

# THE WALL STREET JOURNAL

## What's News

### Business & Finance

- ◆ **Some U.S.-based TikTok employees** say recent personnel moves from ByteDance to the popular video-sharing app show the Chinese parent company plays a greater role in its operations than TikTok has disclosed publicly. **A1**
- ◆ **The UAW pledged** to widen its strike this coming Friday barring significant progress in talks with Detroit carmakers, as the companies take steps to keep critical parts flowing to their dealerships. **A1**
- ◆ **A feud between Ford and GM** could shape the future of electric vehicles in the U.S. as the companies lobby over the terms of a \$7,500 tax credit for consumers. **B1**
- ◆ **The S&P 500 eked out** a negligible gain in a session that saw the Nasdaq add 0.2% and the Dow industrials decline by 0.2%. **B8**
- ◆ **Steelmaking giant Nucor and Helion Energy** plan to develop a 500-megawatt fusion power plant that would be placed at one of Nucor's U.S. mills by 2030. **B1**
- ◆ **H&M posted** better-than-expected third-quarter earnings as its focus on profitability and inventory efficiency saw strong cash flow and profit development. **B3**
- ◆ **Binance is exiting** Russia by selling its operations there to a new cryptocurrency exchange known as CommEX. **B8**
- ◆ **Las Vegas Strip workers** voted to authorize a possible strike as union contract negotiations continue with casino companies. **B3**

### World-Wide

- ◆ **House Speaker McCarthy** rebuffed a bipartisan short-term funding bill from the Senate in favor of a House Republican plan driven by conservatives, as dim prospects for a deal raised the likelihood of a partial government shutdown starting this weekend. **A4**
- ◆ **Trump's legal team** sought clarity from a New York judge who issued a ruling that potentially removes the former president's control over part of his real-estate empire. **A3**
- ◆ **An American soldier** who fled to North Korea in July was released to U.S. officials in China and flown to a U.S. military base in South Korea, U.S. officials said. **A8**
- ◆ **Companies that make the weapons** used in Ukraine have won orders and resurrected production lines to participate in what has become the world's largest arms fair. **A20**
- ◆ **Germany is holding off** sending Taurus long-range precision missiles to Ukraine because of concerns they would require German technicians to operate on the ground, which some officials fear could drag Berlin closer to a direct confrontation with Russia. **A20**
- ◆ **The Biden administration** will admit Israel to a select group of countries whose citizens are allowed to travel to the U.S. without getting a visa in advance. **A20**
- ◆ **A judge in Montana** temporarily blocked a state law banning gender-affirming medical care for transgender minors just four days before it was to take effect. **A6**

### JOURNAL REPORT

Cybersecurity: Your data was exposed. Now what? **R1-10**

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## 371: A Space Odyssey Ends for NASA Astronaut



**LONG LAYOVER:** NASA astronaut Frank Rubio is helped after he and two cosmonauts landed Wednesday in a Russian spacecraft in a remote area in Kazakhstan. His 371 days in space set a record for a space flight by an American. **A2**

## UAW Threatens Wider Strikes As Detroit Tries to Stay Afloat

By RYAN FELTON AND MIKE COLIAS

The United Auto Workers union pledged to widen its strike this coming Friday barring significant progress in talks with Detroit carmakers, as the companies take steps to keep critical parts flowing to their dealerships.

itied strike at all three automakers. The UAW official said the union would identify new strike targets at 10 a.m. Friday, with walkouts to begin at noon, unless bargainers make headway in negotiations for new four-year contracts.

talks with the automaker. GM and Stellantis have devised plans for white-collar workers to staff the parts hubs so they could continue shipping components used for customer maintenance and repairs at dealerships.

and other brands, is using the warehouse or has deployed salaried staff to help move parts, now that the facilities are on strike.

## Soaring Borrowing Costs Hit Riskier Companies

By ERIC WALLERSTEIN

Petco took out a \$1.7 billion loan two years ago at an interest rate around 3.5%. Now it pays almost 9%.

Interest costs for the pet-products retailer surged to nearly a quarter of free cash flow in this year's second quarter. Early in 2021, when Petco borrowed the money, those costs were less than 5% of cash flow.

Now, executives said easing that burden is a company priority. Debt reduction is one of Petco's three key capital-allocation initiatives, Chairman Ronald Coughlin said on the company's August earnings call.

◆ **Higher rates hit shares of home builders.....** **B1**

**INSIDE**

**PERSONAL JOURNAL**  
Amy Schneider wants fans to know she's not just the trivia champion they fell in love with. **A14**

## America Finally Sees Progress in War on Terror

Somalia has become a surprising bright spot in the battle pitting the U.S. and its allies against insurgents

By MICHAEL M. PHILLIPS

MOGADISHU, Somalia—There finally came a point when al-Shabaab militants went too far, and Somali farmers and herders just wouldn't take it anymore.

They shot a well-known clan elder. They dragooned local teens into their ranks of suicide bombers and fighters. And during the longest drought in living memory, al-Shabaab taxed herders three or four cows each time they brought their parched livestock to drink at public wells.

## Trimming Workweek by a Day Is Hard Work

By VANESSA FUHRMANS

Working less takes a lot of work. Just ask the companies trying four-day schedules.

At ThredUp, an Oakland, Calif.-based online clothing reseller, moving its nearly 300 salaried employees to a Monday-to-Thursday week meant culling meetings, focusing on

the most important work and curtailing lengthy email exchanges. The shorter week can get hectic, and work sometimes spills into Fridays, but employees say having more time to recharge is worth it.

constant evaluation of your own behaviors and your organization's behaviors to move faster."

mand in its contract talks with Detroit automakers. Lawmakers in California, Massachusetts and other states have introduced bills aimed at pushing more businesses to adopt a four-day schedule.

## Nation's New Eligible Bachelor Is a 72-Year-Old Grandpa

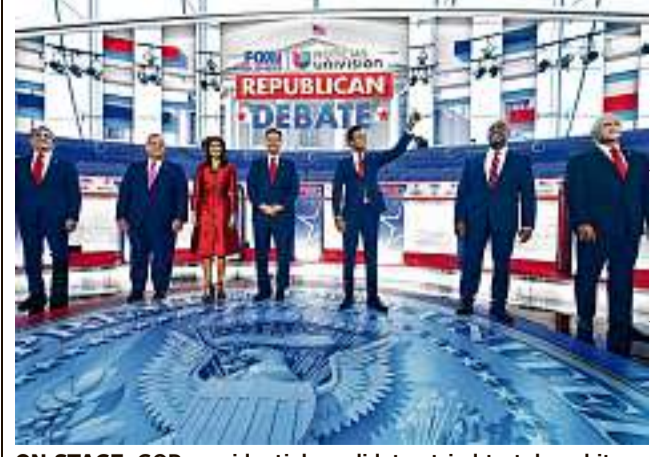
Retired restaurateur who fills his days with pickleball is about to date 22 women on TV

By ASHLEY WONG

Gerry Turner isn't your typical "Bachelor" lead. For starters, he's retired. He didn't join Instagram until this year. He's not a prince or a former professional football player. And he has grandchildren.

on "The Golden Bachelor," a spinoff of its popular reality-dating franchise, which premieres Thursday. The show takes the well-worn conceit of "The Bachelor" more than 20 women vying for one man's proposal—and moves it into a new age bracket. All the participants are at least 60.

## Republicans Clash at Debate



**ON STAGE:** GOP presidential candidates tried to take a bite out of Donald Trump's huge lead, taking aim at the absent front-runner and firing at each other. Trump skipped the debate for an event at a Michigan automotive supplier. **A4**

# U.S. NEWS



CAPITAL ACCOUNT | By Greg Ip

## Musk Freelances on the World Stage

Most business leaders go a lifetime without creating an international incident. Elon Musk has done it twice this month.

First, he drew Ukraine's ire over revelations in Walter Isaacson's biography that he declined to activate his satellite service, Starlink, over Crimea, thereby foiling a Ukrainian attack on the Russian navy.

Days later, Taiwan slammed him for saying the People's Republic of China sees the self-governing island the same way the U.S. sees Hawaii: "Taiwan is not part of the #PRC & certainly not for sale!" its Foreign Ministry said on Musk-owned X, formerly known as Twitter.

Those were just a few of the items on Musk's diplomatic agenda this month, which included meetings with the leaders of Israel, Turkey and Hungary.

Musk's international influence poses an interesting problem for the U.S. In a world where geopolitical

leadership depends increasingly on technology, Musk ought to be one of the U.S.'s most important assets. And yet he is a de facto independent actor.

Of course, commerce has mingled with statecraft for centuries. In the 1700s, the East India Company became a state unto itself, colonizing India in pursuit of profit. "A great prince was dependent on my pleasure; an opulent city lay at my mercy," Robert Clive, who had commanded its forces, told the British Parliament.

Closer to home, William Randolph Hearst goaded the U.S. into war with Spain in part to sell newspapers. Henry Ford, a fervent isolationist, tried to keep the U.S. out of both world wars. In 1940, Ford vetoed a contract to build engines for fighter planes that Britain needed to battle Nazi Germany.

During the Cold War, Armand Hammer used his perch atop Occidental Petroleum to cultivate detente between the Soviet Union and the U.S. George Soros has

used the wealth earned from betting against the currencies of some countries to press for democracy and human rights in others.

Musk owes his influence not to the control of oil, capital or private armies, but of technologies vital to economic competitiveness, national security and public opinion.

NASA and the Pentagon depend heavily on Musk-owned SpaceX to get into space.

After Russia knocked out Ukraine's other satellite service in the early hours of its invasion in February 2022, Ukrainians credit Musk's provision of Starlink terminals with restoring connectivity on the battlefield and helping Ukraine avoid defeat. (Musk has said Starlink was not activated over Crimea, to avoid being "explicitly complicit in a major act of war and conflict escalation.")

Tesla isn't the world's only electric vehicle manufacturer, but it is the most advanced and prestigious. National leaders understandably think

hosting a Tesla factory provides a handhold on the industry's future. It's why China let it open a wholly owned subsidiary, a first for a foreign automaker, in Shanghai in 2019, betting correctly that Tesla's presence would invigorate domestic brands. It's why Saudi Arabia is talking to Tesla about an investment, The Wall Street Journal has reported. Musk called the report false.

Finally, while Musk's purchase of X has proved immensely dilutive financially, it has been accretive politically, granting him say over who gets heard, amplified, filtered or banned on the world's most influential social-media platform.

Only the U.S. could produce an entrepreneur like Musk, who emigrated from South Africa to Canada as a teenager and then to the U.S. "The U.S. is literally a distillation of the human spirit of exploration," he told Isaacson. And perhaps only in the U.S. could he have so much political autonomy.

Musk is in almost continuous conflict with the state. In China or Russia, where power flows from one man, that would cost you your business, your freedom, or both. In the U.S., where power is diffused between different branches and parties, Musk thrives.

More consequential than Musk's independence from the U.S. government is his vulnerability to China's.

Isaacson writes that the factory closures mandated by China and then California to contain Covid-19 "inflamed his anti-authority streak." Yet only California came in for Musk's public wrath; he called lockdowns fascist and the responsible official ignorant. He said nothing similar publicly about China, even when Tesla's Shanghai factory was closed for 22 days last year.

Musk's deference to China extends to the former Twitter. Isaacson writes that shortly after his purchase, Musk told the journalist Bari Weiss the platform would have to be careful about "the

words it used regarding China, because Tesla's business could be threatened."

One should not single out Musk for locking horns with American politicians while kowtowing to Beijing; the chief executives of lots of companies do the same, from Walt Disney to JPMorgan Chase.

The difference, of course, is that the fate of nations depends much more on which has the best technology than the best bank loan or animated film.

Musk's influence over international relations will diminish if his influence over technology is diminished. Competitors are hard at work trying to weaken SpaceX's market share in launch and X's in social media. As for electric cars, now that Chinese brands have caught up, expect Tesla to be squeezed out of China's market much as other foreign companies have been, once Beijing no longer found them useful. Musk might be less vulnerable to China when he no longer has sales there to protect.

## NASA Astronaut Returns After Record-Setting Year

By ALYSSA LUKPAT

After 371 days in space, Frank Rubio is finally home.

The NASA astronaut landed in Kazakhstan Wednesday on a Russian spacecraft, completing the longest spaceflight by an American.

"It's good to be back," Rubio said after he was carried out of the spacecraft.

Rubio was supposed to return to Earth in March, but a micrometeorite poked a hole in his Russian-made return ship, making it unsafe to travel in, according to the National Aeronautics and Space Administration. He was forced to stay on the International Space Station an extra six months until a backup vessel could whisk him back to land.

Rubio, 47 years old, said at a news briefing last week that if he had known how long the mission was going to take, he would have had second thoughts about going. He wasn't there for family moments such as sending his son



Astronaut Frank Rubio, left, and cosmonaut Dmitri Petelin in their spacecraft just after landing in Kazakhstan on Wednesday.

off to college.

"Had I known that I would have had to miss those very important events," he said, "I just would have had to say,

"Thank you but no thank you."

He departed the ISS and landed in Kazakhstan after a roughly four-hour trip. He traveled back with two cosmo-

nauts from Roscosmos, the Russian Federal Space Agency. U.S. and Russian space authorities have continued to work together despite tensions be-

tween their countries over Russia's attack on Ukraine.

Rubio this month broke the record for the longest spaceflight by an American. The as-

tronaut Mark Vande Hei last year had set the previous record of 355 days, according to NASA.

This was Rubio's first spaceflight. A former U.S. Army surgeon and helicopter pilot, he joined NASA as part of the agency's 2017 astronaut candidate class, according to his biography on the agency's website. He is from Miami.

"Frank's record-breaking time in space is not just a milestone; it's a major contribution to our understanding of long-duration space missions," NASA Administrator Bill Nelson said in a statement.

Rubio went to space as part of Expedition 68, which studied how spaceflights affect heart health, according to NASA.

### Watch a Video



Scan this code for a video on astronaut Frank Rubio's return to Earth.

## High Loan Costs Hurt Companies

Continued from Page One

Excluding a 2020 spike, the default rate for the past 12 months is the highest since 2014.

The strains come at a time when leveraged-loan funds have put up outside performances. Investors had feared that rising rates would hurt risky borrowers, particularly if they spark a recession. Instead, a strong economy has helped issuers withstand rising interest costs while bonds

with low fixed rates have tumbled, amplifying the advantage of floating-rate debt.

James St. Aubin, chief investment officer at Sierra Mutual Funds, said leveraged loans' gains could easily unravel if the Fed's tightening campaign breaks something in the economy and kicks off a wave of defaults. Sierra owns floating-rate debt in its Tactical All Asset Fund, which uses algorithmic models to buy and sell assets based on how well they are doing.

"The asset I'm worried about most is bank loans," he said.

Hanesbrands has nearly \$1.9 billion outstanding across two bank loans, paying rates between 7.2% and 8.9%. The apparel maker is trying to improve leverage—its debt rela-

tive to earnings—and lower interest costs by using "all our free cash flow to pay down debt," Scott Lewis, chief financial officer, said in August.

The company has made progress, paying down \$100 million of debt in the first half of the year and looking to do an additional \$300 million in the back half. But cash flows have only outpaced interest expenses in two of the past six reported quarters. In the most recent period, \$75 million of interest costs gobbled up nearly the entire \$78 million of free cash flow.

S&P downgraded Hanesbrands last month to B-plus from double-B minus. Moody's in June reduced Petco's rating further into

speculative territory, to B2 from B1. Petco has paid down a portion of its debt as well, and hedged some of its interest-rate risk as the Fed raised rates.

One sign of hope for investors and companies is that chief finance officers and Wall Street analysts are growing more confident that the economy can skirt a recession. They see healthy consumer spending, propped up by the resilient labor market, allowing for revenue growth. That cash can be used to pay down high-rate debt.

"So far, borrowers have done a good job of managing increased interest costs as the economy has held up better than many expected at the start of the year," said Hussein Adatia, who manages portfolios of stressed and distressed corporate credit for Dallas-based Westwood. "The No. 1 risk to leveraged loans is if we get a big slowdown in the economy."

That would pose additional challenges for issuers such as Hanesbrands or Petco. People in the U.S. are already buying fewer pets, and Hanesbrands recently announced it is shopping its Champion business amid an activist-investor campaign against management.

According to the Fed's senior-loan-officer survey, banks are becoming more stringent about whom they are willing to lend to, making it more difficult for low-rated companies to refinance. Fitch expects about \$61 billion of those loans to default in the next two years, the "overwhelmingly majority of which" are anticipated by the end of 2023.

Some investors worry that tighter standards come too late. Years of thralow rates left investors thirsty for yield and handed borrowers favorable terms.

Historically, creditors have recovered about two-thirds of their initial loans during defaults, according to Adatia, but he expects that will be

much lower now. "The overall quality of loan documents is atrocious right now," he said. "This is 15 years in the making."

## CORRECTIONS & AMPLIFICATIONS

**It has been three decades** since the U.S. had a combat veteran as president. A U.S. News article on Wednesday about Republican presidential candidate Ron DeSantis said it has been three decades since the U.S. had a veteran as president.

settlement incorrectly said the firm agreed to pay \$25 million for overstating how it used ESG factors in funds. Also, DWS had 859 billion euros, equivalent to about \$908 billion, of assets under management globally as of June. The article implied that DWS managed \$165 billion in assets globally, and it didn't give the date of measurement for the assets.

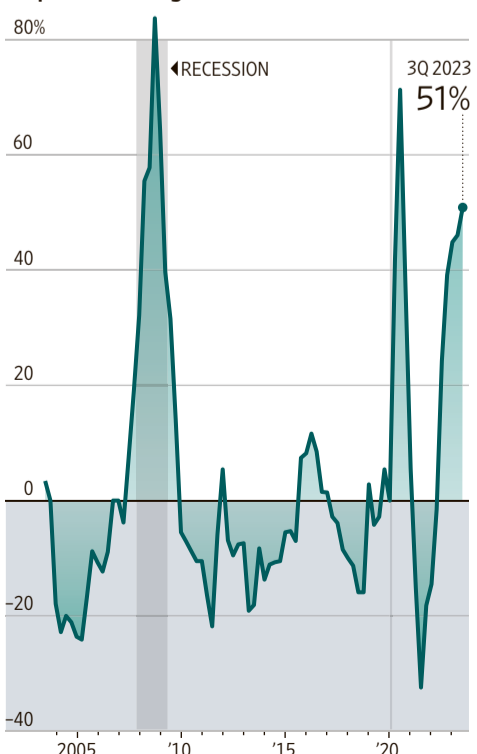
**DWS Investment Management Americas** agreed to pay \$25 million to settle Securities and Exchange Commission allegations that it overstated how it used environmental, social and governance factors in its funds and that it failed to comply with anti-money-laundering rules for its mutual funds. A Banking & Finance article on Tuesday about the

**Brooks Robinson** reached the World Series four times with the Baltimore Orioles. A Sports-page obituary for Robinson in some editions Wednesday incorrectly said he appeared in three World Series.

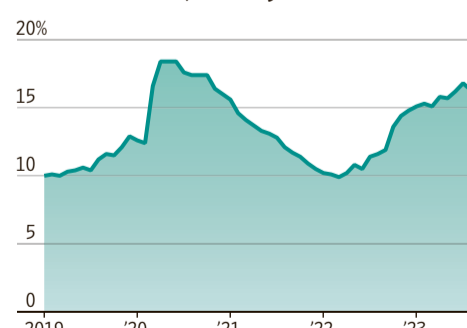
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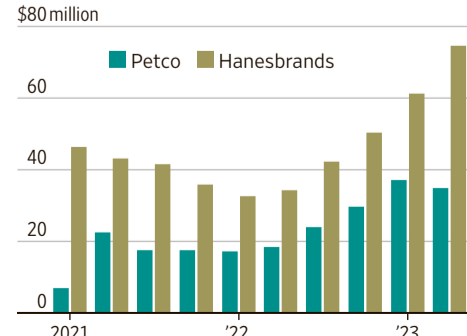
Percentage of banks tightening corporate lending standards



Concerned loans as a percentage of overall market, monthly\*



Interest expense, quarterly



\*Through August  
 Sources: Federal Reserve (tightening corporate lending); Fitch U.S. Leveraged Loan Index (concerned loans); FactSet (interest expense)

U.S. NEWS

Trump's Team Seeks Clarity on Property Ruling

Donald Trump's legal team sought clarity Wednesday from a New York judge who issued a ruling that potentially removes the former president's control over part of his real-estate empire.

By James Fanelli, Peter Grant and Corinne Ramey

New York State Supreme Court Justice Arthur Engoron, presiding over a civil case brought by state Attorney General Letitia James, ruled Tuesday that Trump and his company had committed fraud by falsely valuing his properties.

The most sweeping part of Engoron's decision ordered the cancellation of legal certificates that have allowed the Trumps to do business in the state. He instructed both sides to identify a receiver to oversee the dissolution of some of the family's business entities.

Trial proceedings are set to begin Monday.

At a pretrial hearing Wednesday, Trump lawyer Chris Kise asked Engoron to further explain how the ruling affects Trump's real estate, saying that the decision left unclear what the cancellation of the certificates means, which properties are affected and what role the receiver is to play.

Engoron encouraged the attorney general's office and Trump's lawyers to pick a receiver and said he would consult with them all.

"I think I am very accessible to work things out," he said.

Judge in Election Case Won't Recuse Self

By C. RYAN BARBER AND SADIE GURMAN

WASHINGTON—A federal judge declined Wednesday to recuse herself from Donald Trump's prosecution on charges he conspired to remain in power following his 2020 election loss, rejecting the former president's argument that her past critical statements about the Jan. 6, 2021, attack on the Capitol created the appearance of bias.

Trump's defense lawyers had asked Judge Tanya Chutkan earlier this month to step away from the case, saying that her past comments about the former president's role in the Capitol riot were "inherently disqualifying." The lawyers pointed to a pair of sentencing hearings for Trump supporters convicted of storming the Capitol, including one in which Chutkan described the Jan. 6, 2021, attack as "nothing less than an attempt to violently overthrow the government, the legally, lawfully, peacefully elected government, by individuals who were mad that their guy lost."

"It's a blind loyalty to one person who, by the way, remains free to this day," Chutkan added at the October 2022 hearing.

In a 20-page opinion Wednesday, Chutkan said her past statements weren't disqualifying and that legal precedent suggested she shouldn't step aside.

