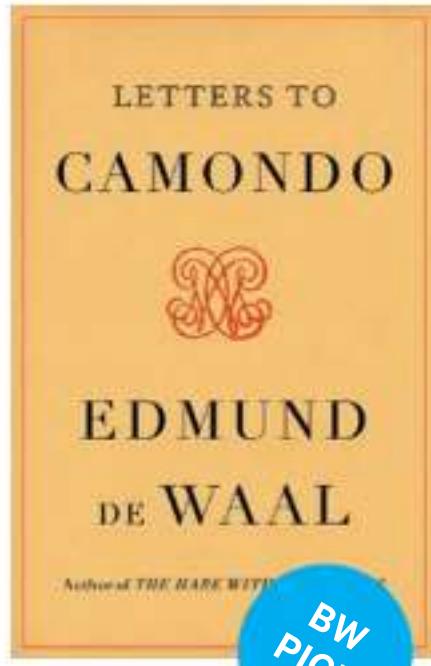
THE CODE BREAKER: JENNIFER DOUDNA, GENE EDITING, AND THE FUTURE OF THE

HUMAN RACE

By Walter Isaacson

Isaacson's previous biographies have focused on such men as Steve Jobs and Leonardo da Vinci. Here he tells the story of Jennifer Doudna, a biochemist who won a Nobel Prize for the gene-editing technology known as Crispr. The book is an excellent primer on the complex subject, its benefits (fighting disease), and its ethical hurdles (designer babies). Available now

Anything Other Than Covid



LETTERS TO CAMONDO

By Edmund de Waal

There are very few commercially successful ceramic artists working today, and even fewer ceramic artists with a side gig as a critically acclaimed author. Best-known for his large-scale installations of exquisitely crafted porcelain and his bestseller *The Hare with Amber Eyes*, de Waal's latest piece of fiction combines the two sides of his professional life. This book consists of imaginary letters to the real-life Moïse de Camondo, a fabulously rich Jewish banker who ran one of the most successful institutions in the Ottoman Empire and was also an art patron. His collection, now in the Musée Nissim de Camondo, is one of the jewels of Paris's museums. *May 11*



PAINTING TIME By Maylis de Kerangal

As anyone who's loved a book and hated a movie will tell you, it's very hard to translate the essence of one artistic medium into another. But de Kerangal manages the trick here, following the career of a painter and rendering her search for mastery of a craft in such a way that it reveals the author in full control of her own. Like her earlier novels—*The Heart*, which gave an in-depth look at organ donation, and *The Cook*, which does the same for the restaurant industry—*Painting Time* doesn't just use paintings to further a story, or as a pretext for enlivening a bit of history. It's a novel about the creative process itself. *April 20*

BW
PICK



SECOND PLACE

By Rachel Cusk
Beloved and reviled in equal measure, Cusk's startlingly

creative autobiographical fiction—most recently in *Outline* and *Transit*—has pivoted back to a form bearing an uncanny resemblance to a traditional novel. Her main character, a woman named M who narrates the plot, invites an artist she admires to stay in her guesthouse. The resulting tensions among the home's inhabitants are rendered in Cusk's clear, conversational prose. *May 4*



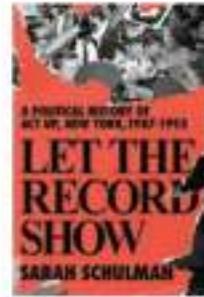
ANTIQUITIES

By Cynthia Ozick

Most people have experienced some form of Covid isolation.

Ozick, 92, who's been shortlisted for the Pulitzer and Man Booker International prizes, has created a protagonist who's similarly afflicted, though it's old age, rather than a pandemic, that finds him holed up indoors. As he embarks on his memoirs, he is drawn, mothlike, to memories of his cousin, a famous archaeologist, and to a mysterious schoolmate. *April 13*

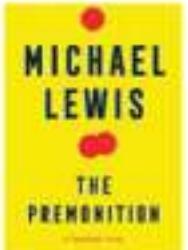
Or More About Plagues



LET THE RECORD SHOW: A POLITICAL HISTORY OF ACT UP NEW YORK, 1987-1993

By Sarah Schulman

We're all very familiar with what happens at a pandemic's start: the uncertainty, the fear, the death. Thirty years ago these same factors played out at the onset of the AIDS crisis, with the notable difference that no one, other than the afflicted, seemed to care. ACT UP, a political and activist effort, was born from that apathy. Schulman's comprehensive, timely book chronicles the group's hundreds of demonstrations, and almost as many internal factions. *May 18*