The decision was a setback for Trump's attorneys, even though legal observers widely regarded their bid for Chutkan's recusal as a long shot. Judges almost never recuse themselves except in extraordinary circumstances.

A lawyer for Trump, John Lauro, declined to comment.

Menendez's Hand Is Worse This Time

Earlier case against the senator fell apart, though law on bribery is also in flux

By James Fanelli and Corinne Ramey

The Justice Department's first prosecution of Sen. Bob Menendez on corruption charges ended in failure five years ago, but the New Jersey Democrat could face a more daunting fight in attempting to beat a new bribery indictment alleging he traded political favors for gold bars, cash and gifts.

The government's latest case against New Jersey's senior senator is starting from a stronger position than the earlier charges, with detailed allegations that are more extensive and dramatic than last time, former prosecutors and defense lawyers said.

"These charges were brought with great care. The Justice Department doesn't want the same thing to happen twice," said Elisha Kobre, a former prosecutor who is a partner at law firm Bradley Arant Boult Cummings.

Menendez pleaded not guilty in New York federal



Sen. Bob Menendez and his wife leaving federal court Wednesday in New York.

court on Wednesday to charges that he and his wife accepted hundreds of thousands of dollars in exchange for using his position to aid three businessmen and the Egyptian government. All the defendants have entered not guilty pleas.

In 2015, prosecutors charged the senator with accepting nearly \$1 million in campaign contributions and gifts in exchange for helping

an ophthalmologist with Medicare-billing disputes and visa applications for his girlfriends. The Justice Department ultimately dropped the prosecution in 2018 after a trial in New Jersey federal court ended in a hung jury and a judge acquitted Menendez on a subset of the charges.

Still, prosecutors face challenges of their own this time.

The Supreme Court has made corruption cases against

public officials more difficult to win. To prove a bribery scheme, prosecutors need to show that a quid pro quo existed between Menendez and the businessmen.

"I think the quid is beyond question. The payments are brazen, they are tawdry and the evidence supporting them seems very strong," said Jason Linder, a former senior DOJ prosecutor and partner at law firm Mayer Brown.

"The fight will be on the quo." Linder said Menendez's lawyers will likely seize on the Supreme Court's 2016 decision in McDonnell vs. United States, which narrowed the legal definition of what constitutes an official act.

will be on the quo."

Linder said Menendez's lawyers will likely seize on the Supreme Court's 2016 decision in McDonnell vs. United States, which narrowed the legal definition of what constitutes an official act. The ruling threw out the corruption conviction of former Virginia Gov. Bob McDonnell, a Republican who was charged with secretly accepting more than \$175,000 in gifts and loans from a wealthy businessman who sought favorable consideration for his dietary supplement company.

The latest Menendez indictment alleges he called a senior prosecutor in the New Jersey attorney general's office to obtain a favorable outcome in criminal matters. He is also accused of attempting to aid a businessman facing federal bank fraud charges by calling an official in the U.S. attorney's office in New Jersey.

Menendez may argue the calls weren't official acts as a senator, Linder said. Similar debates, he said, could unfold over whether the lawmaker was acting under his authority as chairman of the Senate's powerful Foreign Relations Committee when he allegedly took steps to free up military financing and sales to Egypt.

First the Storms Hit, Then Insurance Soared

By Cameron McWhirter and Arian Campo-Flores

LAPLACE, La.—Two years after Hurricane Ida struck the Gulf Coast, Winona and Charles Barnette are still struggling to repair their home here. The Category 4 storm toppled a tree that smashed through their roof and triggered flooding that brought 3 feet of water into their house.

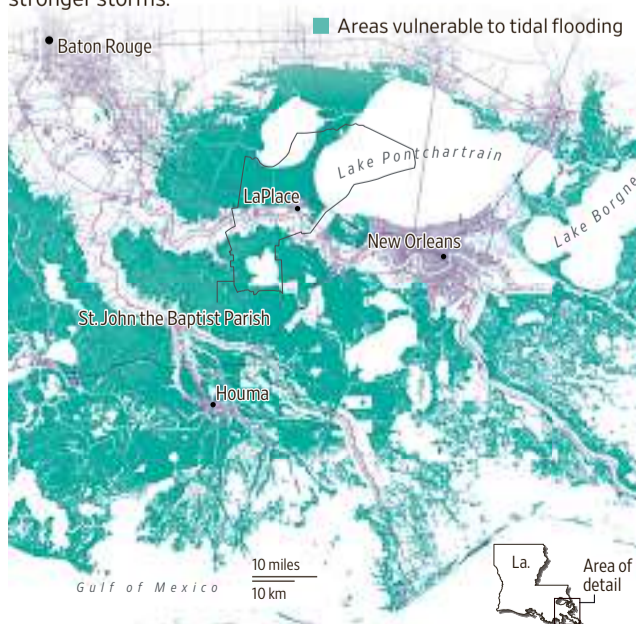
The couple lived in a Federal Emergency Management Agency trailer for months and relied on relief money from the agency to pay for new appliances. They have battled with the company handling their home insurance to try to cover the costs of repairs and have ended up doing much of the work themselves—all while their premium has climbed sharply. Now they are thinking of giving up on the house altogether and moving to safer ground. "We're looking to sell it as soon as we can," said Winona Barnette.

The cost of living with intense storms is prompting some residents to consider leaving this already depopulating area west of New Orleans, which sits near sea level and has taken a pounding in recent years from a succession of floods and major storms. Straddling the Mississippi River and bordered by swampland, St. John the Baptist Parish, which includes LaPlace, lost a higher percentage of people than any other county in the U.S. except California's Lassen County—which has been hit by wildfires—from 2021 to 2022.

The loss of people in places such as St. John the Baptist Parish compounds Louisiana's struggle with anemic population growth, which hinders the state's economy, as other parts of the South are booming.

Parts of Louisiana and elsewhere along the U.S. coast have reached a tipping point, said Roy Wright, chief executive of the Insurance Institute for Business and Home Safety,

Louisiana's low-lying areas are increasingly susceptible to stronger storms.



Source: National Oceanic and Atmospheric Administration. Carl Churchill/THE WALL STREET JOURNAL



Ida severely damaged the roof of the LaPlace, La., home where Dana Jenkins, in blue dress, and her family have lived for decades.

an industry-backed research organization. "The consequence of mother nature ramming at them has grown to a point at which it's no longer incidental—it's consequential to their family's budget in any given year," he said.

Bouts of extreme weather threaten homes and real-estate values and upend the property-insurance market across the state.

Some states along the Gulf Coast and East Coast are confronting similar challenges. In Florida, which has the highest average home-insurance premium in the U.S., storms in recent years have devastated parts of the state, and some carriers have pulled back, in part because of what the insurance industry considers an abusive litigation environment.

Hurricanes including Ida, Laura, Delta and Zeta battered Louisiana in 2020 and 2021. Ida was the second-most-dam-

aging storm ever to hit Louisiana, surpassed only by 2005's Hurricane Katrina. Ida killed 30 people and caused at least \$18 billion in damages.

Insurers paid out more than \$23 billion in insured losses from more than 800,000 claims related to the two years of storm activity, according to a recent report by the Insurance Information Institute, an industry group.

The heavy losses prompted a pullback by insurers. Twelve that write home coverage in the state were declared insolvent between July 2021 and February 2023, and more than 50 stopped taking new policies in hurricane-prone parishes, the report said.

Future severe storms could drive away more insurers, said Jim Donelon, Louisiana's long-time insurance commissioner, who is retiring. And soaring premiums could prompt more people to move away from places such as St. John the Baptist Parish, the Republican said. "My expectation is that we are seeing what the future is," Donelon said. "We can adapt and live with it. It's not going to be inexpensive."

St. John the Baptist Parish's population declined 5.1% to 39,864 from 2021 to 2022, the largest percentage drop of any county in the South, according to U.S. Census Bureau estimates. Of the 10 counties in the U.S. that lost the highest proportion of population over that year, four were Louisiana parishes.

Many homes in the working-class, unincorporated communities of LaPlace and nearby Reserve are empty, and for-sale signs abound. Ida severely damaged the roof of the brick-and-siding home where Dana Jenkins and her family have lived for decades. Rain entered the house, seeping down its walls and soaking the

insulation.

Their home and flood policies covered some repair costs but not all, and work is only partly completed. Jenkins, a home tutor for children with special needs and a mother of

seven, said she spends much of her time talking with insurance adjusters and agents trying to secure reimbursements for mounting costs.

"It's nothing to me, but this is my life," said Jenkins.

Advertisement for Blancpain watches featuring the slogan 'THERE IS ETERNITY IN EVERY BLANCPAIN' and an image of a watch.

## U.S. NEWS

# GOP Candidates Spar in Second Debate

Seven presidential hopefuls try to make impact as Trump again skips event

By ALEX LEARY  
AND ELIZA COLLINS

SIMI VALLEY, Calif.—The second GOP presidential debate was full of arguments, one-liners and strained attempts for attention, but none of the candidates articulated a clear case why they should be the front-runner instead of Donald Trump.

The seven candidates appeared desperate to make an impact before the GOP electorate further solidifies behind Trump, who has opened up a huge lead for the nomination. Yet beyond a handful of criticisms about the former president skipping the event and his foreign policy, the field largely trained their fire on each other.

As the debate concluded, moderators asked them to vote a candidate “off the island.” All but former New Jersey Gov. Chris Christie, who named Trump, refused to play along.

Time is running out for them to make a mark—the first primary voting begins in less than four months—and several candidates left the stage at the Ronald Reagan Presidential Library hoping they did. Former South Carolina Gov. Nikki Haley squabbled with multiple opponents, particularly businessman Vivek Ramaswamy and Sen. Tim Scott of South Carolina, and Florida Gov. Ron DeSantis hammered away at his talking points.

But it remains a race for second place, and GOP leaders and donors wanting to move past Trump are getting increasingly nervous.

As with the last debate, the



Seven GOP presidential candidates took the stage at the Ronald Reagan Presidential Library on Wednesday night.

former president did his own thing Wednesday night, holding a rally at an automotive supplier in the Detroit area as he positions himself for the general election. “To the striking workers, I support you and your goal of fair wages and greater stability,” he said. But he blasted union leaders and Democratic support for electric vehicles, asserting it would “send Michigan auto workers to the unemployment line.”

The candidates tried to have it both ways when asked about the United Auto Workers strike. They deflected blame to President Biden and refused to say whether they explicitly took the side of the workers

over the automakers.

Moderators pressed Scott on his recent comments about firing striking workers, remarks that referred to federal employees but that struck many as insensitive given the GOP is trying to court working-class voters.

Scott tried to pivot to immigration, blasting Biden for joining the picket line Tuesday instead of going to the southern border. But his rivals seized on the subject. “I do have a lot of sympathy for the workers,” said Ramaswamy.

Others focused their Biden attacks on his economic policies.

“Biden showed up on that picket line. But why are those

workers actually there? It’s because of all of the spending that he has pushed through in the economy that’s raised the inflation,” said Haley, a former ambassador to the United Nations.

At the last debate, Trump’s rivals only barely went after him. This time, they were quick to attack him for skipping the event.

“Donald Trump is missing in action. He should be on this stage tonight,” said DeSantis.

“Donald Trump hides behind the walls of his golf club,” said Christie. He later returned to his former ally, looking directly in the camera and saying Trump was watching but afraid to participate. If it keeps

up, Christie said, they won’t call him Donald Trump but “Donald Duck.”

Haley started off slow but gained momentum, sparring with most of her top rivals.

She sought to highlight her differences with Trump, including on his approach to China and his embrace of a government shutdown to get conservative priorities.

“This is where President Trump went wrong. He focused on trade with China,” Haley said, adding that Trump missed China’s growing power, including through surveillance and manufacturing critical equipment for law enforcement. “We need to start focus-

ing on what keeps Americans safe. That hasn’t happened in a long time,” she said.

She also went after DeSantis for his energy stance and Scott for his record in the Senate, which she said was underwhelming.

“Twelve years, where have you been?” she asked.

Ramaswamy said Republicans needed to expand outreach to young people including through use of TikTok. Haley said TikTok, which has a China-based parent company, was one of the most dangerous social-media platforms.

“Honestly, every time I hear you I feel a little bit dumber,” she said.

DeSantis needed a standout night given his frail claim to being the leading Trump alternative. He went after Haley for her stance on the gas tax and how much she had spent on curtains as U.N. ambassador.

“You got bad information,” Haley said. “You are scrapping.”

—Catherine Lucey  
and Christine Mai-Duc  
contributed to this article.

Scott was uncharacteristically aggressive, taking blows directed at other candidates and frequently talking over his opponents. He went after Haley for her stance on the gas tax and how much she had spent on curtains as U.N. ambassador.

“You got bad information,” Haley said. “You are scrapping.”

—Catherine Lucey  
and Christine Mai-Duc  
contributed to this article.

## Watch a Video

Scan this code to watch a video of highlights from the debate.

# Impasse Brings Government To the Brink of Shutdown

House Speaker Kevin McCarthy (R., Calif.) rebuffed a bipartisan short-term funding bill from the Senate in favor of a House Republican plan driven by conservatives, as dim prospects for a deal raised the likelihood of a partial government shutdown starting this weekend.

By Siobhan Hughes,  
Katy Stech Ferek  
and Kristina Peterson

Many lawmakers now anticipate that Congress will fail to fund the government past this Saturday, a lapse that will partially close federal agencies and temporarily withhold pay for federal workers and active-duty military personnel.

The House and Senate are moving ahead with their own stopgap proposals to keep the government open while work continues on full-year funding legislation. Each plan is considered a non-

starter in the other chamber, however, with sharp differences on spending levels, Ukraine and border security.

The House is the main source of tension. McCarthy is effectively negotiating both with his own conference and with the Senate, but with no clear way to thread the needle. Some House conservatives have said they wouldn’t mind a brief shutdown if it led to a better resolution of the spending fight, while senators of both parties have implored McCarthy to help keep the government open.

McCarthy on Wednesday dug in on his strategy of holding a vote on a stopgap measure cutting spending to a lower \$1.471 trillion annual rate. The proposal would enact strict border-security measures but omit money for Ukraine or disaster relief. The time period for funding is still under discussion. McCarthy said a vote on his bill could

come Friday, but it was uncertain whether it would draw enough support from GOP holdouts to pass.

By contrast, the Senate’s short-term measure, which has bipartisan support and easily passed an initial procedural hurdle Tuesday, would continue spending at fiscal 2023’s more than \$1.6 trillion annual pace through Nov. 17, while also providing \$6 billion each for Ukraine and for disaster relief but leaving out any border measures.

McCarthy indicated to House Republicans that he didn’t plan to put the Senate measure on the floor for a vote. Such a bill—known as a continuing resolution, or CR—likely would pass with Democratic votes, but it would split the GOP conference, enrage many members and could spark an effort to remove McCarthy as speaker.

“I don’t see the support in the House,” McCarthy told reporters.



House Speaker Kevin McCarthy said a vote on his funding bill could come Friday.

Senate Majority Leader Chuck Schumer (D., N.Y.) said McCarthy was standing in the way of a bipartisan deal. “The bottom line is, if they put our bill on the floor, it would pass,” he said.

Senate Minority Leader Mitch McConnell (R., Ky.), while declining to directly counsel McCarthy, said the

choice is simple. Congress could embrace the Senate approach and fund the government for six weeks, he said, or “shut the government down in exchange for zero meaningful progress on policy.”

Aides expected that amendment votes would be needed to clear the continuing resolution through the Senate, and

the bill could still see changes. Arizona Sen. Kyrsten Sinema, an independent who caucuses with the Democrats, is part of a group that includes Sens. Susan Collins (R., Maine) and Thom Tillis (R., N.C.) working to devise an amendment providing funds to address border security, according to a person familiar with the matter.

# Wider UAW Strikes Are Threatened

Continued from Page One  
contingency plans to meet customer demands.

The UAW declined to comment.

GM also has made plans to use white-collar workers to handle parts shipments, people familiar with the plans said. The company used the same strategy during a 40-day strike in 2019 to keep components flowing to dealerships.

“We have contingency plans for various scenarios,” a GM spokesman said. “We are evaluating if and when to enact those plans.”

Ford has trained white-collar staff to fill in at parts depots, a spokeswoman confirmed. So far, though, its distribution centers continue to operate.

The consumer impact of the strike has been minimal thus far. The three plants on strike—which make Jeep SUVs, midsize Chevrolet pickup trucks, Ford Bronco



UAW members picketed at a Chrysler parts facility in Ontario, Calif., this week. The union pledged to widen its strike on Friday.

SUVs and other models—account for only about 10% of the companies’ North American output. And each automaker had several weeks worth of inventory on dealership lots or in transit when work was halted.

More than 18,000 of the companies’ 146,000 factory workers remain on strike as contract talks continue.

The UAW’s walkout at parts

facilities across 20 states quickly broadened the strike’s impact to include thousands of dealerships, as well as consumers. The distribution facilities play a crucial role in getting replacement components out for vehicles that need to be fixed.

Choking off the flow of routine maintenance parts such as spark plugs and oil filters, as well as less-common com-

ponents used in repair work, can quickly disrupt dealers’ service departments, causing longer customer waits and appointment cancellations.

“Dealers who didn’t prepare for this are probably already starting to feel the pinch on their parts availability,” said Brad Sowers, a Missouri dealer who sells GM and Stellantis brands. Most dealerships typically get parts

shipments daily, on a just-in-time basis.

Sowers said he began buying extra parts from the automakers “like crazy” five months ago in anticipation of a strike, storing the excess at an off-site facility. Sowers figures he has enough to get through two months if the strike drags on.

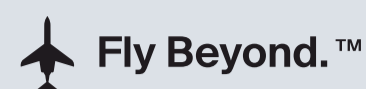
Jeff Schneider, general manager at Michigan-based

Stott Automotive Group, which sells Chrysler, Dodge, Jeep, and Ram models, said his company also beefed up its parts supply before the strike. It has a large fleet of rental vehicles for customers who need urgent repairs. Those with non-safety issues, however, may have to wait.

“You work very hard to establish a loyal customer base, and this is going to make people unhappy,” said Schneider, who also sells Toyota and Ford models. “It might make people look at a different brand next time.”

Beyond the effect on dealership parts, the UAW’s walkout has spilled over to non-striking plants and the supply base, too. Suppliers have said more than 3,000 workers would be or could be laid off as a result of the strike, according to disclosures from the companies.

Last week, GM idled a Kansas plant that relied on work from the company’s other facility targeted by the UAW, resulting in 2,000 temporary layoffs. Stellantis also temporarily laid off 68 workers at a machining plant affected by the UAW’s strike at a Jeep factory in Toledo, Ohio, and said 300 more workers could be affected at a facility in Kokomo, Ind.



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U.S. WATCH

U.S. NEWS



One of the Philadelphia stores that was pillaged by groups of thieves, flash-mob-style.

**MARYLAND**  
**Suspect Sought in Killing of Tech CEO**

Baltimore police are searching for a suspect in the death of 26-year-old tech entrepreneur Pava LaPere. Police said the suspect, 32-year-old Jason Dean Billingsley, is believed to still be in Baltimore and considered armed and dangerous. Court records show he pleaded guilty to first-degree assault in 2009 and a sex offense in 2015. He was released from prison nearly a year ago and is listed on Maryland's sex-offender registry. He is also wanted in connection with a violent crime last week, police said.

"This individual will kill and he will rape, he will do anything he can to cause harm," said Acting Police Commissioner Richard Worley. Worley didn't say why Billingsley was considered a suspect in LaPere's death. A lawyer who previously represented Billingsley didn't respond to a request for comment.

LaPere, the founder and chief executive of startup EcoMap Technologies, was found dead at an apartment building Monday with signs of blunt-force trauma.

—Joseph Pisan

**MONTANA**  
**Gender-Affirming Care Ban Blocked**

A Montana law banning gender-affirming medical care for transgender minors is temporarily blocked, a state judge ruled Wednesday, just four days before it was to take effect.

District Court Judge Jason Marks agreed with transgender youth, their families and health-care providers that the law passed this year is likely unconstitutional and would harm the mental and physical health of minors with gender dysphoria, rather than protect them, as supporters said it would.

Marks called the Legislature's stated intent "disingenuous" and said it seemed more likely the law's purpose is to "ban an outcome deemed undesirable by the Montana Legislature, veiled as protection for minors."

The preliminary injunction remains in effect until a full trial can be held on the issue, but the state Department of Justice said it would appeal the injunction.

Montana is one of at least 22 states that have enacted bans on gender-affirming medical care for minors, and most face lawsuits.

—Associated Press

**PHILADELPHIA**  
**Dozens Arrested in Looting Rampage**

Dozens of people faced criminal charges Wednesday after a night of social media-fueled mayhem in which groups of thieves, apparently working together, smashed their way into stores in several areas of Philadelphia, stuffing plastic bags with merchandise and fleeing, authorities said.

Police said they made at least 52 arrests. Burglary, theft and other counts have been filed so far against at least 30 people, all but three of them adults, according to Jane Roh, spokesperson for the Philadelphia district attorney's office.

The flash-mob-style ransacking Tuesday night at dozens of stores including Foot Locker, Lululemon and Apple came after a peaceful protest over a judge's decision to dismiss murder and other charges against a Philadelphia police officer who shot and killed a driver, Eddie Irizarry, through a rolled-up window.

Those doing the ransacking weren't affiliated with the protest, Interim Police Commissioner John Stanford said at a news conference, calling the group "a bunch of criminal opportunists."

—Associated Press

**Refinancing Is Poor Option As Student Loans Return**

By GABRIEL T. RUBIN AND ROSIE ETENHEIM

Borrowers facing down the return of federal student-loan payments might be tempted to refinance their loans in an attempt to save money. For many, that is a terrible idea.

With the Federal Reserve pushing interest rates to a multidecade high and new government programs offering the promise of low payments and possible debt forgiveness, personal-finance experts say refinancing would benefit only a handful of borrowers.

"It doesn't make any sense to refi that because your costs are going to go up, not down," said Jack Wallace, director of governmental and lender relations at Yrefy, a private student-loan company, speaking about those with undergraduate loans, the majority of student borrowers. Starting in October, tens of millions of student-loan borrowers will need to make payments for the first time since the Education Department instituted a pause in March 2020.

Because federal student-loan payments and interest accrual were paused, few borrowers took advantage of the low rates

earlier in the pandemic to refinance their loans, as many mortgage holders did. SoFi, a refinancing lender, said its volumes fell 90% when interest rates were set at zero. Now that the pause is ending, the window to refinance at low rates has closed.

Refinancing federal loans with a private lender involves risks.

That debt is no longer eligible for forgiveness through income-based repayment programs such as the Saving on a Valuable Education program, recently rolled out by the Biden administration.

Borrowers looking to refinance federal loans must combine all their loans and turn them into a single consolidated private loan, removing the debt from the federal system altogether. They can then shop around for a more attractive interest rate or choose to lengthen or shorten their repayment period. Generally, the better a person's credit score, the lower the interest rate for which he or she can qualify.

Those refinancing also would be left out of possible future mass debt-forgiveness plans, such as the one that was recently struck down by the Su-

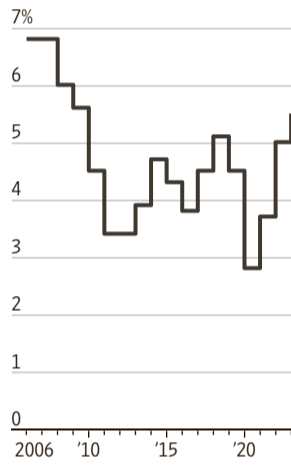
preme Court. If the Education Department succeeds in its second attempt to cancel large amounts of debt for most borrowers, private loans wouldn't be eligible. Any such effort is expected to be challenged in court.

In addition, the cost of credit has increased substantially over the past year and a half. Early in the pandemic, the Fed cut interest rates to near zero to stimulate the economy. More recently, it has raised rates to a 22-year high to fight elevated inflation.

The interest rate on federal student loans is set annually. For the most common undergraduate loans, this year's rate is 5.5%, up from 2.75% in 2020. Different types of loans carry different interest rates: Undergraduate loans have lower rates than ones taken out by graduate and professional students or parents of students. Those loans are set at 7.05% and 8.05%, respectively.

"People that have excellent credit might be able to find introductory offers where there's a bank that's trying to recruit for their business that will also offer a low interest rate," said Sarah Behr, a financial planner in San Francisco.

**Fixed interest rate for direct undergraduate loans\***

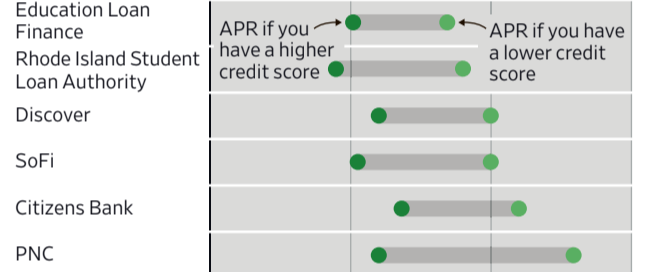


\*Interest rates apply for one calendar year. Sources: Federal Student Aid (interest rate); Education Department (federal); Forbes Advisor (refinance rate ranges)

**Current interest rates**



**REFINANCE RATE RANGES**



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# Foreign expansion is the path to success

Thirty-four years ago, in 1989, communism fell, paving the way for Poland to reclaim its economic and political freedom. It was also in this year that Poland saw the beginning of sweeping economic and political reforms that have propelled the nation into an era of remarkable economic expansion. The World Bank's data reveals that Poland's GDP surged from \$65.98 billion in 1990 to a staggering \$688.18 billion in 2022.

Along with Poland's economic growth, the activity of Polish exporters has also been on the rise. According to the data released by the Polish Central Statistical Office, between 2018 and 2022 alone, Poland's exports of goods witnessed a robust upswing, increasing by 38.1% from \$264.8 billion to \$365.8 billion. From January to June 2023, foreign trade turnover (at current prices) amounted to impressive \$190.3 billion in exports, while imports reached a total of \$183.1 billion (a 2.4% increase in exports and a 6.6% decrease in imports). This shift resulted in a positive balance that reached the eye-watering level of \$7.2 billion, contrasting with the negative balance of \$10.3 billion during the same period in 2022.

The aftermath of the outbreak of war in Ukraine in 2022 has led to changes in the structure of Polish exports, affecting both the range of goods and products, and direction of trade. Russia's significance as a trading partner has dwindled in favor of more intensive trade with Ukraine.

## Strategy supporting foreign expansion of Polish companies

As Poland's largest bank, PKO Bank Polski closely monitors these trends and actively explore markets where our clients are conducting their business. We recognize a distinct responsibility to support the development of Polish companies and consequently the entire economy. The increase in the value of exports and foreign investment is the key to accelerating the pace of Poland catching up with Western European countries in terms of economic prosperity.

Already in 2004, PKO Bank Polski acquired a 66.65% stake in KREDOBANK SA, a prominent bank operating mainly in the western part of Ukraine, with its headquarters in Lviv. Currently, the Bank holds a complete 100% ownership of KREDOBANK SA. This universal Ukrainian bank was established in 1990 and despite the Russian invasion in Ukraine, it continues to successfully operate its business and it poised to play a strategic role in the process of rebuilding Ukraine after the war.

As the Bank charted its course for international expansion, the subsequent phases involved the development of corporate banking and the establishment of the Bank's branches in CEE countries. Our overarching objective is to be the first-choice bank for leading Polish enterprises and companies from the SME sector on the CEE market and a gateway for CEE companies entering the Polish market.

In December 2015 PKO Bank Polski opened its first international corporate branch in Frankfurt am Main. The launch of the German branch was the first step in the international expansion of PKO BP to countries where Polish companies undertake their business activities. It needs to be highlighted that Germany is Poland's largest trading partner. According to the Polish Central Statistical Office, Poland exported \$101.9 billion worth of goods to Germany in 2022, accounting for 27.9% of Polish total exports.

Then in April 2017, the Bank opened its second foreign corporate branch, commencing operations in Prague, Czech Republic. The Czech Republic stands as a pivotal foreign market for Polish companies, prompting the Bank to position itself as their preferred financial ally in the region. Last year,



**As a main market-maker for the PLN currency, the Bank holds the number one position as a provider for PLN clearing, with over 200 LORO accounts on our books. Our team takes a highly attentive and flexible approach to the needs of our partners, and helping them maximize profits and successfully achieve their business goals**

our southern neighbors secured the runner-up spot among Poland's export destinations, commanding a substantial 6.6% share, while also ranking seventh in terms of imports, contributing to 3.1% to the total. According to the data from the Polish Central Statistical Office, Polish exports to the Czech Republic reached nearly \$24.2 billion in 2022.

PKO Bank Polski continued its international expansion and established the third foreign corporate branch in Bratislava, Slovak Republic. The Slovak branch commenced operations in March 2021. Slovakia is yet another important trading partner for Poland and for Polish companies. As the Central Statistical Office's figures show, Poland exported \$10.6 billion worth of goods to Slovakia in 2022, accounting for 2.9% of Polish total exports.

As we look ahead to early 2024, our strategic agenda includes the opening of our fourth foreign branch in Bucharest, Romania. Currently, we serve our clients in Romania on a cross-border basis.

In addition, we are working on entering an additional market in the CEE region in 2024.

## Wide offer for SMEs and corporate clients

Operations of PKO Bank Polski are founded upon the principles of the EU passporting system, and our

corporate clients can access a wide range of products and services such as transaction banking (including international cash pooling), electronic banking, treasury products, trade finance, and corporate loans. We also actively participate in some of the largest investment projects within the CEE region, collaborating with other banks, as well as with legal and financial advisers. Our solutions are innovative, simple, transparent, and flexible to adapt to the evolving needs of our clients.

Our goal is to ensure that our offering, processes, and quality of customer service is consistent in all the countries where we operate.

PKO Bank Polski also serves its corporate clients across 11 countries through cross-border operations, including Austria, Belgium, Denmark, France, Spain, The Netherlands, Norway, Portugal, Sweden, Hungary, and Italy. We plan to expand our destinations based on our clients' expectations. Our cross-border offering closely mirrors the suite of services available in our foreign branches.

We are also actively expanding our activity in correspondent banking. Our extensive network translates into over 1,300 SWIFT keys exchanged with banks worldwide. The Bank maintains one of the largest correspondent bank networks in Poland and abroad. Our robust global clearing infrastructure and local clearing facilities enable us to provide an efficient funds transfer service. As a main market-maker for the PLN currency, the Bank holds the number one position as a provider for PLN clearing, with over 200 LORO accounts on our books. Our team takes a highly attentive and flexible approach

to the needs of our partners, and helping them maximize profits and successfully achieve their business goals.

## Information and strategy are the key factors

Beyond providing core banking services to our clients, we are also committed to imparting the principles of conducting international trade, as well as sharing the insights and expertise gained from our experiences in foreign markets and industries. In 2017, we launched The Export Support Platform ([www.wspieramyeksport.pl](http://www.wspieramyeksport.pl)), a one of a kind information service provided by PKO Bank Polski. This online resource is dedicated exclusively to businesses, especially those in the small and medium-sized enterprises sector, whether they are already involved in export activities or are at the early stages of planning.

At the end of 2022, PKO Bank Polski adopted a comprehensive strategy extending through 2025 – "Ready for the challenges, focused on the future". By leveraging its competitive advantages, including scale of operations, digitality and technological competence as well as security and stability, the Bank wants to thrive in the dynamic and demanding market environment. One of the main goals of this strategy is to focus on augmenting value for our corporate clients. Our key objective is to continue to be the first-choice partner for companies looking for support in green transition, international expansion, and export activities. We aspire to provide our clients with a strong regional presence and a unique product offering. Continuing to grow internationally and following our clients into the markets where the Bank operates will remain our top priority.

## PKO Bank Polski

PKO Bank Polski is the largest commercial bank in Poland and the market leader with respect to the scale of operation, capital, credit facilities, savings, number of clients and the size of the distribution network. It is a strong and modern bank, supplier of financial services for all segments of clients; it currently serves nearly 12 million clients.

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## WORLD NEWS

## North Korea Deports Detained U.S. Soldier

Travis King was taken into custody after crossing border on July 18

By DASL YOON  
AND GORDON LUBOLD

SEOUL—An American soldier who fled to North Korea in July was released to U.S. officials in China and flown to a U.S. military base in South Korea, U.S. officials said.

North Korea on Wednesday said it had decided to deport Travis King, 23 years old, after he admitted to illegally entering the country, state media reported.

King, who had been stationed in South Korea, dashed across the border without permission on July 18 while on a tour of the Joint Security Area in the Demilitarized Zone. He had faced potential punishment by the U.S. Army and

was expected to board a flight home, but left the airport without authorization and went to the border.

The soldier had remained in North Korea since, creating a diplomatic conundrum for U.S. officials. The U.S. repeatedly reached out to Pyongyang, with which it has no formal diplomatic relations, without success.

Working through Sweden, which handles U.S. diplomatic affairs in North Korea, the Biden administration learned weeks ago that Pyongyang was intent on releasing the soldier, U.S. officials said. Swedish officials arrived in North Korea in recent days to secure his release, and with their help King was transported by airplane to China. There, he was turned over to U.S. diplomats with the U.S. Embassy in Beijing.

“The operational coordination that was required from our diplomats, from members



American soldier Travis King, seen on a news program shown in Seoul on Wednesday, was flown to China after his release.

of our military and from the partners with whom we worked on this operation was significant and extraordinary,” said one U.S. official.

While U.S. officials were grateful for China’s role in facilitating his release, they stressed that Beijing didn’t me-

diatate the release. The official added that the U.S. didn’t provide North Korea any concessions to secure King’s release.

Although Swedish officials appeared to have mediated King’s release, U.S. officials said national security adviser Jake Sullivan spoke about the

issue in his meeting with Chinese Foreign Minister Wang Yi this month in Malta.

It is unclear what will happen to King, who had been declared absent without leave and had faced disciplinary action for his conduct while stationed in South Korea. U.S. officials declined to say if he would face a court-martial or other punitive action, saying only that he appeared happy to be returning home.

“Our focus right now is on Pvt. King’s health and ensuring that he receives all appropriate support before reuniting with his family,” the official said.

King had faced assault charges in South Korea last year and spent nearly seven weeks in a detention facility, U.S. officials said. Facing disciplinary actions and a possible discharge, King was supposed to board a flight back to the U.S. on July 17. Military officers escorted him to Incheon International Airport, but in-

stead of boarding the flight, he slipped away. The next day he joined a civilian tour of the Demilitarized Zone, which he fled to cross the border. King was the first U.S. service member to voluntarily enter North Korea in decades.

North Korean state media reported on Wednesday that King claimed to harbor “ill feeling against inhuman maltreatment and racial discrimination within the U.S. Army.” U.S. officials have previously cautioned that they couldn’t verify comments North Korea was attributing to King.

The U.S. has previously negotiated for the release of Americans from North Korea by dispatching prominent U.S. officials to the country. But the Kim regime has refused to engage in diplomatic talks with the U.S. in recent years.

In the past, Americans have been sent to Beijing from Pyongyang following detention in North Korea.



A man trying to find his home surveys the destruction caused by the floods in one of the hardest-hit parts of Derna.

## Libya Floods Wiped Out Entire Family Trees

By CHAO DENG  
AND GHASSAN ADNAN

A week after a deadly flood devastated Derna, Gaith Al Tashani, his sister and niece left the Libyan port city. As the only survivors in a 22-member family house, they couldn’t handle any more news about the dead.

Relatives in the larger Al Tashani clan believed more than 100 of its members were no longer alive, and as long as they were still in the city, the condolences kept on pouring in, he said. In the depths of their sorrow, the only thing that gave them comfort was that other families were going through the same thing.

“How many people were just like me?” he recalled thinking at the time. “The feeling kind of relieved me.”

Storm Daniel, which hit eastern Libya on Sept. 10 and broke two dams near Derna that unleashed lethal waves, has killed around 6,000 people and more than 10,000 are missing in a town with a population of nearly 100,000, humanitarian experts and officials said.

Officials haven’t put a final number on the death toll; residents who narrowly escaped describe it as a catastrophe that only God can explain—like a sort of Judgment Day.

Survivors fear the flood not only wiped out entire family trees, but also blotted out parts of the city’s history and legacy. Derna was colonized by the ancient Greeks and re-established as a city by refugees from Islamic Spain. In the 18th and 19th centuries, it came under Ottoman rule and in 1911 was occupied by Italian and then other European powers. Some family clans still present today in the city proudly trace their ancestry back to Andalusian times, when Muslims ruled modern-day Spain, and see the flood as a threat to their unique lineage.

The Al Hassadi clan has an especially illustrious history, with many of its families well-off financially, owning properties in the center of Derna and being known for philanthropy. In the 1950s, the family built the city’s main market.

“My ancestral grandfather, whom we call Hamza, set up

the Al Hassadi trading agency in the center of the city,” Abdullah Al Hassadi said of a family story passed down seven generations. The building was a well-known heritage site that got hit during the 2018 conflict between Islamists and the militias of Russian-backed warlord Khalifa Haftar, then destroyed by the flood, he said.

Nabil Al Hassadi, an electrical engineer and distant cousin of Abdullah, who also took an interest in family history before the flood, has been keeping a painstaking count of the family members confirmed dead or missing, fielding calls and requests from relatives even outside Libya. By his count, 131 Al Hassadi members have been confirmed dead.

Moataz Al Hassadi, an accountant, is hosting 27 relatives in his two-story home on the western side of the city’s valley. “Normally we would be so happy to have a huge family gathering, but this is solemn,” he said. “It feels like the legacy of the Al Hassadi family has been wiped out.”

Gaith Al Tashani, a 33-year-old health ministry administra-

tor, was thrust from the roof of his family house by waves. He survived only because a neighbor, standing on his own roof, extended a wooden ladder to him while he was being jostled by water and debris.

For the next two days, he searched frantically for his relatives to no avail. When a cousin told him he had seen his wife’s body at a hospital, he broke down. “I cried and cried, for the first time in my life.” Only two more bodies of 19 missing people from his house were found.

On the six-hour drive from Derna to Benghazi, he thought about his brothers and how they were probably in the sea, or underground and covered in mud. He remembered happier times like walking with family on the beach or when as many as 40 relatives gathered to celebrate the Muslim festival of Eid, giving money and candy to the children and setting off fireworks.

“You can’t imagine how wonderful that was, for everyone to be shaking hands and kissing each other,” he said. “Derna for me is over, like a book I’ve closed.”

## TikTok Moves Vex U.S. Staff

Continued from Page One

Ted Cruz of Texas, where TikTok has an office, hoping the Republican’s team would investigate, according to people familiar with the complaint.

A spokeswoman for Cruz didn’t respond to requests for comment. A spokesman for TikTok said the company hasn’t played down its relationship with ByteDance. He said in a large, global organization, it isn’t uncommon for employees to work on different products or in multiple locations over the course of their careers.

TikTok has faced scrutiny from U.S. authorities over fears that the Chinese government could pressure it for data about its users or use the app to spread propaganda, concerns TikTok has repeatedly denied.

In 2020, the Trump administration attempted to ban TikTok downloads in the U.S. The Biden administration called for TikTok’s Chinese owners to sell their stakes in it. TikTok has fought both administrations’ demands, while working to show it is independent from its Chinese owner.

The financier and influential Republican political donor Jeff Yass, who through his Susquehanna International Group owns a big stake in ByteDance, has also worked to fend off a U.S. ban. “The idea of banning TikTok is an anathema to everything I believe,” Yass has told The Wall Street Journal.

TikTok established regional headquarters outside China, including in Culver City, Calif., and forged a partnership with Oracle to store user data in the U.S. and monitor the app’s algorithm. Part of the pitch to lawmakers is that the setup lets TikTok operate independently from ByteDance.

TikTok television ads have tried to distinguish it from its Chinese roots by featuring all-American characters. And in 2021, TikTok gave some new hires instructions that explained how to distance TikTok from ByteDance in the media, according to documents viewed by the Journal.

“Downplay the parent company ByteDance,” one document read. “Downplay the China association,” said another. The documents were reported last year by Gizmodo.

The spokesman for TikTok said the instructions were never a company policy.

ByteDance used to take a more hands-off approach in some areas of the company. In TikTok’s moneymaking operations, U.S. employees in 2021 started receiving more responsibilities and providing more input on strategic decisions for the app.

In all-hands meetings in 2021, when employees asked executives how separation of the U.S. unit from China would work, managers responded that they planned to elevate the decision-making of U.S.-based employees, according to the current and former employees.

ByteDance executives weighed in from time to time, but for the moneymaking operations, the feedback from ByteDance typically involved approving budgets and offering product suggestions, according to current and former employees.

TikTok employees said that began to change earlier this year, when the new executives started arriving from ByteDance, and ByteDance began weighing in more on strategy. The TikTok spokesman said company decisions are made by the leaders of each business unit, and said TikTok employees weren’t losing their autonomy.

Some TikTok employees complained to managers after watching the congressional testimony of TikTok Chief Executive Officer Shou Zi Chew in March about the app’s ties to China. They said they felt Chew’s statements to Congress misrepresented TikTok’s relationship with ByteDance.

The TikTok spokesman said Chew’s testimony didn’t play down TikTok’s relationship with ByteDance.

It couldn’t be learned whether TikTok has responded to employee complaints.

While significant projects and investments are coordinated with ByteDance, a spokesman said, TikTok employees are responsible for TikTok’s strategy, and its parent doesn’t weigh in.

—Salvador Rodriguez contributed to this article.

## FROM PAGE ONE

## Trimming Workweek Takes Work

Continued from Page One

dipped a toe into shortened workweeks said it has resulted in happier, healthier staff, less turnover and a wave of interest from job applicants—usually with little to no loss in productivity.

Yet working smarter, not harder, isn’t as easy as it sounds.

Meeting bloat was one of ThredUp’s biggest targets as it gave the four-day week a test run before making it official early last year. Department

heads cut meetings by about 20% after reviewing which were really necessary and which served mostly as progress reports.

Managers and workers were trained on running more efficient huddles and volleying fewer emails. Tuesdays were deemed “maker days,” devoted mostly to focus work.

Learning to say no was an adjustment, Breece said. Some employees fretted whether they could get ruthless with their time. But with the whole staff tasked to be more disciplined, “it gives everybody space to say, ‘I am not going to join that,’” she said.

Not everyone at ThredUp gets a four-day workweek. The nearly 1,500 hourly wage workers in its distribution centers have the option to work flexible shifts across three to five days.

Last year, the company laid off 15% of its corporate, salaried workforce to help rein in costs.

Still, voluntary turnover among corporate employees fell to 4% last year, less than half of what it was in 2020. More than half of new hires who were surveyed said the shorter workweek tipped the scale in their decision to join. And over 90% of employees, who the company says are meeting the same goals as before, said the four-day workweek has boosted their productivity.

After the trial run, “at least two engineers said to me, ‘I’ll take a pay reduction to keep Fridays off,’” said Anton Naumenko, senior director of software engineering.

Many four-day-week employees don’t appear to be operating more efficiently, though, according to data from

ActivTrak, a maker of workforce analytics software. Gabriela Mauch, vice president of ActivTrak’s productivity lab, suspected that is because management hasn’t revamped the way teams work.

Examining the activity of 158,000 employees at 1,900 companies, her team found those at companies with four-day schedules worked slightly fewer hours a day than those working five days. And the four-day workers spent less time on focus work or other productive activity.

Scott Hender tried a four-day workweek at his 16-person law firm in Austin, Texas, for a year and a half before returning to five days this year. Little changed about the way people worked, he said—the idea was simply to squeeze the five-day workload into four.

Courts were still open five

days a week, and at least one person would be pulled in to work when something got scheduled on a Friday. Cramping a week’s work into four days was stressful for some staff.

One reason shorter weeks remain out of reach, skeptics said, is that it is tough for large companies with customers and staff across time zones and countries to find a shortened schedule that works for all. Most adoptees are smaller firms.

Nicholas Bloom, an economist at Stanford University, said it is doubtful most businesses can shed a fifth of the workweek and maintain productivity.

A more viable approach for giving people more leisure time, he said, is to offer the option of four-day schedules, at four days’ pay. “But that’s not a new idea,” he said. “It’s called part-time work.”

For ThredUp’s Naumenko, working eight hours, four days a week doesn’t always go exactly as planned.