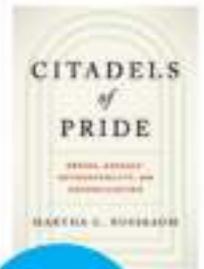
THE PREMONITION: A PANDEMIC STORY

By Michael Lewis

It might seem odd to write the history of a pandemic while it's still going on, but Michael Lewis is something of a master at capturing complex events (*Flash Boys*, *Moneyball*, *The Big Short*) in the very recent past. Here he turns the pandemic into a tale of good and evil: Evil, in this case, is the Trump administration; good is a motley crew of scientists, doctors, and public health experts. The narrative follows three central characters—a biochemist, a public health worker, and a U.S. federal employee. *May 4*

63

Maybe Just Get Angry



CITADELS OF PRIDE: SEXUAL ABUSE, ACCOUNTABILITY, AND RECONCILIATION

By Martha C. Nussbaum

A professor of law and ethics at the University of Chicago, Nussbaum is uniquely qualified to tackle the moral and philosophical dimensions of sexual violence. In this careful, methodical book, she pinpoints three areas she dubs "citadels of pride"—the judiciary, the arts, and athletics. The Cosby and Weinstein cases are used as examples; her recommendation to completely rethink collegiate sports will surely be the most controversial passage. *May 11*



THE TROJAN WOMEN: A COMIC

By Rosanna Bruno and Anne Carson

The Athenian playwright Euripides wrote a tragedy 2,500 years ago that followed the women of Troy after the city's fall. Their husbands killed and their families enslaved, they spend quite a bit of time mourning what they had, and dreading what's to come. Through millennia the play has remained an enduring testament to so-called collateral damage. Now Carson, a classicist who's translated Sappho and other ancient poets, partners with Bruno, a visual artist, to create a contemporary update of the story. *May 25*



A New Riff on an Old Playbook

Amateur musicians hunting for the perfect tone are amping up the market for new and secondhand gear. *By Jonathan Roeder*

The numbers are in, and the pandemic has officially turbocharged the market for musical equipment: Online retailer Sweetwater reported record growth last year, surpassing \$1 billion in sales, and Fender Musical Instruments signed up 900,000 users for its Play lessons app.

The action has been especially pronounced in the secondhand market. David Mandelbrot, chief executive officer of online marketplace Reverb.com LLC, says there's been a boom for anything that can be used comfortably in the living room—whether guitars, ukuleles, keyboards, or drum machines.

Never-ending isolation has given rise to a condition known as GAS, or gear acquisition syndrome. The affliction has seven stages that are cataloged at the publication *Music Radar*, beginning with dissatisfaction and desire and culminating in guilt and relapse. Guitarists are the most at-risk population.

"Everything is at top dollar," says Phillip McKnight, who used to co-own a music store in Phoenix and now has a

guitar-focused YouTube channel with 300,000 subscribers. "I've been doing this a long time. I've never seen this. No one's ever seen this."

It's a good time to be a vintage collector, according to McKnight. They're the ones who buy a 1954 Stratocaster—the first year that Fender began production—"because they know that if they can park it for 10 years, they've doubled their money." Today you can find one of these on Reverb for about \$80,000. "Vintage collectors are a different kind of collector," he says. "They're the equivalent of a toy collector who never opens his toys."

There's also a growing demand for parts: For about \$21,000, you can buy a Fender neck (you supply your own guitar body to attach to it) that's advertised as being built on the same day and by the same luthier as another guitar neck that ended up being used by Pink Floyd's Dave Gilmour. If, while building your own instrument, you come to the realization that

A 2006 Eric Clapton
“Blackie” Fender
Stratocaster



using any old screws from the hardware store would haunt you deep down, you can buy \$650 screws that came off a 1951 Fender Esquire guitar—and avoid any potential contamination of your instrument's tone from more recent decades.