Days sometimes start with a 7 a.m. call to his European teams so they don’t have to work late. Up against a project deadline or an outage, engineers may work into the three-day weekend, then take some of their unlimited vacation time to compensate, he said.

He can’t imagine returning to a traditional five-day schedule. Having extra time helped in setting up a new life in the U.S. after moving from Ukraine in January 2022, he said.

His Fridays are now devoted to household chores and other errands. Or while the children are in school, he and his wife will go hiking or cycling.

“It’s a different life also for our families,” he said.



## Special Advertising Feature

# Moutai's Rise to the Top: A Blend of Tradition and Modernity

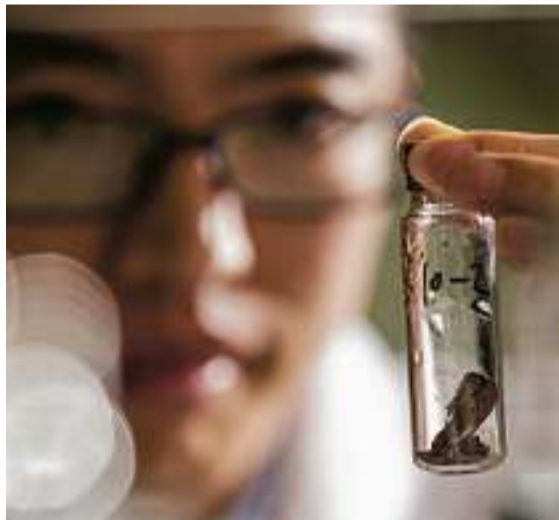
*China's Moutai is quite literally a liquid asset—set to become a staple of connoisseurs' drinks cabinets and paving the way for Chinese heritage brands to make their mark on the global landscape.*

China's rise in the world economy has coincided with a noticeable change in the way consumers view the "Made in China" label. Increasingly, Chinese consumers are associating homegrown brands with "innovation" and "high quality", signaling the potential for Chinese heritage brands to not only thrive domestically but also command global recognition.

Kweichow Moutai is one such domestic powerhouse. Deeply ingrained in Chinese culture, the red sorghum-based liquor is much more than a drink: it's an emblem of Chinese culture and epitomizes the pull of the guochao movement, a new wave of growing cultural confidence.

Moutai has a long history dating back in its present form to the 17th century, with roots that are likely much older. Based in southwestern China—and the only company entitled to call its product simply Moutai—Kweichow Moutai is the world's most valuable drinks company.

"There is really nothing else quite like Moutai," says Paul Wong, Sotheby's head of wine and spirits, China. "It's a blend of aged Moutai selected from different urns, with an average age of at least five years before bottling. It exhibits a lot of oxidative character, a little like an Oloroso Sherry. There are plenty of 'sauce' aromas and flavors. It's unique."



## From Grain to Glass: Kweichow Moutai's Storied Legacy

Moutai has been a silent witness to countless significant moments in Chinese history—including, famously, in 1972, when President Richard Nixon and Premier Zhou Enlai were photographed raising a glass in the Great Hall of the People. Behind that historic image lies a production process steeped in tradition and catalyzed by technology. The starting point—as with many spirit liquors—is grain. The Moutai grain is a specific red-colored sorghum or kaoliang. This grain is processed the same way it has been for centuries, after which the fermented sorghum starch is finally converted into compounds with a flavor unique to Moutai.

Unlike rum and whisky, which are often distilled two or three times, Moutai liquor goes through a year-long process involving nine cycles of steaming, eight cycles of fermentation and seven cycles of drawing. The resulting baijiu is then stored for three to four years to allow the distilled spirit to mature before blending. Moutai liquor is then blended by experienced blenders according to technical standards.

## A Taste of Tradition and Innovation

Tradition is a powerful lure in the premium spirits market. As the chairman of the Moutai Group Ding



Xiongjun puts it, the company's mission is about "making inheritance more traditional, and making innovation more modern." While Moutai may depend on centuries-old processes and inherited brewing skills, its global ambitions rely on using technology to its advantage.

"Chinese brands can create value through digital integration. The digital economy is reshaping economic structures in a competitive landscape, which is why Moutai has taken the initiative to embrace digitization," Ding explains.

Using interactive experience engines and digital twins, Moutai recently built a digital world in the metaverse called Xunfeng for its fanbase. Xunfeng provides an immersive experience that allows users to customize their avatars as they explore digitally reconstructed ancient distilleries in the historic birthplace of Moutai. The platform also enables the players to try their hand at "virtual brewing" and offers access to purchase limited edition Moutai liquor products.

Last May, the company also officially launched an online direct-to-consumer channel via an online app, iMoutai, to make some of its liquor products more accessible. Within a day of its launch, iMoutai became the most downloaded app on the Apple store, revealing the sheer scale of the brand's fan base.

"Kweichow Moutai has been doing a lot of cross-category marketing lately, releasing products such as Moutai-flavored ice cream and latte infused with a dash of Moutai," says Sotheby's Paul Wong. "They are working on reaching younger people, and people outside China, and because Moutai is a complex product, the strategy has to be to demystify it for a global audience."

## Aiming for Global Appeal

Moutai is working to increase brand influence, with a focus on educating international consumers on Chinese liquor culture, says Ding. "Quality and

culture are our foundation. Since 2015, Moutai has actively integrated into the Belt and Road Initiative," he adds, referring to the country's ambitious plan to build an expanded, interdependent market for China's economy. Moutai's reach currently spans 64 countries, with annual sales of nearly \$548.4 million (RMB 4 billion) and foreign exchange earnings of \$560 million.

The question is, whether that will be enough to make Moutai a contender in the hyper-competitive global market for fine spirits. "There is no doubt that the best Moutai has international recognition," says Wong. "For example, in 2021, we auctioned a case of 24 bottles of 1974 'Sun Flower' Moutai in London, complete with all the original packaging and a date-stamped production slip from Kweichow Moutai, which sold for £1 million (\$1.4 million), the highest price ever achieved outside China."

Along with the million-pound London sale of a 24-bottle case, one single bottle of 1958 Moutai recently sold for more than \$170,000 at auction. Even relatively recent distillations, such as the 1993 FeiTian bottling, have sold for more than \$4,000 a bottle. But connoisseurs with deep pockets do not make a mass market. So, Kweichow Moutai aims to convert a larger segment of spirits consumers to Moutai's unique taste—described variously as earthy, herbal, or fiery.

The spirit's flavor profile has characteristics of jiang or 'sauce'. This quality is both a mark of Moutai's uniqueness and a reminder of the challenge it faces in trying to communicate with the global market for fine spirits. A jiang is a fermented condiment that is a foundational ingredient in most Asian cuisine. Without jiang there would be no soy sauce, no kimchi, no Vietnamese tuong, and no Malaysian tauco. There would also be no Moutai. And if a spirit drink with a sauce-like flavor sounds strange to Western ears, paradoxically that may also be Moutai's commercial calling card. It's the great leap forward that any global brand must take, by communicating the culture and the heritage of a product that most people outside of China have yet to taste.



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THE WALL STREET JOURNAL.  
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## FROM PAGE ONE

# War on Terror Sees Progress

Continued from Page One

hand in a 16-year campaign against one of the most potent and intractable Islamist insurgencies in the world.

One of the American military campaigns unleashed by the Sept. 11 attacks, the fight against al-Shabaab has been marked by years of setbacks and stalemates. Now Somalia has become a surprising bright spot in the global battle pitting the West and allied countries against insurgents who use terror tactics in the name of political Islam.

Within weeks, Hiiraan clan militiamen took up arms in an uprising that blindsided al-Shabaab. Somali government forces, led by American-trained commandos called Danab, or Lightning, joined the fray. Some other clans followed suit and ousted al-Shabaab from their own turf.

Over the course of months, clan militiamen and Somali troops, backed by American drones, drove al-Shabaab out of some 20 towns and 80 villages, regaining about a third of the territory militants previously held nationwide, according to the U.S. embassy in Mogadishu, the country's capital.

Last month, Somali forces, led by Danab commandos, launched the next phase of the offensive to dislodge militants from their last two strongholds in central Somalia. "The government is winning the war. I wouldn't have said it two years ago, but I'd say it now," said Maj. Aydarus Mohamed Hussein, commander of the 2,000-strong Danab special-forces brigade.

## Rare success

Initial fighting has been fierce, with government troops sweeping into El Buur, a key al-Shabaab bastion, then ceding the town back to militant counterattacks. Government forces moved so quickly that they outran their supply lines, according to Western diplomats in Mogadishu. Now the army is slowing the offensive to allow troops to recuperate. Government strategists plan to renew attacks in a more methodical way, putting clan militias in charge of defending towns and villages once the army has cleared them, Western diplomats say.

"They have retaken more territory in the last year than they had in the previous five years," U.S. Defense Secretary Lloyd Austin said during a visit to Kenya Monday. "But we know that progress is not always a straight line."

Somalia, located on the strategic tip of eastern Africa, offers a whiff of success against a backdrop of failure. On the other side of the continent, in the semidesert strip called the Sahel, unchecked Islamist violence contributed to military coups in Mali, Burkina Faso and, in July, Niger.

Some West African states along the Gulf of Guinea have experienced probing attacks by al Qaeda-affiliated fighters, and authorities fear Ghana, long a regional bedrock of stability, could be next. Farther afield, the U.S. pulled out of Afghanistan two years ago, ceding the country back to the Taliban after a 20-year war.

Backed by U.S. air power and advisers, the Somali army, by contrast, has been making headway against an estimated 10,000 to 12,000 al-Shabaab fighters, plus a few hundred Islamic State, or ISIS, adherents in the country's mountainous northeast.

"If you look at where this country was 10 years ago, and even two years ago, the progress made by the government and by the international community gives everybody hope that we can see a future of Somalia without Shabaab and without ISIS," said Shane Dixon, the top U.S. diplomat in Mogadishu.

Western diplomats and military commanders say they have seen a fundamental shift in the war since President Hassan Sheikh Mohamud took office last year. Mohamud promised



Above, American-trained Somali National Army commandos known as Danab, or Lightning, at Baledogle Airfield last month. Below left, U.S. special-operations troops help train Danab forces. Below right, Col. David Haskell, commander of American special-operations troops in Somalia, at the Joint Operations Center in Mogadishu.



to go after al-Shabaab with an aggression his predecessor, Mohamed Abdullahi Mohamed, hadn't mustered, and the Biden administration has stationed some 450 U.S. troops in Somalia to help.

Analysts wonder whether the latest advances can be sustained. Somalia has suffered 35 years of natural calamities, clan warfare and Islamist insurgency. Corruption and political infighting have weakened past counterterrorism efforts.

The number of Somalis killed in political violence grew to almost 9,000 over the past year, up from 3,500 deaths the previous year, according to Armed Conflict Location & Event Data Project, or Aclad, a U.S.-based nonprofit monitoring service.

Somali officials are optimistic. They initially predicted that clearing operations in central Somalia would take about two months, and in October or November they'll be able to turn to larger al-Shabaab positions in southern Somalia, along the Kenyan border.

"This is our plan—to finish them off before August next year," said Somali National Security Adviser Hussein Sheikh-Ali. "It might take longer, but definitely we're going to defeat them."

## Anarchy

Somalia, a former Italian colony, began its descent into civil war in the late 1980s, when dictator Mohamed Siad Barre bombarded the independence-minded Somaliland region, a one-time British protectorate.

Widespread hunger and a failed United Nations intervention followed in the early 1990s, culminating in the infamous 1993 Black Hawk Down battle that left 18 U.S. Army Rangers, Delta Force operators and other troops dead. Uncounted hundreds of Somalis, many of them clan fighters, were killed in the clash.

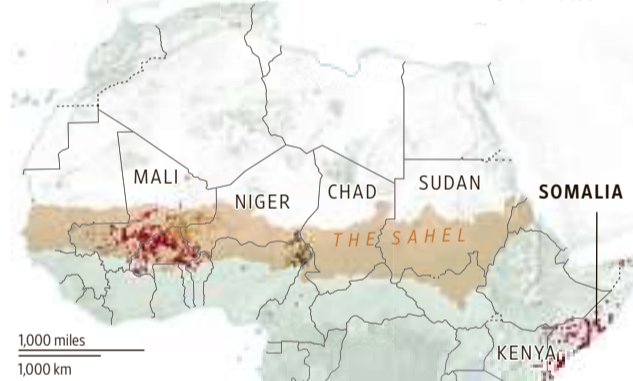
Al-Shabaab rose out of the anarchy that followed the U.S. and U.N. withdrawal. The group grew to control the Indian Ocean port of Kismayo and parts of Mogadishu, only to be forced out by an international force deployed by the African Union.

In 2007 President George W. Bush sent a small contingent of commandos to Somalia to battle al-Shabaab.

Somalia and countries in the Sahel have seen more than 3,000 incidents of Islamist violence in the first half of this year.

## Incidents of militant violence, Jan. 1-June 30

■ Al Qaeda affiliates ■ Islamic State affiliates ■ Unaffiliated



Sources: Armed Conflict Location & Event Data Project data analyzed by the Africa Center for Strategic Studies; European Commission's Joint Research Centre (Sahel boundary); Carl Churchill/THE WALL STREET JOURNAL

President Barack Obama intensified that effort, ordering targeted airstrikes on al-Shabaab leaders. President Donald Trump initially escalated the campaign, authorizing 203 airstrikes on al-Shabaab targets. Then, weeks before leaving the White House in January 2021, he stunned American commanders by withdrawing all 700 U.S. troops from Somalia.

The Pentagon relocated many to neighboring Kenya and Djibouti, from which they visited Somalia to coach local forces. But U.S. commanders complained that al-Shabaab gained ground without the full-time presence of American troops and the Pentagon pressed the new Biden administration to reverse the withdrawal.

Shortly before the Hiiraan uprising began, Biden ordered U.S. Navy SEALs, Army Green Berets and other troops back to

Somali bases to advise and train Danab commandos.

Now the U.S. has special-operations teams in Mogadishu, Kismayo and Baledogle, aided by some 60 military advisers from Bancroft Global Development, a contractor hired by the State Department. Bancroft advisers accompany Somali commanders on missions but are only authorized to use force in self-defense. Uniformed U.S. troops, though allowed to accompany Somalis in rare cases, almost always advise from safe positions in the rear.

"There is no appetite for U.S. casualties," said Col. David Haskell, commander of American special-operations troops in Somalia.

In a typical operation in July, a company of Danab commandos attacked an al-Shabaab camp in dense brush near Bud Bud, in central Somalia. The militants were armed with

heavy machine guns and rocket-propelled grenade launchers. The Somali commandos lost a couple of men and pulled back.

The next night they approached the campsite in Toyota pickup trucks mounted with machine guns, reinforced by Turkish-trained Somali infantrymen. A U.S. drone sent live overhead video to Haskell's team at Mogadishu's heavily defended airport complex.

The Americans spotted some 80 militants converging on an isolated group of Danab, who were running low on ammunition. The U.S. team warned the Somali soldiers that they were stepping into an ambush.

## Air support

The Biden administration has been far less willing than Trump's administration to use lethal U.S. air power, in part out of concern about causing civilian casualties and stirring public resentment.

U.S. special operators can order airstrikes if their Somali partners are in a disadvantaged position or in immediate danger of being overrun, Haskell said. If the situation looks grim, Haskell calls a U.S. embassy official, who informs President Mohamud, day or night. A U.S. military lawyer must also give approval, and only if there's virtual certainty that no civilians are at risk.

The U.S. has carried out 15 airstrikes in Somalia this year.

Turkey operates drones in Somalia with fewer restrictions than the U.S., and the United Arab Emirates are starting to provide close-air support for

Somali troops, said Sheikh-Ali, the national security adviser.

"Without air support, we don't have much clear advantage in the battles," he said.

This month, U.S. Africa Command said it evacuated two children injured during a Somali army operation against al-Shabaab in El-Lahelay. One child later died, in addition to one woman and three children killed at the site of the operation. U.S. forces advised the Somali troops but weren't in El-Lahelay during the operation and didn't conduct any airstrike, an Africa Command spokesperson said.

In a recent video released by al-Shabaab, Mahad Karate, a senior figure in the group, blamed U.S. forces for the civilian deaths in what he called a "Satan-inspired invasion."

"We say to the Americans—we will avenge the death of our people, however long it takes," Karate said. "You have the watches; we have the time."

Some 280 clan militiamen have died in the Hiiraan uprising, according to Ali Jeyte Osman, who, as regional governor, helped lead the fight. "People were tired of al-Shabaab," said Jeyte.

## New phase

Initially Mohamud's government only intended to deploy commandos to Hiiraan for a few weeks but, inspired by the success of the popular uprising, the president ordered last year's offensive, Jeyte said.

In response, militants torched villages and set off car bombs in city centers. They dumped dirt into some wells, blew up others and poisoned many that remained.

Al-Shabaab fighters ambushed a convoy of civilian minibuses, killing 27 people, including a

toddler, Jeyte said. Al-Shabaab fighters hunted down and killed a dozen wounded militiamen who had been taken to Mogadishu for treatment, Jeyte said.

The latest phase of the government campaign is being closely fought in central Somalia, with both sides recruiting allies among rival clan militias, according to Aclad. The government has poured thousands of troops into the back-and-forth battle.

The militants have adapted their tactics, deploying battlefield car bombs and infantry rigged with explosives, said Hussein, the Danab brigade commander. "You'll have a whole platoon running at you and detonating themselves," he said. The next phase, in southern Somalia, is expected to prove an even tougher slog.

Complicating the government's military plans is the impending departure of an African Union force that first deployed to Somalia in 2007. The Somali government, unsettled by the ferocity of al-Shabaab counterattacks, appealed to the U.N. last week to delay the imminent withdrawal of 3,000 of the 18,000 African Union soldiers. The remaining African Union troops are slated to leave Somalia by the end of next year.

U.S. and Somali officials say the African Union troops haven't carried out major offensive operations this year, largely remaining in bases where they have absorbed repeated al-Shabaab attacks.

Kenya, Ethiopia and Djibouti have pledged thousands of troops for 90 days to help Somali forces push al-Shabaab out of southern Somalia. Those units have yet to materialize, according to U.S. officials.

Al-Shabaab is deeply embedded in many southern communities, where the group's administrators provide some services and Islamic courts settle disputes. Al-Shabaab extracts taxes at roadside checkpoints and on the docks in Mogadishu, revenue the U.S. estimates has reached \$130 million annually during the group's best years.

Somali and Western officials say the campaign's success or failure will depend heavily on whether the government will quickly provide liberated areas with healthcare, education, water, corruption-free courts and a long-term security presence.

If the Somali government comes through, said Haskell, the American special-operations commander, "we can continue winning without the negative effects of a large U.S. presence."



The aftermath of an al-Shabaab attack on a police station on the outskirts of Mogadishu last year.

# PERSONAL JOURNAL.



**CARRY ON**  
DAWN  
GILBERTSON

A chorus of travelers jeered Delta Air Lines' recent changes to its frequent-flier program and airport lounge rules. Drowned out by the drumbeat of "Done with Delta" declarations: a subset of travelers who welcome the changes.

Some are happy because they already spend enough on Delta flights or credit cards to keep their cherished status, and expect thinning ranks at each tier to boost their upgrade chances. Others are excited because Delta is eliminating or capping lounge access for credit-card holders, perhaps finally cutting down on those Sky Club crowds. Some supporters say Delta is simply doing what any other business does: catering to its highest-spending customers.

These fans are outnumbered. The feedback in my inbox is running 10 to 1 against these changes. Travel message boards have been on fire from people who hate them. Delta is betting that it will make enough money for the vitriol not to matter. Delta CEO Ed Bastian this week said the company has listened to the feedback and plans to make unspecified modifications in the next few weeks. He said the airline went too far with the changes.

It's all noise to Mike Kirkpatrick. He's had Delta's top Medallion status, diamond, for the past few years and has already sewn it up for 2024. He stopped worrying about the outlook for 2025 when Delta released details on Sept. 13.

Kirkpatrick, whose Georgia-based company sells hunting cameras and accessories online, runs enough business and personal expenses through his two premium Delta SkyMiles credit cards to earn top-tier status in the current program. He also meets the substantially higher threshold, \$350,000 a year, of the new program and will be exempt from lounge-visit limits due to his card spending. "I'm OK with it," he says. "It's making the upper tiers more exclusive like they should be to begin with."

Kirkpatrick hopes the new steps reduce lounge waits, increase flight upgrades and, just maybe, lower mileage-redemption rates: "If the amount of people stick to their word and jump ship—which I doubt they will—then flight prices may go down and I can get more value to my miles."

## Big spenders

Beginning next year for the 2025 travel year, Delta will have one metric for earning status: money. Money spent on Delta tickets, vaca-



## Some Love SkyMiles Hurdles

Despite the backlash, these Delta fliers expect new rules to bring upgrades, roomier lounges



▲ Mike Kirkpatrick, center, hopes the changes by Delta will increase flight upgrades.

tion packages, hotels and car rentals booked through Delta and spending on SkyMiles credit cards.

The spending on Delta's American Express cards is staggering—nearly 1% of the entire U.S. gross domestic product, Chief Executive Ed Bastian said in June. The airline hopes these changes generate an even larger gusher of cash.

Delta will collect nearly \$7 billion in revenue from American Express this year from the sale of miles, ancillary services and brand fees. Its long-term goal is \$10 bil-



▲ Rene Aldrich looks forward to less crowding in Delta's Sky Club lounges.

lion. That's nearly equal to the amount the airline generated from flying passengers in 2022.

The number of flights or miles flown, a key component of Delta's frequent-flier program today and a ticket to status for many faithful road warriors, will no longer count. Flights will only help get you there if they cost enough. Delta is making a switch other airlines, including American, have already made in some fashion.

It's the reason many people are now calling frequent-flier programs

frequent-spending programs and questioning whether airline loyalty is worth it anymore.

Rene Aldrich, a 43-year-old engineer who lives outside Nashville, Tenn., puts herself in the small camp of people who think the changes are generally great. She is most excited for fewer crowds and better service in the lounges. In Atlanta earlier this month, she says, "there was absolutely no food on the buffet and there was hardly anywhere to sit."

Aldrich, who travels for work and to run half marathons, has been a Delta loyalist since it dropped ticket-change fees in 2020. (She used to fly Southwest because it had no change fees, but prefers Delta's service.)