Pedals, those colorful little boxes that alter the instrument's sound when you stomp on them, have become an especially hot corner of both the new and secondhand market. “People have fully gone off the deep end,” says Josh Scott, a collector who runs a company called JHS Pedals, which doubled its staff last year and ramped up production to 100,000 pedals from 48,000 the previous year.

Scott knows all about GAS. He has about 4,000 pedals in his personal collection and owns all seven versions of the sought-after Klon Centaur overdrive pedal, which were built in limited quantities in the 1990s and are famed for their heavenly tone. He estimates that his Klon pedals—which have seen their value soar on the secondhand market—are worth about \$50,000.

While pondering the state of the gear market earlier this year, Scott, who also hosts a YouTube show about guitar pedals that has 282,000 subscribers, decided to list his #2 Klon Centaur (which actually was the first one ever made) on Reverb as a joke for \$500,000; a man in Europe

immediately tried to buy it on an American Express card. (The purchase was declined.) The listing generated headlines—and a good degree of anger as well. “The people that lost their mind over it, they make it too fun, because when they do that I just want to keep doing it,” Scott says, referring to his outrageous price. He eventually took the listing down because his company's customer service reps were getting bombarded by inquiries.

Reverb's Mandelbrot notes the passing of guitarist Eddie Van Halen last October sparked even more purchases of guitars and gear, inspiring many “to not only pick up an instrument but also to seek out instruments that help you get that iconic sound.” The company saw four times more searches on its website for terms like “EVH” than usual in the aftermath.

“Using guitar pedals is one of the easiest and most cost-effective ways to sound like the guitarist,” Mandelbrot says, “and two pedals that helped define his tone—the MXR Phase 90 and MXR EVH Flanger—were two of the most popular pedals last year.” The company also worked with several brands over the past year to introduce limited-edition pedals on Reverb, and many of those sold out within minutes.

Of course, the collective enthusiasm with all this stuff shows how everyone is focusing on the wrong area, says Ryan “Fluff” Bruce, a YouTuber who has 379,000 subscribers and who plays guitar for the Seattle metal band Dragged Under. Obsessing over gear “gives me something to fixate on that I’m convinced will solve my problems,” he says. “But the reality is, I just need to practice.” **B**

The Sound of (Very Expensive) Music



DUMBLE AMPLIFIER

Alexander Dumble, a famously eccentric personality, has been a one-person operation in Los Angeles since the 1960s. Musicians including Stevie Ray Vaughan and Carlos Santana fell in love with his handmade amplifiers, and hype and scarcity have driven their values up since then. Dumble amps, such as this 50-watt Overdrive Special from 1978, generally run more than six figures.



KLON CENTAUR PEDAL

Its fans swear that no other overdrive pedal sounds like this one, and there are only about 8,000 in existence. Songwriter and guitar hero John Mayer once referred to it as the “kindest, most satisfying distortion.” A few are available on Reverb: This one, from seller Driftwood Music in St. Charles, Mo., is an original Gold Klon Centaur from 1999, before the switch to silver. They can range from almost \$6,000 to \$7,500.



MINIMOOG VOYAGER

If you need some bling on your synth-pop journey, this is for you. Only 31 of this edition were made, and the Voyager was the last synthesizer that legendary electronic music pioneer Robert Moog designed from start to finish. Most of the options on Reverb start at \$3,000, but this 10th anniversary edition in 24-karat gold has a black piano lacquered wood cabinet and Japanese abalone pearl inlay. It’s available for \$32,000.



A Heroic Effort

The new version of *Justice League* asks moviegoers to watch four more hours of a movie they hated the first time. *By James Tarmy*

In 2017, Warner Bros.' *Justice League* pitted Superman, Batman, Aquaman, Wonder Woman, and a cast of lesser characters against an alien bent on world domination. Reviews were unkind. The *New York Times* called it "a confusion of noise, visual clutter, and murderous digital gnats." Rotten Tomatoes gave it a dismal 40% score.

For a subset of superfans, this wasn't just a disappointment, it was an unforced error. The movie's initial director, Zack Snyder, famous for the 2006 homo-fascist bloodbath *300*, had been given the keys to the DC Comics kingdom and entrusted to create its answer to Marvel's Cinematic Universe.

But Snyder's first attempts fell flat, and, after his family suffered a tragedy, risk-averse studio executives eventually took over the project. He was replaced by Joss Whedon, who, with two *Avengers* blockbusters under his belt, rewrote and reshot the bulk of the film. The *Justice League* that hit theaters was, at least in the Snyder camp's telling, a sad shadow of the original. To date, there are more than 230,000 #ReleaseTheSnyderCut posts on Instagram. Fans erected billboards and paid airplanes to fly banners over Comic-Con in 2019.

The movement probably would've been consigned to the hashtag graveyard if not for pandemic-related lockdowns in Hollywood, which bulldozed production schedules and left many in the industry idle. Snyder's version had already been shot; all that was left was to add a new score by

Tom Holkenborg, reedit, and add special effects. Facing an uncertain slate of releases and suddenly seeing the value in the project's resurrection, Warner Bros. Pictures, HBO Max, and DC decided to invest \$70 million (at least) to rehabilitate Snyder's footage.

The result, *Zack Snyder's Justice League*, will stream on HBO Max starting March 18. Having watched all four hours and two minutes of it, then gone back to watch the original *Justice League*'s one hour and 59 minutes, and then watched Snyder's 2016 prequel, *Batman v Superman: Dawn of Justice*, I can confidently say the Snyder cut is, on the whole, much better. Whether that reflects his storytelling abilities or that he had twice as much time to tell that story remains an open question.

Snyder's movie begins in a world that's mourning Superman (Henry Cavill), who's thought to be dead. (Spoiler: He isn't.) Batman, aka Bruce Wayne, aka Ben Affleck, is in a sort of "dad trying to wrangle the kids into the car" role until he, for unexplained reasons, deduces that the Earth is in imminent danger. He sets about gathering a loose band of misfit deities.

There's Wonder Woman (Gal Gadot), who flies, punches things, carries a sword, bangs her forearms together to create explosions, and has mother issues; Aquaman (Jason Momoa), who breathes underwater, carries a trident, is very strong, and also has mother issues; The Flash (Ezra Miller), who is very fast and has father issues; and Cyborg (Ray Fisher), a former football star whose scientist father used alien technology to turn him into a half-man, half-machine. Cyborg—you guessed it—has father issues.

In the original film, these Freudian test cases disguised as superheroes gathered to fight an alien named Steppenwolf who, as Batman knew all along, wanted to turn Earth into a dystopian hellscape. In Snyder's cut, Steppenwolf is still there, but he's working at the behest of an even more ominous alien warlord named Darkseid. I assume the plot, at some point, made sense to someone.

Snyder's Steppenwolf looks and sounds dramatically different from the villain in the original film, and watching the two versions back-to-back is a reminder of how much you can change when the majority of your characters are computer-generated. Among the many minor alterations: When characters are killed, they bleed, something the filmmakers of the first version sanitized, presumably to achieve a PG-13 rating.

Four hours is a significant time commitment, but Snyder has broken it up into six "chapters," and that works surprisingly well. The feeling is closer to a special miniseries. It makes a compelling argument for turning bloated superhero vehicles into slightly longer, streaming-first products: There's just no good way to gracefully jam a dozen characters into a traditional-length action movie.

For all that extra run time, though, there are still unanswered questions. Why do all the superheroes live in America and Western Europe? And why does Aquaman take off his shirt to get in the water, but not his jeans? Actually, never mind, I should just keep my mouth shut: Two *Justice Leagues* is more than enough. **B**

Well before sextants were invented, people across the medieval world used astrolabes to calculate the altitude of a star above the horizon. (Christopher Columbus apparently carried one when he crossed the Atlantic.) It had both practical and religious applications: Muslims used the thin, disc-like objects to determine the direction of Mecca. This particular gilt-brass example was probably used for the latter purpose. The letters are written in Kufic, a type of Arab script, and the exquisite, intricate case bears the signature of a Muslim craftsman from northern Spain. The work is expected to sell for £600,000 to £800,000 (\$835,000 to \$1.1 million) at a Sotheby's London auction on March 31.

Directional Facility

An ancient navigational tool goes up for auction later this month
Photo illustration by Christina Poku



BACKGROUND: CHRISTINA POKU FOR BLOOMBERG BUSINESSWEEK ASTROLABE: MICHAEL BOWLES/COURTESY SOTHEBY'S

THE FIELD

• Not all astrolabes were metal—it's just that most of the paper ones didn't survive. A 19th century example that did is available at Daniel Crouch Rare Books for £35,000.