She has diamond status through a combination of first-class ticket purchases and spending on Delta's premium credit card. Work doesn't pay for first-class tickets, but she covers the difference rather than taking her chance for upgrades before the flight. She also pays for an annual club membership.

She expects she'll retain her diamond status through 2025 but

admits the higher spending thresholds might be difficult to hit after that. She says she covets her status for the global upgrade certificates so she can fly Delta One to Europe and loves the dedicated customer-service line.

"It's nice to be on their top list of people to take care of," she says.

## Staying put

Longtime travel blogger Gary Leff says he hasn't seen this kind of backlash in an airline loyalty program in years. Competing airlines are bombarding fliers with offers to jump ship for the same status, and customers are reminding Delta about this on social media.

The new SkyMiles thresholds and Sky Club changes might drop Derek Tharp down a level in status and will limit his lounge visits to 10 a year if he doesn't keep card spending at current levels. But he has no plans to stray from Delta.

With platinum status and a home airport in Portland, Maine, that isn't a hub, he says his upgrade record on Delta has been good. The professor and financial planner pays for the premium Delta credit card for the lounge access.

He says he likes the new, simplified focus on spending and says the lounge cutbacks are a major plus. On a recent business trip, he was unable to pop into Delta lounges in New York and Austin, Texas, because of lines. "Something needed to change," he says.

## Top Colleges Make Graduates Richer

By Kevin McAllister

The University of Pennsylvania does more than any other college in the U.S. to improve the financial futures of its students, according to the Wall Street Journal/College Pulse rankings.

The overall WSJ/College Pulse ranking takes into account graduation metrics, student experiences and diversity in addition to graduate salaries. But the Salary Impact ranking is single-minded, based solely on how a college's undergraduate degree affects the earnings of its alumni.

On that score, Penn beat out Princeton University—the top-ranked college overall—as well as the three other Ivy League universities that finished among the top 10 overall.

Private schools dominate the Salary Impact list, occupying 21 of the top 25 slots and 40 of the top 50.

To determine the salary boost from a school's degree, the Journal and research partner Statista looked at graduate earnings through two different lenses: how graduates' salaries compare with what the school's students would be expected to earn—no matter where they

went to college, given their demographic profile—and how graduates' salaries compare with the cost of an education at the school.

Guided by research conducted by the Brookings Institution, each college was assigned a predicted median salary for graduates 10 years after enrollment, based on factors that best predict future earnings, including the proportion of students who receive Pell Grants and median parental incomes. Two-thirds of the Salary Impact ranking is based on the actual earnings of a college's graduates and how they compare with that predicted figure.

One-third of a college's Salary Impact score is based on how the estimated total cost of earning a degree at the school compares with how much more

its alumni earn than high-school graduates in the state where the college is located. That analysis was guided by research done by the public-policy think tank Third Way.

At top-ranked Penn, the median graduate salary 10 years after enrollment is more than \$84,000 above that of a high-school graduate in Pennsylvania, and the university's graduates exceed predicted



▲ The University of Pennsylvania is one of five Ivy League schools in top 10 in salary impact ranking.

earnings at the highest rate of any ranked school.

Part of what sets Penn apart in the eyes of junior Braeden Voyticky is the number of preprofessional clubs in fields like consulting and finance available on campus, and the real-world experience they offer.

Voyticky is a former team leader for Black Wharton Consulting, a club that does pro-bono consulting work for Black-owned businesses around Philadelphia, including one of the largest supermarket chains in the area. He says that experience helped him in interviews for his internship this past summer at Boston Consulting Group.

While many of the universities with the highest national profiles

finished among the top ranks of the Salary Impact list, the ranking also highlights colleges that have remained under the radar in past college rankings.

Seventh-ranked Missouri University of Science and Technology led a crop of STEM-focused colleges in the top 20, joined by Michigan Technological University, New Jersey Institute of Technology, Illinois Institute of Technology and Rensselaer Polytechnic Institute, at Nos. 12, 15, 16 and 20 respectively.

As faith in the value of higher education more broadly reaches new lows and borrowers resume student loan payments that have been paused for nearly three years, the pressure for colleges to provide a meaningful return for their ever-rising tuition costs has perhaps never been greater.

When Damon Bell's son was de-

termining where to attend, figuring out which school would generate the best possible outcomes after graduation was a key element of the process. His son eventually enrolled at Amherst College, which places 19th in the Salary Impact ranking, and the father says the school has been a worthwhile investment.

"We believe because it is a top-tier school, even given the amount of tuition and room and board, that he will more than make up for it by virtue of the name and rigor and reputation of the school," Bell says. "I'm pleased with his prospects."

Sometimes, those prospects don't just come from a school's reputation among employers but also from the alumni networks that colleges build around the country—like Babson College, No. 10 on the Salary Impact list.

James Truslow, a recent Babson graduate, moved to Florida in the past year for work and says he's been pleasantly surprised with the opportunities for alumni to attend networking events or see guest speakers that come through the college's Miami campus.

"Knowing that Babson has this little ecosystem [down here] is something that really speaks to the community," Truslow says. "All the people I connected with through that have all been super helpful."

CLOCKWISE FROM TOP: ILLUSTRATION BY DAN PAGE; RENE ALDRICH: MIKE WROGATZ/REX

HANNAH BEHR FOR THE WALL STREET JOURNAL

## PERSONAL JOURNAL.

# Quiz Champ's Book Answers 'Who Am I?'

Amy Schneider wants fans to know she's not just the family-friendly trivia champion they fell in love with on TV

By KATE DWYER

Amy Schneider knew she was destined to be a trivia champion in the eighth grade, when her classmates voted her "most likely to appear on 'Jeopardy!'" Almost 30 years later, in 2021, there she was, winning game after game on the popular quiz show. Fans flocked to her @Jeopardamy social-media accounts, made and purchased Amy Schneider Fan Club merchandise, and started stopping her on the grocery line. With her string of pearls and winsome smile, the lifelong outsider became a national icon.

During one interview segment, Schneider told host Ken Jennings about her dream to purchase a house with a bathtub big enough for herself and her wife, Genevieve. "That was the gayest thing I did my entire 'Jeopardy!' run," Schneider said. "I can't believe they left that in."

Still, all throughout her run, she couldn't shake the feeling that audiences had fallen in love with someone else, or only part of her.

In her first essay collection, titled "In the Form of a Question" and out Tuesday, Schneider describes a great irony: the skill she deployed to win a small fortune on television—asking the right questions—had failed in her personal life.

Her book is concerned with the biggest question of all: Who am I? In essays on cross-dressing, pre-transition, polyamory and living with attention-deficit disorder, Schneider introduces readers to the real, messy, complex Amy.

"It's not linear, and it's not complete, but she's beautifully moving towards understanding and acceptance and even joy," her editor Ben Loehnen said.

On a video call in August, Schneider was wearing a floral puff-sleeved dress and resin earrings in the shape of black cats sitting inside golden crescent moons. They're the kinds of "pretty" pieces she admired as a child and which she amassed during covert shopping trips before transitioning.

"I always had opinions about

earrings, hairstyles, clothing," she said. "It just was a long time before I could think about those opinions as applying to me."

Growing up in the German and Irish Catholic community in Dayton, Ohio, Schneider said she was taught not to question social norms, so it wasn't until her 30s that she considered that she might be transgender.

She began to purchase women's clothing from Target, experimenting with it when her first wife Kelly was out. They broke up in 2016. On the day Kelly left, Schneider started a journal.

"Maybe I'll try being a pirate for a while," she wrote. "Or a writer, or a woman." A year later, she came out as trans at her office. Her colleagues ordered her a custom mug with the name "Amy" on one side and the firm's logo on the other, to replace her previous one.

The first time Jennings encountered Amy Schneider on set, he was



▲ Amy Schneider has 'Jeopardy!' longest winning streak after Ken Jennings, who is now a host.

struck by her composure. Between the contestants' long, anxious walk to the soundstage, the judges feverishly checking answers against reference books and the front row of "Jeopardy!" employees doing 'Jeopardy!' things" in the audience, as Schneider later described it, the soundstage can be a pressure cooker. But Schneider kept her cool. "When she started to perform so well on the show, I thought, *that's it*," Jennings said. "That's the secret sauce."

Unlike other trivia champions who train through "labyrinth of

the mind" exercises, she doesn't deploy any mnemonic devices, synesthesia or photographic memory tricks. Bar trivia, where there are fewer questions and more time to answer, isn't Schneider's game.

"Our teams generally do well, but I don't think we've won yet," she said.

In the year following her initial match against Andrew He (who ended up facing off against

her in the Tournament of Champions), Schneider took nearly 40 flights, attended the White House Correspondents' Dinner, and watched a U.S. Open match from a suite because Billie Jean King wanted to meet her. Rarely does a day go by that she isn't recognized.

"I'm a diva, and I like attention," she said.

Twenty-three-time "Jeopardy!" champion Mattea Roach said Schneider was "an aspirational figure." After watching her perform, Roach, who is a lesbian, thought, "maybe I can go be gay and successful."

"I don't think that I would have done well on the show without her doing well first," Roach said.

During Roach's month-plus on the show in 2022—which started filming the day after Schneider's loss became public—Schneider reached out via Twitter with congratulations and an open invitation to talk. She knew Roach might have questions about life after the show.

For viewers who didn't encounter trans people in their daily lives, Schneider said, she had become "an emblem rather than a person." Yes, she had reached those who had misconceptions about the trans community, "but in the back of my mind was this

feeling of, 'am I going to be used as a cudgel for other trans people that don't live up to the same wholesome image?'" she said. "Like, 'Amy is fine, why can't you be more like Amy?'"

So when her literary agent Cait Hoyt reached out about putting together a book proposal, Schneider jumped at the chance.

"I was saying yes to everything at that point." Using the book deal to move beyond her family-friendly persona was top of

mind while drafting. Loehnen, the editor in chief of Avid Reader Press, the Simon & Schuster imprint publishing Schneider's book, was impressed by "her candor and her intelligence and her humility as she writes about very serious aspects of her life," he said. In particular, he noted her willingness to tackle subjects with the potential to polarize, such as her early experiences using women's restrooms and locker rooms. Loehnen edited Jennings's book "Brainiac," too, but Schneider's has much less to do with trivia.

"She articulates ideas around sex and sexuality, sexual identity, experimentation with drugs that I think will surprise a lot of people," he said.

## Transgender winner shows readers the real, messy, complex Amy.

# The New Most Eligible Bachelor is 72

Continued from Page One

old with a passion for pickleball, comes to the show looking for a second shot at love. The former restaurateur married his high-school sweetheart, Toni. For 43 years they built a family and life together before she died in 2017. Six years later, Turner is ready to find a partner for the next season of his life.

In an interview, Turner said he was only casually aware of "The Bachelor" before seeing the casting call for senior contestants. His daughters, enthusiastic viewers, encouraged him to apply. He quickly caught the showrunners' eyes from nearly 30,000 total applicants. Then the pandemic put everything on hold.

"We were really fortunate that he was, frankly, still single and still interested in 2023," said showrunner Bennett Graebner.

In February, Turner said, he was on vacation in Florida when he got the call offering him the lead. That led to a frantic search for a clinic nearby where he could get an STD test—a standard evaluation for "Bachelor" contestants—which he passed. On Memorial Day weekend, it was official: Turner would be the first Golden Bachelor.

He says viewers don't need to worry about him or anyone else being on the show for the wrong rea-

sons—"Bachelor" parlance for seeking fame rather than romance.

"People in their 60s and 70s, we don't care about being influencers," he said. "We want to find a partner. We don't care about finding a podcast."

On the first day living in the mansion, when contestants typically toast to love or to the Bachelor, the women toasted to Social Security. Hometown visits featured contestants' children and grandchildren, rather than parents. Filming days were shorter, and episodes will run for an hour instead of the usual two. Though many dates will feel familiar—Turner teased a one-on-one that challenged his fear of heights—viewers can expect to see far fewer petty fights and rejection meltdowns, producers said.

"They have been through a lot worse, many of them, and they know that they're strong enough to get through this, that they'll be OK," showrunner Jason Ehrlich said. "That's different from someone who may be 25 and they have the perspective of, 'This is the worst thing that's ever happened to me.'"

Though they didn't plan it this way, showrunners and ABC executives said they had noticed a cultural shift toward celebrating senior citizens with the spotlight, such as Martha Stewart on the cover of Sports Illustrated in a swimsuit.

"The timing has sort of worked out in our favor," Ehrlich said.

It is a radical move for a show,



Gerry Turner is the first 'Golden Bachelor.' All the participants on the show are at least 60.

first aired in 2002, that has sometimes treated contestants over the age of 30 as if they were AARP-eligible.

Though the show strikes a hopeful tone, Turner's search still required him to reject more than 20 women in the span of a month, an experience that became more painful as he grew closer with the women, he said.

"When it got down to the end, I remember having to leave the room, walk outside the front door of the mansion, and I was pretty much doubled over with my hands on my

knees," Turner said. "It took some time to compose myself on a couple of those." Jesse Palmer, the host, had to come outside to check on him. "There were no villains in that house," Turner said. "There was nobody going rogue. So it was really hard to tell them to go home."

Fantasy Suites, the next-to-last round of dates where three finalists can spend the night with the Bachelor without cameras or microphones, have always been a pivotal moment on the show.

"My family had input on the Fantasy Suites," Turner said. "They wanted to make sure that those never happened."

Alas, the overnights are part of the deal. Turner was gentlemanly

about the details of his dates but said they gave him a chance to determine intellectual and emotional compatibility.

"I think at an older age, the priority of what you want to accomplish in a Fantasy Suite is a little different than when you're 30," he said.

Despite previous efforts to pump new life into the show's format, viewership has dropped off over the years. According to Nielsen, the most recent season of "The Bachelor" drew about 3.7 million viewers on average—not bad for a network show facing stiff competition from streamers, but a far cry from the nearly 10 million average of season 18, less than 10 years ago.

Executives are hoping "The Golden Bachelor" will win back viewers and draw a broader audience. "The opportunity is that we could potentially welcome new viewers to the franchise who may have felt that the 'Bachelor' franchise was not for them," said Shannon Ryan, president of marketing for Disney Entertainment Television. "My mom has never seen an episode of 'The Bachelor,' but she's really on board for Gerry's season."

Turner wants to show viewers that getting older doesn't mean losing the desire for romance, love and new adventures. "That theme, I hope, carries through the show, that you never give up," he said. "You never, never give up on trying to be social and finding someone to spend your life with."

## ARTS IN REVIEW

## ART REVIEW

Manet and Degas,  
Side by Side at the Met

By KAREN WILKIN

**W**hy, we might ask, pair these giants of early modernism, both experimental innovators, admittedly linked by friendship, but one an exuberant lover of broadly stroked, seductive paint, the other an introspective seeker of mysteries? Born two years apart to affluent haut bourgeois Parisian families, Édouard Manet (1832-1883) and Edgar Degas (1834-1917) both defied class expectations by becoming artists—and rebellious artists at that—but continued to frequent the same social circles. Both traveled to the New World and also to Italy, Manet briefly and Degas for an extended period because of family connections. As mature artists, both embraced scenes of the era's leisure and entertainment, and painted their contemporaries. Early on, both copied the work of old and modern masters; they are believed to have first met at the Louvre, in the early 1860s, when both made etchings after a portrait of an infanta by Diego Velázquez and his workshop.

We encounter those etchings and Manet's copperplate in "Manet/Degas" at the Metropolitan Museum of Art, a stunning, provocative exhibition, jointly organized by the Met and the Musées d'Orsay and the Orangerie. The show probes the complexities of what is termed "an enigmatic relationship" through 160 stellar paintings and works on paper largely drawn from the collections of the New York and Paris institutions. As the Met's curator Stephan Wlohojjan reminds us, scant correspondence between the two artists survives, so we must look hard and draw conclusions about cross-fertilization, sympathy and rivalry from the works of art themselves.

We intuit similarities and differences in temperament and aspirations when we compare Degas's cool portrait of his Italian relations, "Family Portrait (The Bellelli Family)" (1858-69), all contemplative figures disciplined by the geometry of furniture and setting, with Manet's charged "The Balcony" (1868-69), his first portrait of Berthe Morisot, a cascade of white against a dark interior, framed, with two other figures, by blue-green shutters and a railing. We are reminded of differences in reception by the proximity of Manet's notorious "Olympia" (1865-66), with her challenging gaze and luminous flesh, to Degas's mysterious, elegant "Scene of



"War in the Middle Ages" (c. 1865), with its brutal slaughter of nude women. The former was the scandal of the 1865 Salon; the latter was ignored. Manet craved official recognition and continued to court the Salon. Degas helped to organize the Impressionists' independent exhibitions, which Manet refused to join.

"An enigmatic relationship" to be sure. We savor Degas's carefully observed drawings and etchings of Manet, made in 1868, but look in vain for portraits of Degas by his friend. We puzzle over Degas's painting of Manet, sprawled on a sofa, listening to his wife play the piano, originally offered as a gift. Manet slashed off his wife's portrait, for unknown reasons. Degas reclaimed the mutilated painting, but exhibited it in his home, life-long. The friendship survived. Other complex connections are underscored by Degas's casual outdoor portrait of Eugène Manet, the painter's younger brother, who married Morisot, the gifted artist whom Manet painted repeatedly and passionately.



Manet's progressive politics are signaled by his radiant 1864 paintings concerning the Civil War sea battle, fought off the coast of France, in which the Union vessel Kearsarge sank the Confederate ship Alabama. Fast forward to Degas's 1873 canvases of New Orleans cotton merchants, one with black



Clockwise from left: Édouard Manet's 'Plum Brandy' (c. 1877), Manet's 'Portrait of the Artist (Manet With a Palette)' (c. 1878-79), Edgar Degas's 'Portrait of the Artist' (1855), and Degas's 'In a Café (The Absinthe Drinker)' (1875-76)

suits silhouetted around a table full of cotton, the other dominated by a plane of white bolls. The figures include portraits of the artist's conservative family. (It's worth noting, too, that during the divisive Dreyfus Affair, after Manet's early death, Degas behaved abominably, adopting antisemitic attitudes and breaking with a close Jewish friend.)

"Manet/Degas" ends with a tribute to friendship and aesthetic conviction—the works by Manet acquired by Degas after his friend's death, intended for his planned but

unrealized museum. The selection includes etchings, lithographs and drawings; the canvas "Gypsy With a Cigarette" (c. 1878-80), as bold and self-possessed as opera's Carmen; and the late, urgently scribbled "Woman With a Cat" (c. 1880). Further testimony to Degas's admiration for Manet is the fragmented "The Execution of Maximilian" (c. 1867-68), one of his several attempts to rival Francisco de Goya's searing "The Third of May 1808"; Degas purchased the surviving pieces of the large painting, which Manet's heirs cut apart after his death, and reassembled the economically rendered firing squad and one of the victims. The last

thing we encounter is the ferocious "Berthe Morisot in Mourning" (1874), a few slashing strokes of black and flesh tone that make despair tangible. That Degas chose this intense, difficult painting seems to explain a lot about that persistent, provocative "enigmatic relationship."

The Met's catalog, by Mr. Wlohojjan and Ashley E. Dunn, the exhibition's U.S. curators, with contributions by other scholars, often reads more like sociology than art history or art criticism. But the illustrations are good and the exhibition is dazzling.

**Manet/Degas**

The Met Fifth Avenue, through Jan. 7, 2024

Ms. Wilkin is an independent curator and critic.

## FILM REVIEW

## 'The Train': When Art and War Collide

By DAVID MERMELSTEIN

**T**he terrifically tense movie "The Train" (1964), directed by John Frankenheimer, needs no special pleading. Memorably shot in black-and-white and spanning several genres (war, heist, action), the film is a fictionalized recounting of real events—the looting of French art treasures (specifically Impressionist, Expressionist and Cubist paintings) by Germany during World War II. But beyond its abundant visual rewards lurks a thoughtful questioning of who art is for and what price is too high to pay for its preservation. So how apt, if perhaps coincidental, that the picture's re-release on home video in a new 4K restoration from Kino Lorber (a UHD/Blu-ray combo pack) comes just when the subject of looted art is once more, sadly, in the news.

Media brim these days with stories of Russian looting and cultural destruction in Ukraine, revived calls for the British Museum to repatriate to Greece the Elgin (or Parthenon) Marbles, and museums and private collectors returning dubiously obtained Italian, Middle Eastern and African arts to their native lands. And earlier this month, it was reported that works by Egon Schiele once owned by the Austrian Jewish collector Fritz Grünbaum and later appropriated by the Nazis were confiscated from three U.S. museums, followed shortly after by stories that other institutions were

finally returning different pieces by the artist to Grünbaum's heirs.

By juxtaposing important philosophical issues alongside impressive cinematic flourishes, "The Train" has long ensured its enduring appeal. It was among the top 20 highest-grossing movies in North America in 1965—not bad for a picture shot in unglamorous monochrome with just one Hollywood star (Burt Lancaster) and an ending that remains one of the bleakest ever released by a major American studio (United Artists, in this case). According to Frankenheimer, who died in 2002,

that final sequence was frequently eliminated when the movie was broadcast on network television, before cable and streaming were options. But as he sagely noted, the film's central point is undermined absent that gut punch.

"The Train" starts with an eerie calm as a Wehrmacht officer views masterpieces by Gauguin, Picasso and Renoir amid a cache of similar works in Paris on the night of Aug. 2, 1944. That mood is quickly shattered, though, by his announcement to a diminutive female curator that the best of these paintings are to be hastily packed and shipped to Berlin in advance of the Allies' imminent arrival in the French capital. And from that point till the end of this two hour and 13 minute film, the heart-pumping pace never flags, the intensity evenly divided between the visceral



▲ Burt Lancaster in director John Frankenheimer's tense thriller, set in France during World War II

(explosions, executions, gun battles, racing locomotives, etc.) and the cerebral (intrigue, ruses, double-crosses, and the like).

Frankenheimer cast his movie unconventionally but brilliantly. Its primary hero, Paul Labiche (Lancaster), is a French yardmaster who walks a fine line between ostensibly serving the Nazi occupiers and secretly undermining them. That Lancaster is the sole notable American in a multinational European cast would seemingly make him stand out in all the wrong ways, but the reality is somehow different, and the actor's

fabled physicality—Tom Cruise is the only other Hollywood star who rivals him for the quality and commitment of his stunt work—lends further verisimilitude to a film that has many documentary hallmarks.

His chief adversary, the art-loving Nazi colonel who opens the movie, is Franz von Waldheim, played with chilling authority by the celebrated English stage actor (and later Oscar winner) Paul Scofield, affecting a perfect German accent. Waldheim is the film's most nuanced character, a clearly cultured man whose "master-race" beliefs have perverted his judgment—to say nothing of his conscience—beyond measure. And Frankenheimer has made sure Waldheim's priorities are apparent from

the beginning. For in that first scene opposite a dignified Suzanne Flon, Scofield utters this damning comment about the works he is about to steal: "We [Germans] all may not appreciate artistic merit, but cash value is another matter."

Other performers in smaller roles are nearly as good, especially the outstanding German actor Wolfgang Preiss as a dedicated but realistic Wehrmacht major. And mention must be made of two French cinema icons: a dubbed Michel Simon, playing an aged, crusty railroad engineer, and Jeanne Moreau, as a war-weary, widowed innkeeper.

As the film's shooting schedule expanded from 14 weeks to a year, the original cinematographer, Jean Tournier, was replaced by Walter Wottitz. But the picture's "look," which intentionally recalled wartime newsreel footage, stayed remarkably consistent. And the deep focus that characterizes many of the film's boldest scenes—with long tracking shots through buildings or across railyards as all manner of action unfolds—is stunning even today. One quibble about the 4K transfer is that some of the grit aiding the film's "authenticity" has now been sacrificed for gains in detail and clarity, though new viewers may not mind.

But the movie's central moral question—Can we justify the loss of human life to save inanimate objects?—remains as potent as ever. And one of this film's greatest attributes is that it leaves the answer to the viewer.

Mr. Mermelstein, the Journal's classical music critic, also writes on film.

SPORTS

Europe's Data Guru at the Ryder Cup

Italian golfer Edoardo Molinari is one of Europe's vice-captains and its analytics consultant.

By Andrew Beaton

Edoardo Molinari always felt like he had an advantage as a professional golfer, and it wasn't because of his putting or accuracy off the tee.

It was because he's a math geek.

"I was always doing my own stats for my own game, for my own benefit, for many, many years," Molinari says.

These days, he's doing stats for the benefit of golf stars like Viktor Hovland and Matthew Fitzpatrick, who rely on the guy they call Dodo to be their data whiz. But his skills have never been in greater demand than right now: it's up to him to give Team Europe an analytical edge at this year's Ryder Cup.

Molinari is one of the vice-captains for the Europeans in their battle against the United States, and there won't be anyone at Marco Simone Golf & Country Club near Rome better suited to give their side a quantitative boost.

He studied engineering in college. He's an accomplished golfer. And he's Italian.

"We have some inside information for sure," Molinari says.

Being a vice-captain in the Ryder Cup is a bit like being a bench coach for a baseball team. Everyone who follows the game knows that the job exists, but it's not exactly clear what the gig entails. The role nominally involves advising the captain on player selection and offering suggestions on the optimal pairings for team events. But for Molinari, in his role alongside Europe captain Luke Donald, the mandate is clear. It's up to him to weaponize all the data in his arsenal to help the Europeans reclaim the Ryder Cup trophy.

Molinari, 42 years old, peaked at No. 14 in the world rankings during his own playing career. His younger brother Francesco, also a vice captain, won the British Open in 2018. And both Molinaris were on the European Ryder Cup team that eked out a victory in 2010. Edoardo still competes, but he has



Edoardo Molinari, right, and Luke Donald line up a putt at an event in Louisiana earlier this year.

also learned that the most value he can provide these days might just be coaching some of the best golfers on the planet.

His first client was the sport's biggest wonk. Fitzpatrick is an Englishman who has filled notebooks with details about every single shot that he's hit since he was 14 years old: what club he hit, how the wind was blowing, where the ball landed and where he was aiming. Fitzpatrick's methods, which included plugging all of those notes into his own database, were already intense when he began working with Molinari a few years ago. Then he transferred that voluminous data to Molinari's systems and found himself in a whole new world of insights.

"Since I did that," Fitzpatrick says, "I've learned so much more about my own game."

Business started booming when

the golfers working with Molinari began lifting trophies. Fitzpatrick won the U.S. Open in 2022 and is one of the linchpins for Europe in this Ryder Cup. Another one of Europe's top golfers is Hovland, a Norwegian ranked No. 4 in the world after winning the Tour Championship. It turns out he's another Dodo guy.

For golfers like Fitzgerald and Hovland, Molinari is a bridge between the game and the numbers. As analytics have become increasingly pervasive across the sports world, there has also been an underlying tension among athletes, and even some decision makers, who insist that games aren't decided on spreadsheets. But that stereotype of the sports quant is what makes Molinari so useful. He's presenting the information as both a data guy and someone who still plays golf professionally.

"When I speak with the players, sometimes they even make a comment saying, 'Discussing these things with you is different than if I discuss them with a guy sitting behind a computer,'" Molinari says. "I could be saying the same things, but because they come from a professional golfer, they just resonate differently with the players."

Golf isn't any different than baseball, basketball or football in the way that gushers of data have flooded the sport over the past decade. These days, golfers can track everything from the speed of their drives on the range to the loft of their wedges. Then it becomes the job of someone like Molinari to analyze that data and distill it for the players who seek his counsel. He doesn't bog them down in 40-page reports. He breaks down the numbers into a lesson that he can

impart over a phone call or in a single text message.

Molinari's advice tends to follow two different tracks. He uses the numbers to tell the players what parts of their game to work on. He also tackles each course for them: the right club to hit off the tee, how they should approach specific greens, whether it's statistically insane to go for the green of a par-5 in two shots.

Every golf shot boils down to these types of decisions, but the stakes are heightened at the Ryder Cup—and not just because trans-Atlantic bragging rights for the next two years are on the line. It's also because there are simply more calculations.

First, there's the selection of the team, a fraught process that almost inevitably results in some of the best golfers in the U.S. and Europe being left off their squads. Then come the difficult choices in the event itself. During the first two days, two players from each side are paired for the team competition, and not everyone gets to play in every round.

There are also two sessions of 18 holes on Friday and Saturday with differing formats, which means the captain and the vice-captains need to decide who to play, who to bench and who they need to grind through 36 holes. They even have to quantify the unquantifiable and calculate which players have good chemistry and games that complement each other's.

Molinari also happens to be more useful to Europe this year than he would have been when the Ryder Cup was last played in the U.S. in 2021. Since the home team gets the advantage of tinkering with the course in a way that favors its own players, Europe could rely on Molinari to pore over the data and dictate everything from the speed of the greens to the length of the rough.

"You try to hide your weaknesses and try to take advantage of the Americans' weaknesses," Molinari says.

Molinari wasn't keen to tip his hand about how Team Europe will attempt to tilt the scales in its favor. But he admits that he's been spending even more time than usual on his laptop to help his side do just that.

"I'd say I've been, obviously, very, very busy," Molinari says.

ANDREW WEINERS/USA TODAY SPORTS

The WSJ Daily Crossword | Edited by Mike Shenk

Crossword puzzle grid with numbers 1-69.

- 30 Case for a VA doctor
31 Wears
32 Unspoiled areas
33 Browser extension needed in order to understand the answers to 17-, 24-, 31-, 44-, 51- and 62-Across
34 Remote targets
36 It's not halal or kosher
39 Use an iron, maybe
42 Visa penalty
43 Palindromic popgroup
45 Bench warmer who plays?
46 Finish by
49 Tree family that includes poison ivy
52 One of the Plagues of Egypt
53 Bounce
54 Brewer whose name means "morning sun"
55 Where boats are blips
56 Mike of "Shrek"
59 Where "it's fun to stay" in a 1970s hit
60 Symbol of the pharaohs
61 "Unstoppable" singer
63 Winter home, maybe

SPOT REMOVER | By Daniel Bodily

- Across
29 Drill syllable
31 Iron-fisted ruler
35 Planetary position
37 Line at the bookie's
38 Common piping material, briefly
40 Warcraft horde
41 The Tarantula, Boomerang or Horsehead, e.g.
44 First-rate
47 Sketchy show?
48 1970 Jackson 5 album
50 Where the Jets and Sharks may meet
51 Easy question, in metaphor
54 Robotic fixture
57 Origami instruction
58 Refute
60 Expect from
62 Blackjack request
64 Wait-'em-out tactic
65 Times for some holiday parties
66 Burn a bit
67 Analyze syntactically
68 Bounced
69 Pretentious manner
Down
1 Donald O'Connor's role in "Singin' in the Rain"
2 Helvetica look-alike
3 Rock, rap or reggae?
4 Poser?
5 2011 film for which Octavia Spencer won an Oscar
6 Managed
7 "Rocky IV" opponent
8 Maze runner, perhaps
9 Hounds
10 Dominant
11 Mint or dill
12 Endurance race, familiarly
13 "Clear!" crier, at times
18 Blasts with photons
22 "Salvation by imagination," per Frank Lloyd Wright
25 Foal's downfall
26 Spiky desert plant
27 Home of the NCAA Aztecs

Previous Puzzle's Solution

Grid showing the solution to a previous crossword puzzle.

The Bucks Trade for Damian Lillard, Reshaping the NBA Title Picture

By Robert O'Connell

THE PORTLAND TRAIL Blazers agreed to a trade sending All-Star guard Damian Lillard to the Milwaukee Bucks on Wednesday, bringing an end to the offseason's most talked-about subplot and upending the NBA's championship picture a month before the start of the 2023-24 season.

According to multiple reports, the Bucks will send the Blazers point guard Jrue Holiday, along with an unprotected 2029 first-round draft pick and the rights to swap picks in two other drafts, in return. The Phoenix Suns helped facilitate the trade; center Deandre Ayton, their former first overall pick, will also head to Portland. The agreement was first reported by ESPN.

The trade brings a surprising close to a protracted saga. At the beginning of July, Lillard asked to be dealt away from the only home he had known over his 11 seasons in the NBA, having already named the Miami Heat as a preferred destination during a podcast appearance. Portland general manager Joe Cronin understood the request—Lillard is 33, and the Blazers haven't won a playoff series in five seasons—but made it clear that sentimentality wouldn't shade his judgment, and that he would prioritize his own franchise's fate over Lillard's wishes.

Over the summer, rumors repeatedly connected Lillard to Miami, and the Toronto Raptors also emerged as a dark horse candidate for his services in recent days. But it was the Bucks—scarcely mentioned in the three months of prognostication—

who put together a package Cronin deemed worthy of perhaps the most beloved player in his franchise's history.

Lillard's arrival reshapes the Eastern Conference playoff picture. In Portland, he distinguished himself as one of the sport's best scorers, equal parts audacious and reliable—the game's trend toward long-range 3-pointers distilled in one coldblooded flamethrower.



Lillard, right, will join Giannis Antetokounmpo.

Though he played in only 58 of 82 games last season, Lillard tallied his best statistical output, averaging career highs in scoring average and field-goal percentage. One night in February, he made 13 triples against the Houston Rockets, and when the scoreboard stopped spinning he'd finished with 71 points, tied for the eighth-most in a single game in the history of the NBA.

Lillard joins a Milwaukee team, built around two-time MVP forward Giannis Antetokounmpo, that has taken a place over the last decade among the NBA's most consistent franchises. The Bucks

have reached the postseason for seven straight years; in 2021, they claimed the title over the Suns. But they have also suffered a string of earlier-than-expected playoff exits, most surprisingly when they followed a league-best 58 wins last season with a first-round loss to the Miami Heat.

That defeat led to the ouster of head coach Mike Budenholzer and the hiring of his replacement, Adrian Griffin—and gave rise to worries that further changes might be imminent.

"Winning a championship comes first," Antetokounmpo, who has two years remaining on his current pact with the Bucks, told the New York Times in August. "I don't want to be 20 years on the same team and don't win another championship."

The Bucks' trade for Lillard gives Antetokounmpo—an improbably long and bruising force who can shoulder through three or four defenders en route to slam dunks—a better outside shooter than he's ever played with. It offers Lillard the first legitimate title chance of his career. Unlike most contemporary players of his caliber, he spent his first decade-plus as a professional loyal to the club that drafted him, agreeing to contracts that kept him in Portland and waiting as the team tried out and discarded one plan after another.

A 33-49 record in 2022-23, and general manager Joe Cronin's decision to pursue a youth movement instead of bringing on veteran help, pushed Lillard to reconsider his priorities.

JEFFREY PHEAS/ASSOCIATED PRESS

► Solve this puzzle online and discuss it at WSJ.com/Puzzles.

## OPINION

## Shut Down Washington



**WONDERLAND**  
By Daniel Henninger

Two related questions. If a tree falls in an empty forest, does it make a sound? Ergo, if the federal government shuts down this weekend, will anyone notice?

The phrase “government shutdown” describes what has become one of the most dramatic events in our politics, at least in Washington. House Speaker Kevin McCarthy has assumed the lead role in this year’s version, supported by the delightfully named House Republican “dysfunction caucus,” which calls to mind Aesop’s fable about the dog in the manger who can’t eat the hay but won’t let anyone else near it.

**Few government employees go into their capital offices. Make that permanent.**

We understand the concern about paychecks not going out to Border Patrol agents and the like, but the government-shutdown scenario usually evokes images of Washington itself turning into a ghost town.

Guess what? It’s already empty.

Of the nearly 300,000 federal workers in Washington, most aren’t bothering to show up these days at those great stone buildings that people think of as “Washington.” A post-pandemic report this summer by the Government Accountability Office found that 17 of the federal headquarters buildings surveyed were at

25% or less capacity.

This is 21.5 million square feet of office space. The GAO report says government agencies spend about \$2 billion annually to operate federal offices, “regardless of the buildings’ utilization.” The federal worker no-show problem was enough of a concern to the Biden White House that in August chief of staff Jeff Zients sent a memo to cabinet secretaries saying that a return to normal attendance this fall “is a priority of the President.”

Good luck. The post-pandemic desire of employees to work from home is one of the stories of our time. The Journal reported this week that even economic boom towns like Atlanta are struggling with office vacancies.

Still, the spectacle of the nation’s capital devoid of workers revives an idea dear to conservatives: Move “Washington” out of Washington. Relocate some departments and agencies to the rest of the country.

Even the GAO report understatedly notes: “As the country emerges from the pandemic, the federal government has a unique opportunity to reconsider how much and what type of office space it needs.” Answer: less.

Republicans for years have believed that after decades of liberal inbreeding, the permanent Beltway establishment is determined to thwart, smother or sue any conservative policy initiative. They have introduced bills—called the SWAMP Act or Drain the Swamp Act—aimed at moving federal agencies and personnel out of the Washington area. Florida Gov. Ron DeSantis in February proposed



GETTY IMAGES

moving some agencies from Washington. “Too much power has accumulated in D.C.,” Mr. DeSantis said, “and the result is a detached administrative state that rules over us and imposes its will on us.”

No doubt, but the idea of decentralizing Washington has also been considered beyond the offices of conservatives. The Brookings Institution took up the issue a few years ago in a piece titled “Moving federal jobs out of Washington could work, if it’s done properly.”

The article noted that many federal agencies have no evident reason to be near Washington itself. Their list included the Food and Drug Administration, the Securities and Exchange Commission, the Medicare and Medicaid agencies, the Census Bureau and the Consumer Financial Protection Bureau. Vox co-founder Matthew Yglesias has suggested, as did Brookings, that the National Institutes of Health could be moved to Cleveland. Why not? The D.C.-centric Anthony Fauci is gone, and Cleveland is becoming a biotech hub linked to the Cleveland Clinic.

The right’s well-earned paranoia about Washington aside, a new reality has overtaken this debate: remote work, or working from home.

The controversy over office work vs. work at home will persist, but the fact is that 75% of federal Washington workers have abandoned their offices and don’t want to come back. If that’s just the way it is, why not start redistributing most of the capital’s federal workforce over time across the country?

Bureaucrats can fly in to stonewall Congress as needed. I like the idea of moving toward a federal mindset that includes living in, say, Butte, Mont. Other than the attorney general and some deputies, what reason is there for all those Justice Department lawyers and clerks to be in Washington? It looks as if the U.S. Attorney’s Office in Delaware could use some help. Is the Central Intelligence Agency’s work product better or worse because of the office culture across the Potomac in Langley, Va.?

Washington, with its great monuments and museums, would remain a tourist destination. The FBI building could become an FBI museum. Now that the Hollywood writers’ strike is ending, maybe they could turn virtually empty federal buildings into film studios where they’d make dramas like “The West Wing” about people in politics and government pretending to work. Members of Congress could play themselves.

The idea of repurposing office buildings for housing could be extended to the unused buildings in Washington. Transform Constitution Avenue into a Condo Mile, full of food malls and Olympic-size swimming pools. Tourists who yearn to see the Federal Trade Commission could still do it—in Sioux City, Iowa.

Write [henninger@wsj.com](mailto:henninger@wsj.com).

**BOOKSHELF** | By Tunku Varadarajan

A Country Stirs  
A Young Heart

**An American Girl in India**

By Wendy Doniger  
(SUNY, 256 pages, \$24.95)

Six weeks into her first visit, Wendy Doniger realized that “it is not necessary to love everything about India in order to love India.” A precocious judge of herself and her surroundings, Ms. Doniger was only 22, just out of Radcliffe College, and had traveled to Calcutta to study Bengali and Sanskrit. The year was 1963, and the India of that time was a “happy and innocent” place. It had not yet been “darkened,” Ms. Doniger writes in “An American Girl in India,” by the rise of a “jingoistic and repressive Hindu theocracy.”

Today’s India isn’t technically a theocracy, even if it is governed by a Hindu-supremacist political party that wishes it were. Ms. Doniger’s pardonable exaggeration is the product of her present-day pessimism. She looks at contemporary India and sees a country where she can no longer imagine the “open-hearted and joyous encounters” that she once had there. And she knows from personal experience that India has grown coarse and intolerant. In 2011 her book “The Hindus: An Alternative History” was the target of lawsuits under the Indian Penal Code, alleging that she had, maliciously, sought to hurt the religious sentiments of India’s Hindus. Panicked booksellers pulled “The



Hindus” from their shelves, and its Indian publisher dropped the book from its list of titles. Death threats were directed at the author. Arguably the leading American Indologist of her generation, Ms. Doniger has not, as a consequence, set foot in India for more than a decade.

The Indian nation, which had won its independence from Britain in 1947, was younger than Ms. Doniger was in August 1963, when she began writing the letters to her parents in Long Island, N.Y., that are compiled in “An American Girl in India.” Yet if the India of that time was callow, so was Ms. Doniger, who went on to become a professor of the history of religions at the University of Chicago, retiring in 2018.

Ms. Doniger writes that upon reading “the stupid, vapid, highfalutin’ philosophical posturings” of her younger self, she was tempted to “cut them all out.” To every reader’s relief, she kept them in. Examples of this juvenilia include her dismissal of the “arid Muslim architecture” of the Mughals, a dynasty—she writes to her parents in November 1963—that “really never understood India.” The Taj Mahal “is marvellous, but it belongs in a Persian garden, not in the irregular splendor of the plains of Agra.” Alongside these questionable assertions, however, are some pearls, including her allusion to “the disturbing effect of talking to Indian men, who don’t flirt.”

As a burgeoning scholar of ancient Sanskrit texts, she grappled hard to bridge a chasm that was both textual and cultural. It was difficult, she says, getting used to the things that Indians were used to—and to find striking “the things that they consider striking.” She decided that it was only as an American, and “not as a play Indian,” that she could “really absorb the many strange things” that India had to tell her. Translation, she found, was particularly testing. She cites a fragment from Sanskrit literature—in which a woman is said to be beautiful if she walks like a she-elephant—and tells us that she embraced the metaphor even if it conveys humor to the non-Indian reader instead of the beauty that it symbolizes to the Indian.

Ms. Doniger discovered the cache of her own letters tucked away behind a cabinet on the day when she was clearing out her office after retirement. Typed on “the trusty little Hermes typewriter” that she carried everywhere, the letters had been saved by her late mother and entirely forgotten. Often breathless and girlish, they offer a remarkable window on the India of the Nehru era, a land of hardship and austerity that was also one of elegant modesty and cultural integrity.

**At school in Calcutta, she taught her Bengali classmate to sing ‘America the Beautiful’ and the ‘Battle Hymn of the Republic.’**

“This is not a worldly place; that is why I like it so much,” she writes in one of her earliest letters. India was still in love with its recently acquired freedom, and it looked at foreigners with a sort of wonderment. The U.S., however, had a poor reputation in Asia, and Ms. Doniger was “quite pleasantly surprised” that her fellow students at the college she attended outside Calcutta were “all crazy about America and Americans: I expected to be a dirty word in India, but not so.”

In a touching passage, Ms. Doniger tells us of her classmate Mishtuni Roy, “a very beautiful Bengali girl (though she doesn’t think so, because she is very dark)” who “loves all the right things about America.” These include Robert Frost and Emily Dickinson, as well as the New England seasons and the Grand Canyon (though Mishtuni, clearly, had seen neither). A homesick Ms. Doniger, her pride boosted by her fellow student’s tastes, taught her to sing “America the Beautiful” and the “Battle Hymn of the Republic.”

When President John F. Kennedy is shot, thousands of people “in a long, lone line, standing in the sun for two hours” through the American consulate in Calcutta to sign their names in a condolence book. Ms. Doniger tells her parents in a letter that “I never before had felt so like an American.” As if to magnify the patriotic moment, the singer Pete Seeger performed in the Calcutta Maidan—the vast park in the city’s center—a few days later. “He was terrific,” she writes, “all apple-piously American,” and “behaved as if he were at a Hootenanny at the 92nd street Y” (on New York’s Upper East Side).

By the time of her departure in March 1964, India had “claimed” Ms. Doniger. It is a country, she tells us, that has a way of “wearing you down by small coincidences, absorbing your small self in its greatness.” She returned to America with a smattering of Bengali, relatively robust Sanskrit and a passion for Hindu gods, whom she came to admire, she says, for their flaws and foibles. Many years later, these same gods would be invoked against her by Ms. Doniger’s opponents, who lack her humane finesse, zealots whose grasp of India is so much poorer than her own.

Mr. Varadarajan, a Journal contributor, is a fellow at the American Enterprise Institute and at NYU Law School’s Classical Liberal Institute.