• Astrolabes don't have to cost as much as a mansion. In the same sale, Sotheby's has listed a slightly less rare Persian astrolabe that dates from about 1660. It carries a high estimate of £150,000.

• Brush up on the subject before committing to a purchase with a first edition copy of Robert Gunther's *The Astrolabes of the World* (1932), available at Maggs Bros. Ltd. in London for £800.

THE CASE

Verifying this exceptionally rare collectible is easy thanks to its creator's detailed inscription, which lists his name (Ahmad ibn Abi 'Abdallah al-Qurtubi al-Yamani), the date (1336-37), and the location where it was made (Tudela, Spain). Just under 5 inches in diameter, it includes an ornate, stylistically unusual star map that can be rotated based on the user's location to figure out the latitude etched beneath—in this case, the craftsman used the latitudinal lines of Córdoba. Every inch of the object is decorated; even the back has an astrological scale, with symbols for the sun, moon, and planets that the naked eye can detect. But buyer beware: The object is missing a few parts, so if you get lost, you'll have to settle for your smartphone instead. *Estimated from £600,000; sothebys.com*

Where More Education Doesn't Mean More Jobs

By Justin Fox

The more education you have, the more likely you are to have a job. This relationship holds true across the U.S. labor market, with one notable exception. In February, 74.6% of men 25 and older with only a bachelor's degree were employed, according to the Bureau of Labor Statistics, while just 72.7% of men with advanced degrees were.

This seeming inversion has been present for all but five months over the past five years, which is how far back the data are available. It's been driven entirely by labor force participation. That is, men with advanced degrees have a lower unemployment rate than those with bachelor's degrees, but they're less likely to be in the labor force (either working for pay or actively looking for a job). In February 77.9% of men who hold only bachelor's degrees were in the labor force, vs. 75% of men with advanced degrees.

The phenomenon has yet to receive any attention from researchers, as far as I've been able to discover. Men with graduate and professional degrees make up only 6% of the country's 25-and-older population, and those who do have jobs are the highest-paid people in the labor force. This is not a disadvantaged group in need of attention. Some highly credentialed male labor force dropouts may have just gotten rich and retired early.

On the other hand, women did pass men in undergraduate college enrollment in 1978 and in graduate school enrollment in 1988. By the fall of 2018 they made up 56% of U.S. undergraduates and 60% of graduate students. Men still tend to dominate the highest-prestige graduate programs, but overall the relationship between men and advanced education seems to be fraying. ■

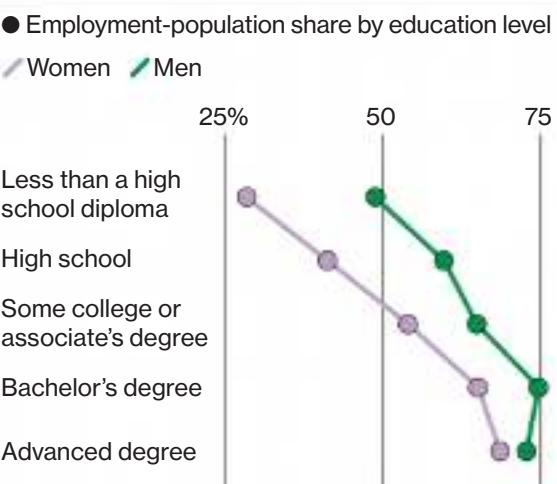
—Fox is a columnist for Bloomberg Opinion



● TOP EARNERS
Men whose highest degree was a professional degree had median earnings of **\$136k** in 2019, according to the U.S. Census Bureau. Those who topped out at a B.A. earned \$71,000.

● GENDER GAP
Women whose highest degree was a professional degree had median earnings of \$88,301 in 2019. B.A.s earned \$51,000.

● BEYOND B.A.
Men received 47.1% of the doctorates awarded in the U.S. in 2018-19, according to the Council of Graduate Schools, earning 74.9% of the engineering degrees but only 26.4% of those in public administration and services.



● EXCEPTION TO THE RULE
Among Asian-American men with bachelor's degrees only, the February employment rate was 75.8%, vs. 82.8% among those with advanced degrees.





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