## Matt Gaetz and the House Chaos Caucus

By Karl Rove

A stupid, needless government shutdown looms. The culprits aren’t Democrats but hard-right House Republicans who say they won’t agree to a bipartisan continuing resolution to fund the government when the fiscal year ends at midnight Saturday.

They mean it. Twice last week, five Republicans voted with Democrats to stop the House from taking up a Republican-drafted Defense Department appropriations bill. It was an unprecedented breach of party discipline.

This Chaos Caucus’s leader, Florida’s reckless Rep. Matt Gaetz, is practically giddy at the prospect of a shutdown. Though he voted for the Pentagon funding bill to protect his Armed Services Committee seat, he is heading the opposition to a bipartisan continuing resolution. Failure to enact such a stopgap measure this week would mean a shutdown, which Mr. Gaetz predicts in six or eight days will produce “maximum momentum on paradigm-changing” pressure on Democrats to make deep spending cuts.

What blather. Democrats know that when federal offices are shuttered, services curtailed and our military goes without pay, voters generally blame Republicans. And this time they’d be right to do so. Knowing this, Democrats will insist on significant concessions to reopen the government. The shutdown could go

on far longer than its advocates predict, and each additional day will provoke more public anger at the GOP.

The damage will likely go well beyond the shutdown. There are 18 GOP representatives in districts President Biden carried in 2020 that will be endangered by these shenanigans. Republicans won the five closest races that flipped control of the House by a combined 7,169 votes of 1,379,398 cast. It doesn’t take many stupid stunts to lose that many votes.

The Chaos Caucus is willing to risk the GOP’s narrow majority because they believe, as Virginia Rep. Bob Good puts it, that most Americans “won’t even miss it if the government is shut down temporarily.” As Mike Myers’s Dr. Evil says, “Riiiiihhht.”

When power in Washington is divided between a Democratic president and Senate and a GOP House, the only way for Republicans to make fiscal progress is to negotiate patiently, provide strong and effective messaging and make Democrats take tough votes. It’s the height of arrogance and ignorance to assume that this time—unlike every other time—shutting down the government will make the White House and Senate Democrats give in.

But Mr. Gaetz and his band of egotistical performance artists either are certain they’re the exception to history or don’t care. Take Chaos Caucus member and Arizona freshman Eli Crane. Based on his vast

governing experience, he declared in a video during his workout in the House gym, “The only way we’re going to get any change in this town is through force.” Not by persuasion or legislation, but “through force,” as if that phrase means anything.

This amateurish narcissism is perhaps unsurprising, considering the ingrates in the Chaos Caucus. Speaker Kevin McCarthy’s fundraising entities—the Congress Leadership Fund and Take Back the House

**They’re destroying what little bargaining power the GOP has—and its slim majority.**

PAC—and the National Republican Congressional Committee spent a combined \$2.8 million to elect Mr. Crane in 2022. He won by 8%. He has repaid Mr. McCarthy’s generosity by raising a mere \$1,000 for the NRCC this cycle, and he supports removing the speaker if the House passes a bipartisan budget deal.

Montana Rep. Matt Rosendale was another GOP nay vote on the defense bill. He received \$600,289 of support from the McCarthy PACs, mostly for his competitive 2020 race. This cycle he’s raised \$5,000 for the NRCC.

North Carolina Rep. Dan Bishop was another nay vote last week. The NRCC plowed \$3.1 million into his 2019 spe-

cial election and Mr. McCarthy’s PACs \$2.6 million. He won by 2%. He’s raised nothing for the NRCC this cycle—he’s leaving Congress and is busy running for state attorney general.

Then there’s Mr. Gaetz, safe in his deep-red Florida district. He’s one of the GOP’s most prodigious fundraisers, collecting \$6.7 million last cycle. But he raised zero for the NRCC last cycle and this. That won’t change. He’s likely hoarding cash for a 2026 gubernatorial run.

Mr. Gaetz and his fellow travelers forget that conservative progress in Congress requires team effort and that the perfect can’t be the enemy of the good—especially when Democrats control the Senate and White House.

Believing that less than two dozen GOP members can dictate to the rest of the government—particularly a hostile Senate and president—is fantasy. It’s also a perversion of the vision the Founders had of a national legislature where power was diffused, compromise essential and incremental change desired.

Because the Chaos Caucus won’t grow up, a shutdown is likely. That will hurt America—and Republicans. This sort of self-absorbed performance art comes with a political cost.

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

## Across the Border and Into the Parks

By Bruce Westerman

New York Mayor Eric Adams recently said that the endless flow of migrants will “destroy” New York City. I saw that firsthand last week when I toured migrant housing facilities and met with officials and tried to get to the bottom of their plans to house illegal migrants in the Gateway National Recreation Area, part of the National Park System.

The day began with city officials denying me entry to the Roosevelt Hotel. The hotel—whose namesake, Teddy Roosevelt, championed the national parks—closed during the pandemic only to reopen as the central processing facility for migrants arriving in

New York. It houses more than 1,000 migrant families, has National Guard members stationed at the doors, and is so overcrowded that migrants have resorted to sleeping on chairs inside or on the streets

**Officials plan to house migrants at the Gateway National Recreation Area.**

outside. This is a far cry from the treatment congressional Democrats received the previous week, when they were welcomed for a tour and press conference at the Roosevelt.

Later in the day, I visited

the Gateway National Recreation Area, which includes coastal areas in Brooklyn, Queens, Staten Island and New Jersey. It’s a lifeline to the outdoors in a concrete jungle. It features the city’s largest community garden, kayaking, fishing, a sports complex, campgrounds and even a unit of the Sea Cadets Corps, the U.S. Navy’s youth-development program. More than nine million people visit annually, and park staff reported that Floyd Bennett Field hosts more than one million visitors a year.

The proposed plan to house migrants in the recreation area has already affected youth programs at the site. Park Service representatives said parents have pulled their kids out of the Sea Cadets program at

Floyd Bennett Field.

To make matters worse, Park Service officials told me the administration is short-cutting the National Environmental Policy Act to build migrant camps. NEPA has stood in the way of critical infrastructure projects, forest management to prevent wildfires and domestic energy production. But the Biden administration is attempting to skirt the red tape and silently declare a national emergency for a disaster it created. These actions show that President Biden would rather do anything than secure the border.

Mr. Westerman, a Republican from Arkansas, is chairman of the House Natural Resources Committee.



## OPINION

## REVIEW &amp; OUTLOOK

## Khan's Weak Case Against Amazon

Lina Khan has finally landed her harpoon on Amazon, her great white whale, but she may have a harder time than Ahab taking it down. After a sprawling investigation, the Federal Trade Commission on Tuesday voted 3-0 to sue Amazon in federal court for what amounts to offering low prices and fast service.

Ms. Khan's 2017 article in the Yale Law Journal, "Amazon's Antitrust Paradox," argued that modern antitrust law's consumer welfare standard is wrong. Amazon, she said, was using "predatory pricing" to undercut rivals. So it's ironic that she now hangs her FTC suit on consumer harm.

"Amazon has violated the law not by being big, but by how it uses its scale and scope to stifle competition," the lawsuit claims. Some of the FTC's theories are plausible, but the facts it marshals are less than compelling.

\* \* \*

Start with the FTC's claim that Amazon is a monopolist. The agency does this by narrowly defining the market in which Amazon competes as "online superstores" such as Target, Walmart and eBay. But it excludes brick-and-mortar stores as well as the vast majority of online retailers. The FTC claims customers like to buy everything in one place.

Some do, but most shop around. An HRC Retail Advisory survey found that 59% of shoppers in 2018 used smartphones in stores to compare prices or search for deals. While Amazon makes up about 38% of the U.S. e-commerce market, it accounts for about 6% of all retail sales. That's no monopoly.

The FTC implicitly concedes that Amazon competes with smaller retailers by arguing that it forces those that sell on its platform to raise prices on other websites. Amazon is "suppressing price competition by disciplining rival retailers who dare to discount," the lawsuit says. But does this really hurt consumers?

When multiple retailers sell the same product, Amazon highlights the best offer in a "buy box," which lets customers "buy now" or "add to cart." The FTC says retailers that want to appear in Amazon's buy box aren't allowed to offer lower prices elsewhere. Amazon wants to offer its customers the best deal.

If Amazon promoted more expensive products, it might be accused of gouging consumers.

## The FTC Chair defines monopoly down to harpoon the retailer.

That's because Amazon earns an 8% to 15% "referral fee" on most third-party sales, which covers the cost of maintaining its platform and facilitating payments. Amazon makes more money when consumers buy higher-priced goods.

A Washington, D.C., Superior Court judge last year dismissed a similar complaint about Amazon's best-price policy by the district's Attorney General. The judge noted that the AG's theory that Amazon created a price floor for products sold elsewhere was inconsistent with "how the market works." Besides, the judge noted, "nobody's forcing them to do business through Amazon."

Retailers sell on Amazon because the platform increases their sales. Some have complained that Amazon erodes their margins by compelling them to sell products at lower prices, but this would mean that Amazon is imposing price discipline across retail, as many economists including Treasury Secretary Janet Yellen have argued. That helps consumers.

The FTC also says Amazon forces sellers to use its fulfillment service to qualify for its Prime service, but that charge is even weaker. Sellers can use other shipping services and qualify for Prime as long as they can ensure their goods arrive on time. Many sellers have stuck with Amazon since its fulfillment fees are on average 70% less expensive than comparable two-day alternatives by other shippers such as FedEx and UPS.

The FTC claims Amazon is "degrading" its platform with "pay-to-play advertisements." The charge is that Amazon allows third-party retailers to buy ads on its site to promote their products, which worsens the customer experience. But if customers don't like Amazon's ads, they can search for and buy products elsewhere. Walmart and Target also promote products with ads.

\* \* \*

The FTC is asking a federal judge in Seattle for an injunction. Does that mean breaking up Amazon, or merely changing some of its practices? Ms. Khan won't say.

The surprise, after so many years of effort, is how weak her antitrust case is. It's easy politics these days to assail big companies, especially Big Tech, but courts still require evidence of abusive monopoly behavior. The FTC will need more than its lawsuit provides.

## The Retail Theft Rampage Gets Worse

You may have heard that a mob of teenagers looted stores in downtown Philadelphia on Tuesday night, and Target said the same day it is closing nine stores in four states because of rampant crime. Rack up more victories for progressive prosecutors.

The mobs in Philly hit Apple, Lululemon and Foot Locker stores in Center City, which ought to be a safe space for civilized commerce. The Foot Locker store was "ransacked in a coordinated attack," said police. Police have made more than 50 arrests and are investigating property damage and theft elsewhere in the city. Some 76 incidents have been reported.

Interim Police Commissioner John Stanford said police are looking into whether "there was possibly a caravan of a number of different vehicles that were going from location to location." He added, "Everyone in the city should be angry."

Anger is justified in particular toward District Attorney Larry Krasner, who waves away property crime. His office reports 424 retail theft charges so far in 2023—compared to more than 1,500 by the same date in 2017, the year before he took office. Reports of retail theft in Philly have increased by more than 30%—to 13,330—compared to a year ago, according to the city's latest weekly crime report.

Retail theft is a nationwide epidemic, ac-

ording to a National Retail Federation (NRF) survey released Tuesday. For the 2022 fiscal year, retailers reported a "shrink" rate of 1.6%, mostly from theft, which as a percentage of all retail sales would be a \$112.1 billion loss for the industry, says NRF.

"We cannot continue operating these stores because theft and organized retail crime are threatening the safety of our team and guests, and contributing to unsustainable business performance," Target said in explaining its decision to close two stores in Seattle, three in Portland, Ore., three in San Francisco and Oakland, and one in New York. CEO Brian Cornell said in May that Target could lose \$500 million from shrink.

More than a quarter of retailers in the NRF survey reported closing stores because of violence and crime, and 45% reduced operating hours. Of the cities in Target's closure list, all but Portland make the NRF survey's top-10 cities for organized retail crime in 2022.

George Soros and the progressive DAs he finances claim to be helping the poor and minorities, but those communities are the main victim of rampaging theft. The Target store shutting down in New York is in Harlem, which staged a renaissance during the Rudy Giuliani and Mike Bloomberg mayoralties. It is now sliding back into crime and disorder.

## China's Boycott Backfires

China needs more work on its "soft power" rap. Money and coercion can't buy everything, which Chinese diplomats proved Wednesday with their failure to rally a boycott of a United Nations-related meeting on Media Freedom in Hong Kong.

The British-sponsored event drew 25 nations from Japan and France to Switzerland and Australia—despite China's warning that it was "blatant political interference" in its internal affairs.

The Geneva meeting came a day after the Hong Kong government condemned foreign organizations and media outlets, including the Wall Street Journal, for reporting on Hong Kong publisher Jimmy Lai's 1,000th day in prison. Our editorial said Mr. Lai's case illustrates how China is reneging on its promise—made in the 1984 Joint Declaration between China and Britain—to maintain Hong Kong's freedoms and rule of law for 50 years after it was returned in 1997.

U.K. Ambassador Simon Manley thanked all the countries that attended despite Chinese pressure to boycott. Rebecca Vincent of Reporters Without Borders pushed back on China's claim that what it does is nobody else's business. She reminded attendees that human rights and freedoms are at the heart of the U.N. Charter.

She said that in the 21 years her group has produced its World Press Freedom Index, "we

have never seen such a sharp and rapid deterioration in the press freedom record of any country as we have noted in Hong Kong." Given the importance of a free flow of information to a global financial center, investors should be worried.

The same day as the meeting, the spokesman for the Commissioner's Office of the Chinese Foreign Ministry in Hong Kong issued a statement addressing foreign interest in Mr. Lai's case right out of dictator central casting: "The likes of Jimmy Lai have long been firmly nailed to the pillar of humiliation for betraying the motherland and the people, and must be duly punished." Meanwhile, the State Department renewed a U.S. call for the "unconditional release" of Mr. Lai and Hong Kong's "other political prisoners."

China's claims that foreign forces are interfering in its domestic affairs is especially rich, given its harassment everywhere else. China runs police stations in American cities, has hacked the personnel files of millions of U.S. government workers, and has placed a bounty on pro-democracy activists abroad. Hong Kong insists its national-security law applies anywhere in the world.

This is scary stuff for the international business community. All signs are that Hong Kong is following Chinese President Xi Jinping's repressive lead. Thanks to those in Geneva for not rolling over.

## LETTERS TO THE EDITOR

## The Paxton Impeachment Collapsed at Trial

When your editorial "Why Ken Paxton Was Acquitted" (Sept. 18) says, "The fix was in from the start," you are almost right. You just have the wrong chamber. It is House Speaker Dade Phelan who predetermined the outcome of the impeachment, not the Senate, which acquitted Texas Attorney General Ken Paxton. Mr. Phelan ignored all precedent from the Texas House impeachment in 1917. The 1917 House placed witnesses under oath. They were cross-examined. The defendant was given due process. The entire House had multiple hearings before voting. They sent the Senate a full record with volumes of evidence.

This year, House witnesses weren't placed under oath. There was no cross-examination. Mr. Paxton was denied due process. House members were given 48 hours' notice and only a few pages of hearsay statements before voting. Rep. John Smithee, a trial lawyer, said in the House debate that their process was "hang 'em now and judge them later." He also said the House action was based on hearsay, double hearsay and was "indefensible." The full House spent fewer than five days to vote on the first such impeachment in over 100 years.

By contrast, the Senate devoted 90 days of preparation, nine days in trial, 60 hours of testimony and eight hours of deliberation. Witnesses testified under oath and were cross-examined. Your editorial's statements that "the fix was in" during the Senate trial, and that I lobbied members to unite against impeachment, are dead wrong. The House needed to blame

the Senate because its case collapsed at trial.

The Senate Republican caucus has issued the following statement: "We reject any suggestions or accusations levied against the Senate that the trial was predetermined or influenced. As sworn jurors, each senator acted with the utmost integrity, adhering to senate rules, precedent, and legal standards throughout the trial. The depiction of Lt. Governor Dan Patrick of having influenced the votes cast is not just deeply misleading, but factually incorrect—Lt. Governor Patrick never contacted or swayed any Senator about his or her vote."

Lt. Gov. DAN PATRICK (R., TEXAS)  
Houston

The only thing the Texas GOP base loves more than attacking Democrats is attacking other Republicans. Politics can be complicated, and it is much easier to tell yourself stories about politicians who didn't fight hard enough or believe deep enough. That Mr. Paxton had Democratic opponents was well-known, but he survived because he was able to portray himself as the only true conservative fighting against a bunch of weaklings and sellouts.

If the Texas GOP base can't get over its RINO-hunting obsession, it will look up one day and realize that the majority of the state's voters aren't even Republican in name. Look west to Barry Goldwater's Arizona to see the just fruits of a "pure," but much smaller, state party.

MICHAEL A. WOOD  
Fort Worth, Texas

## An Order From the President: Target Elon Musk

Your editorial "The Harassment of Elon Musk" (Sept. 23) may be too generous in its last line: "We doubt any order from on high has been sent, but it doesn't need to be when a figure becomes Progressive Enemy No. 1." President Biden called for Mr. Musk to be investigated a day after the midterm elections. Our mumbling, inarticulate president phrased it so formally, it had to have been scripted:

"I think that Elon Musk's cooperation and/or technical relationship with other countries is worth being looked at. Whether or not he is doing anything inappropriate, I'm not suggesting that. I'm suggesting that it's worth being looked at. And that's all I'll say."

For any ambitious bureaucrat, that

alone is enough to warrant a government-wide jihad on Mr. Musk.

It took only a single complaint—out of more than one million applicants to SpaceX in four years—to spark the Justice Department and Securities and Exchange Commission investigations of SpaceX for alleged discrimination against refugees. It took only three dozen Tesla accidents to spark an investigation by the National Highway Traffic Safety Administration—in a nation with two million traffic accidents a year. Surely the bureaucrats making Mr. Musk miserable appreciate the president's support.

DENNIS KNEALE  
Brooklyn, N.Y.

## Azerbaijan Does What It Can Get Away With

Regarding Eugene Kontorovich's op-ed "Nagorno-Karabakh and the Myths of International Law" (Sept. 22): For far too long, the West has turned a blind eye to Azerbaijan President Ilham Aliyev's authoritarianism, while

## The Fed Wants to Continue Its Experiment 'for Longer'

Regarding your editorial "The Federal Reserve's Dotted Line" (Sept. 21): No one seems to remember how we got unexpectedly high inflation. The Fed decided to let inflation run above its target for longer, and it got out of control. Now the Fed is going to keep rates higher for longer than needed to control inflation? Apparently, the bank runs in March and the billions in unrealized losses on bank balance sheets aren't enough to teach the Fed that unanticipated consequences of monetary bullying "for longer" are real.

Maybe the errors will finally get us central-bank reform. The Fed's increasingly desperate monetary shenanigans treat our economy as a guinea pig for experiments in fiscal imprudence.

DAO SUNG  
Queens, N.Y.

## Freedom Caucus Clown Show

The Freedom Caucus has lost sight of a tenet of politics: Take what you can get and then come back next time for more ("House Republicans Hang Separately," Review & Outlook, Sept. 20). Perhaps moderate Republicans should form a Sick and Tired of the Clowns Caucus, which would vote with the Democrats as necessary to avoid a government shutdown until the Freedom Caucus has a political awakening.

RICHARD SWANSON  
Asheville, N.C.

## CORRECTION

The Railway Safety Act would require railroads with more than \$1.032 billion in revenue to maintain two-man crews. A Sept. 22 editorial "A Union Railroad Job in Congress" mistakenly said \$40 million in revenue and a Sept. 26 correction said the Sept. 22 editorial had said \$40 billion.

Letters intended for publication should be emailed to [wsj.letters@wsj.com](mailto:wsj.letters@wsj.com). Please include your city, state and telephone number. All letters are subject to editing, and unpublished letters cannot be acknowledged.

## Pepper ... And Salt

THE WALL STREET JOURNAL



"What you call slogging through, I call a thousand dollars an hour."

## OPINION

## The Best and Worst Dressed Senators

By Joseph Epstein

When I began teaching at Northwestern University half a century ago, I had to decide what to wear to work. Fifteen or so years before, the question would never have arisen. I would have worn a suit or sport jacket and pleated trousers, always a tie. That was before the 1960s, revolutionary in so many ways, including how professors could dress.

Younger college teachers, a category for which I still qualified at 35, often opted for jeans, polo shirts or sweaters, sneakers. Those who dressed down doubtless took pleasure in destroying another hierarchy, demolishing yet another social barrier, showing by their choice of duds that at bottom they were no different than their students.

## Slovenly John Fetterman could use some style tips from dapper Minority Leader Mitch McConnell.

I decided to go the other way. I owned no jeans, but I did have a closet full of blazers and suits, four pair of gray trousers, and lots of ties. I preferred separating myself from my students, if only sartorially. Being properly dressed gave me, a novice teacher, a touch of much-needed authority. You are, sometimes, what



Sens. Mitch McConnell (R, Ky.) and John Fetterman (D, Pa.).

you wear. And so for my 30 years at the university I turned up for every class in jacket, tie, clean shirt, shined shoes, the whole bit.

I am reminded of all this by the U.S. Senate's recent decision to go sartorially '60s, caving in evidently to the preferences of Pennsylvania Sen. John Fetterman. The change may at first seem shocking, but it isn't altogether surprising.

More than a decade ago, the owner of an elegant men's shop in my neighborhood told me that he was selling very few suits, apart from those he sold to lawyers, who needed them for courtroom appearances. That shop, alas, is now out of business. These days in my quite middle-class town of Evanston, Ill., men in their 50s, 60s, 70s go about downtown in tank tops, cargo shorts, flip-flops—things my father wouldn't

have worn to take out the garbage. Men of my father's generation didn't leave the house without their hats, invariably fedoras. Now the U.S. president goes about in a baseball cap. I wonder, has the first Reform rabbi yet worn a baseball cap to conduct a Sabbath service?

My respect for our recent crop of senators isn't overweening; I would trade my own two for any two members of the Chicago Cubs bullpen. Still, it will take some mental adjustment that this new informality has reached the Senate, the grandest club in the land. When asked why he wasn't political, Michael Jordan replied: "Republicans buy sneakers, too." Who knew the day would come when they could do so while cavorting about the Senate floor?

Perhaps the best dressed man currently in the Senate is Minority

Leader Mitch McConnell. His suits and jackets lie perfectly across his shoulders, chest and neck, suggesting they may be bespoke. His shirts are of subtle hues, providing just the right background for his always interesting ties and nicely matched pocket squares. It's difficult to imagine him coming to work in sweatpants and a tank top. A photograph of Messrs. McConnell and Fetterman, the latter decked out in his full schlepperosity, would make an interesting before-and-after shot, leaving open the question: Who is before, who after?

I note that there is now some opposition, including among Democrats, to the breakdown of the traditional dress code. I hope they act on the opposition. If this new relaxation isn't fairly soon revoked, one can predict a future of increasingly casual dress. Seven or eight years from now, jeans, T-shirts with one's college or failed jokes written across the front, baseball caps turned backward and sweatpants figure to follow. Forgive me for not getting into the stark possibilities that will open for female senators.

Decorum is defined as behavior in keeping with good taste and propriety, and it is decorum precisely that is being outraged by the abandonment of the old institutional dress code. Senators need all the dignity they can marshal, and dressing down can only subtract from what they have left.

*Mr. Epstein is author, most recently, of "The Novel, Who Needs It?"*

## Profits and Losses Don't Matter at the Federal Reserve

By Jason Furman

When the Federal Reserve was amassing a cumulative profit of more than \$1 trillion for the taxpayer from 2008-22, public gratitude was scant. Now that the central bank is losing about \$100 billion a year, with similar losses on the horizon, critics say this will exacerbate banking turmoil, compromise monetary policy, or even threaten the Fed with bankruptcy. It won't do any of those things. The Federal Reserve's primary mandate is ensuring maximum employment and price stability, not turning a profit. Financial losses don't impede that mission.

The Fed's assets, worth \$8 trillion, are mainly longer-term government bonds and mortgage-backed securities. Its liabilities, of nearly equal value, are largely bank deposits at the Fed and currency in circulation. The Federal Reserve pays no interest on paper currency, and for most of 2008-22 it was barely paying anything for bank deposits, an interest rate of 0.25% or less. Consequently, it averaged an annual profit of about \$75 billion, which it fun-

neled to the Treasury, easing the deficit and national debt.

Profit, however, was never the goal. The purchases of long-term bonds aimed to depress long-term interest rates, bolstering the economy. Arguably, the strengthened economy and diminished long-term rates saved taxpayers even more than what the Fed's remittances to the Treasury suggest.

## It doesn't operate like a regular bank. Its job is to adjust interest rates to meet its dual mandate.

Now the tables have turned. With rising short-term interest rates, the Fed must now pay 5.4% on deposits it holds for banks, well in excess of the interest it receives on its Treasury and mortgage-backed security portfolio. The Congressional Budget Office projected that this loss would taper off in 2024 and then turn back to gains in 2025, but that's optimistic given the likely higher-for-longer

path for short-term interest rates. The Fed is incurring these losses for the same reason it was making profits before—because it is adjusting interest rates to meet the mandates Congress set for it.

Central banks around the world face similar losses. The accounting methods vary, but the economic implications are the same: loss periods reflect increases in government debt that mirror, although usually in smaller magnitudes, the debt reduction in the policy's prior phase.

In the U.S., the Federal Reserve retains a minuscule capital buffer, about \$40 billion, or 0.5% of its assets, since it turns over virtually all its profit to the Treasury. This capital is an accounting entry for the sake of appearances. The Fed doesn't have to hold any capital because insolvency is a meaningless concept for a central bank. There will be no runs by depositors or holders of paper currency. Some central banks have operated just fine with negative capital.

Now that the Fed is making losses, it books them as a "deferred asset." This is similar to the deferred tax assets on corporate balance

sheets in that it reflects remittances that won't be paid from the Fed to the Treasury in the future. Nothing about any of this affects the Fed's ability to set interest rates or conduct monetary policy. There is no economic or accounting constraint on the Fed. The Fed has also, wisely, shown that it won't be affected by any political fallout from the losses.

Praise the Federal Reserve when it manages inflation and employment adeptly. Criticize it for oversights, such as being slow to recognize and respond to the inflation problem in 2021. But don't blame the Fed for the fluctuations in profits that result from carrying out its mission. Central-bank independence is one of the great strengths of an American economic policy that is increasingly hurt by partisan gamesmanship and shortsightedness. We should do everything we can to avoid imposing these problems on the Fed itself.

*Mr. Furman, a professor of the practice of economic policy at Harvard, was chairman of the White House Council of Economic Advisers, 2013-17.*

## Why Indians Can't Stand Justin Trudeau

EAST IS EAST  
By Sadanand Dhume

You might expect Indians to respond soberly when the prime minister of Canada—a long-standing member of the North Atlantic Treaty Organization and the Group of Seven—makes a grave allegation about India on the floor of his country's Parliament. India has long presented itself as a law-abiding democracy, in contrast to its neighbors Pakistan and China. And India needs the West to modernize its economy.

But instead of pausing for reflection, Indians have united in outrage at Justin Trudeau for raising what he called "credible allegations of a potential link" between Indian government agents and the murder of Sikh-Canadian separatist Hardeep Singh Nijjar in a Vancouver suburb in June.

The Indian government has dismissed the prime minister's accusation as "absurd and motivated." It has also expelled a Canadian diplomat in retaliation for Canada's expulsion of an alleged Indian spy in Ottawa. It told Canada to reduce

the size of its embassy in New Delhi and stopped issuing Indian visas to Canadian citizens.

Meanwhile, the Indian media has launched a half-crazed jihad against Mr. Trudeau and his government. One news channel suggested that his Indian counterpart, Narendra Modi, was about to "break Canada in two." On another show, a retired Indian diplomat all but accused Mr. Trudeau of being a cocaine addict (which the Canadian prime minister's office has dismissed). A remark on Twitter by Sushant Sareen, a senior fellow at the Observer Research Foundation in New Delhi, sums up the blustery Indian mood: "If we did it, it was right; if we didn't, you were wrong."

The U.S. is walking a diplomatic tightrope. Public statements from White House national security adviser Jake Sullivan and Secretary of State Anthony Blinken have made it clear that America won't abandon Canada, but Washington hasn't directly criticized India either.

How this drama unfolds will depend in large part on the evidence Ottawa can muster. If the Canadian government proves that Indian agents—not some other intelligence agency or rival Sikh extremists—

carried out the gangster-style hit on Nijjar, India's reputation in the West will suffer a serious blow. It will be seen less as a friendly outpost of democracy in South Asia, and more as an increasingly illiberal nation akin to Turkey under Recep Tayyip Erdogan. Skeptics who question the wisdom of too deep a partnership with India will be strengthened.

## He's seen as a lightweight and a panderer, which heightens the outrage over his accusations.

But if Canada can't come up with strong evidence to back its claim, it will deepen skepticism about Mr. Trudeau. Simply put, Indians don't take Canada's message seriously in part because they have a low opinion of the messenger. To quote the Indian journalist Barkha Dutt, Mr. Trudeau is "the most disliked world leader in India."

For some people this may be because they see him, in Tunku Varadarajan's memorabile description in these pages, as "an opportunistic, lightweight, preachy hand-wringer of a politician." But for many Indians it's because they feel familiar with Mr. Trudeau's type—a politician who panders to identity politics for votes and appears willing to place his own political survival over his country's interests.

Many Indians believe, with good reason, that Mr. Trudeau is beholden to his country's large and politically influential Sikh community. Though Canada's estimated 770,000 Sikhs make up only 2.1% of the population, their geographic concentration and close-knit community ties give them disproportionate political clout. Mr. Trudeau's minority government depends on the leftist New Demo-

cratic Party headed by Jagmeet Singh, a Sikh politician widely viewed in India as sympathetic to Sikh radicalism and barred from entering India since 2013.

The complexities of domestic Canadian politics loom in the Indian public's consciousness because of a violent secessionist movement in the 1980s and 1990s to carve out a separate Sikh homeland called Khalistan. The vast majority of Canadian Sikhs, like their counterparts in India, have nothing to do with the movement, which claimed more than 20,000 lives before it was brutally put down by Indian security forces.

Critics allege Mr. Trudeau—unlike his counterparts in the U.S., Australia and the U.K.—has brushed off Indian security concerns about radical Sikhs. In an op-ed last week in Toronto's Globe and Mail, Omer Aziz, a former foreign-policy adviser to Mr. Trudeau, wrote that "Canada should have at least begun to take steps to ensure our land was not used for terrorist financing. . . . The only problem was, Mr. Trudeau did not want to lose the Sikh vote to Jagmeet Singh."

As Indians see it, Canada should have extradited Nijjar to India, where he was classified as a terrorist and implicated in a string of serious crimes, including murder and a theater bombing. (He denied involvement.) They blame Mr. Trudeau for presiding over an environment in which Sikh extremists openly call for the murder of Indian diplomats, celebrate the 1984 assassination of Prime Minister Indira Gandhi by her Sikh bodyguards, and exhort Canadian Hindus to leave the country.

What happens next? U.S.-India relations may still emerge largely unscathed, particularly if Mr. Trudeau's allegations remain unproven. But don't expect India's ties with Canada to improve anytime soon—at least not as long as Mr. Trudeau remains in office.

## Hunter Biden May Face a Big Tax Bill

By Eileen J. O'Connor

Special counsel David Weiss has charged Hunter Biden with making false statements on an application to purchase a gun. (Mr. Biden has pleaded not guilty.) Now go collect the taxes.

After working on it for about three years, Internal Revenue Service criminal investigators submitted a lengthy "Special Agent Report" to the Justice Department's Tax Division, recommending that prosecutors bring felony charges against Mr. Biden for 2014 and 2018 for willful attempt to evade or defeat taxes and willful filing of a false return. Both are felonies punishable by a fine of up to \$100,000 and prison time, up to five years for the former offense, three for the latter. The report also recommended that Mr. Biden be charged with willful failure to file returns or pay taxes for each of five years, 2015-19. These are misdemeanors punishable by up to a year in prison or \$25,000, or both. Special agent Joseph Ziegler testified that the Tax Division produced a 99-page memo authorizing these criminal charges.

The statute of limitations having expired on the felonies that could have been charged for 2014, Mr. Weiss then negotiated a deal under which Mr. Biden would plead guilty to, but pay no penalty for, two years of misdemeanors—while the 2018 felony and three years of misdemeanor charges would be dropped.

Two agreements were presented to Judge Maryellen Noreika on July 26, and there was a peculiar cross-reference. Buried deep in the gun-diversion agreement was a provision granting immunity for any crimes encompassed in an exhibit to the tax plea agreement. When the judge asked about this, prosecutors backed away from it, causing Mr. Biden to withdraw his guilty plea to the two tax misdemeanors. Mr. Weiss could refile the tax charges but hasn't yet.

## If he willfully filed a false return, the statute of limitations isn't enough to get him off the hook.

But have the statutes of limitations really expired on Mr. Biden's tax violations? Not necessarily. Mr. Weiss might have botched the prosecution on the earlier years, but the IRS could nonetheless seek to collect any unpaid taxes.

House Oversight Committee Chairman James Comer has said he has reviewed Suspicious Activity Reports filed with the Treasury Department indicating that Hunter Biden received as much as \$50 million from sources in China, Ukraine, Russia, Kazakhstan and Romania between 2014 and 2019. That is vastly larger than the amounts whistleblowers have testified were shown on the federal income-tax returns he filed for those years. House committee members allege that he concealed his ownership of those funds by having them funneled into dozens of entities.

Ordinarily, the IRS must assess taxes and begin proceedings to collect them within three years of the date the return reporting them is filed. But when no return is filed, or when the return is false, fraudulent or otherwise represents a willful attempt to defeat or evade tax, the statute of limitations doesn't start running.

The report the special agents submitted to the Tax Division claimed that Mr. Biden's violations of tax law were willful. Can it be credibly argued that tax returns omitting millions of dollars of taxable income are not false or fraudulent?

Were Hunter Biden and others engaged in a conspiracy to conceal their income and its sources? Where are the bank accounts for the 20 or so entities the Oversight Committee believes Mr. Biden and his business partners established? The agents claim to have been thwarted in their efforts. If they hadn't been, what might they have discovered?

As to possible criminal charges, note that the statute of limitations begins to run when the last affirmative act of concealment occurs. So if income is received in year one and not reported, and the last action undertaken in concealment it occurred in year five, it is in year five that the statute of limitations begins to run.

It would be an error to conclude that the statute of limitations on criminal charges has expired without considering whether acts of concealment prevented or delayed its start date. In fulfillment of its oversight obligation, Congress must continue its efforts to see that the laws it has passed are enforced.

*Ms. O'Connor, a Washington lawyer, headed the U.S. Justice Department's tax division, 2001-07.*

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## WORLD NEWS

## The War in Ukraine Is a Giant Arms Fair

Manufacturers get orders for weapons being put to the test on the battlefield

By ALISTAIR MACDONALD

MINKIVKA, Ukraine—The Ukrainian crew of a high-tech German artillery system can shoot three shells within seconds that will simultaneously hit the same spot more than 25 miles away. That is, when the big gun hasn't broken down.

The Panzerhaubitze howitzer is part of an arsenal of weapons being put to the test in Ukraine in what has become the world's largest arms fair.

Companies that make the weapons used in Ukraine have won orders and resurrected production lines. The deployment of billions of dollars of equipment in a major land war has also given manufacturers and militaries a unique opportunity to analyze the battlefield performance of weapons, and learn how best to use them.

For all the Panzerhaubitze's technical prowess, the war has shown the importance of being able to fix weapons on the battlefield. A simpler howitzer, the M777, has proven more reliable, but also more vulnerable to attack.

Debate around the performance of the two howitzers, and many other weapons, could help shape military procurement for years.

The U.S. and European nations have sent billions of dollars of equipment to Ukraine from existing military stockpiles, and countries are starting to replace some of that inventory amid a broader rise in military spending. Global military spending rose for the eighth consecutive year in 2022 to a record \$2.24 trillion, according to the Stockholm International Peace Research Institute, a think tank.

Artillery guns and the shells they fire, drones, missile-defense systems and multiple-rocket launchers are all heavily used in Ukraine. Some of this equipment—made by the likes of BAE Systems, Rheinmetall, Lockheed Martin and RTX, formerly known as Raytheon Technologies—is now receiving orders or interest from potential buyers,



A soldier with Ukraine's 47th Brigade is surrounded by shells for the German-made Panzerhaubitze howitzer.

arms makers say.

"People are looking at Ukraine and seeing what's working," said Tom Arseneault, chief executive of the U.S. operations of BAE Systems.

The British defense giant says it is in talks with Kyiv about making its L119 artillery gun in Ukraine after it has proved useful and that orders for the shells used in the country have ramped up. The company also says it has received increased inquiries for its CV90 combat vehicle and the M777 based on their performance in the war.

While some countries are beginning to replace equipment sent to Ukraine, companies say military procurement is typically slow, meaning many orders won't materialize immediately.

The war is affecting procurement decisions for the U.K., said Gen. Patrick Sanders, head of the British army. One lesson from Ukraine has been the importance of being able to do battlefield repairs, he said.

That has proved particularly pertinent for howitzers, a class of mobile, long-barreled battlefield guns that fire shells and are the most widely used

Ukraine operates 17 types of Western and Soviet howitzers. Here are some of them:

<b>M777</b> (U.K. and U.S.)	Around 200 donated by the U.S., Canada and Australia
<b>L119</b> (U.K. and U.S.)	At least 72 by the U.S.
<b>Caesars</b> (France)	38 by France and Denmark
<b>AS-90s</b> (U.K.)	30 by the U.K.
<b>Panzerhaubitze</b> (Germany)	22 by Germany and Netherlands
<b>M109</b> (U.S.)	At least 20 by the U.S. and others
<b>Krab</b> (Poland)	At least 18 by Poland
<b>Zuzana 2</b> (Slovakia)	At least 16 by Slovakia and others
<b>Archer*</b> (Sweden)	8 by Sweden

\*On their way to Ukraine. Note: Data as of Sept. 24. Source: staff reports

Western weapons in Ukraine.

A crew of Ukrainian artillerymen operating outside Bakhmut in eastern Ukraine praised the accuracy and rate of fire of the Panzerhaubitze. The weapon's thick, high-

grade steel offers protection in a way that other howitzers don't, they said.

The Panzerhaubitze, made by Rheinmetall and the German arm of KNDS, has secured orders from Berlin to

replace units sent to Ukraine, while Kyiv has also signaled interest in buying the big gun.

The constant use of the Panzerhaubitze, though, has led to breakdowns, Ukrainian artillerymen said. One of the machines operated by the Bakhmut crew caught fire and had to be taken back to Germany, and the electronics in the automatic loading process malfunctioned in another. It is now loaded manually.

The weapon's makers attribute problems to a combination of being fired too much and a lack of servicing. "If they take care of the electronics, it works," said Armin Papperger, Rheinmetall's CEO.

Some military analysts say another lesson is that not enough time was spent training Ukrainian operators in the haste to get them back onto the battlefield. The Ukrainian artillerymen received five weeks of training on the Panzerhaubitze. German operators typically train for four months.

Other Western howitzers have also had problems amid constant use. An operator of the Polish howitzer, the AHS Krab, said one machine was being used so intensively that

its barrel tore off. A spokesman for its manufacturer, Huta Stalowa Wola, didn't respond to requests for comment.

Papperger said the war is showing how fast barrels wear out. Rheinmetall has now tripled its production of gun barrels for armored fighting vehicles.

Ukraine has put some Western equipment to the test in a more intense environment than it has previously been deployed.

The CV90, for example, saw combat in Afghanistan and Liberia, but "it's totally different to what we are seeing in Ukraine," said Dan Lindell, director of combat vehicles at the Swedish unit of BAE Systems that makes the armored carrier.

Lindell said BAE has had more inquiries about the vehicle based on its performance in Ukraine. The Swedish and Ukrainian governments have also signed an agreement that could lead to production of CV90s in Ukraine.

Other weapons that have received praise in Ukraine, including the endorsement of President Volodymyr Zelensky, are the Himars mobile rocket launcher and Britain's long-range Storm Shadow missiles.

Rocket launchers, including the U.S.'s Himars and M270s, have impressed the British army's Sanders most in Ukraine, he said, citing their precision, concentration of firepower and range.

Companies that make some of those weapons have won fresh orders and boosted production. Since the war began, the U.S. Army has awarded Lockheed Martin \$630 million in contracts to manufacture Himars for itself and allies.

Meanwhile, RTX is increasing production of its Patriot missile-defense system to 12 a year, and plans to deliver five more to Ukraine by the end of next year. Its software has been tweaked to enable it to destroy hypersonic missiles.

"Successful operation allows manufacturers to write 'proven in combat,' which helps sales," said Nicholas Drummond, a former British army officer who runs defense-industry consulting firm AURA Consulting Ltd.

—Oksana Pyrozokh, Artem Bondar and Doug Cameron contributed to this article.

## Germany Puts Off Sending Kyiv Long-Range Missiles

By BOJAN PANCEVSKI

BERLIN—Germany is holding off sending Taurus long-range precision missiles to Ukraine because of concerns they would require German technicians to operate on the ground, which some officials fear could drag Berlin closer to a direct confrontation with Russia.

The German weapon would help refill Ukraine's dwindling stock of long-range missiles as it seeks to bolster its slow counteroffensive with surgical strikes on rail links, ammunition stores and command centers deep into Russian-held territory.

The Taurus is Germany's version of the Storm Shadow and Scalp missiles the U.K. and France have sent to Ukraine. The missile was designed to

destroy reinforced structures and infrastructure such as the Kerch Bridge, the only link connecting Ukraine's occupied Crimean Peninsula with Russia.

German officials said Germany's three-party coalition government had approved delivery of the Taurus in principle but that Chancellor Olaf Scholz had stalled the move because of concerns that German personnel would have to travel to Ukraine to help service and operate the complex weapon.

Scholz believes moving military personnel to a war zone would require a vote of Parliament, the officials said. He is also concerned that such a move could drag Germany deeper into the conflict, possibly causing a direct confrontation with Russia.

"The chancellor must end

his blockade of the Taurus delivery," said Anton Hofreiter, a senior Green Party lawmaker. "Hesitation and technical excuses only contribute to strengthening [Russian President] Vladimir Putin's belief that he can still win, and this only prolongs the war."

A spokesman for Scholz said there was no plan for an imminent delivery of the Taurus rockets.

The air-launched missile is capable of penetrating fortified underground bunkers, destroying bridges and sinking large warships as far as about 310 miles away, with great precision, the German military said.

The Taurus, short for Target Adaptive Unity and Dispenser Robotic Ubiquity System, was introduced in 2005

with the explicit purpose of destroying Russian military and other targets such as command bunkers, airports, naval ports, ships and bridges along the Baltic coast, including the Russian exclave of Kaliningrad.

Ukraine first requested the system in May and senior figures from Scholz's Democrats party and its coalition partners, the Greens and the Free Democrats, said they were in favor of dispatching the Taurus to Ukraine.

A similar debate preceded Germany's decision to send German-made tanks to Ukraine. Scholz only agreed to do so after persuading President Biden to send U.S. tanks. According to what Scholz dubbed the "strategic lockstep" principle, Germany has since insisted on only deliver-

ing new types of weapons if the U.S. also does so.

Some German officials say the Taurus could yet be approved when the U.S. sends comparable weapons to Ukraine. Biden last week pledged to give Ukraine ATACMS long-range artillery missiles, but no clear date has been set.

The chancellor's reservations about sending technicians to help operate the missile is only the latest in a long list of concerns surrounding a potential Taurus delivery.

Initially, chancellery officials were worried about the missiles being used to strike Russian territory. They were also concerned they could target the Kerch Bridge, causing the conflict to escalate further.

In a bid to reassure Berlin, senior British officials said they had briefed their German counterparts in great detail about how they work with Ukraine in deploying their own Storm Shadow missiles, including revealing highly confidential operational procedures.

Ukraine had never hit any targets the British wouldn't approve, these officials told their German counterparts, assuring them that they could rely on Kyiv to honor any targeting agreement.

German officials said if the Taurus is approved, its range would be shortened so as to minimize the risk of it being used to hit Russia. It is unclear whether Berlin will allow Kyiv to strike targets in occupied Crimea.

## WORLD WATCH



SWEETIE: A Nepali girl dressed as the living goddess Kumari on Wednesday took part in the annual Kumari Puja celebration as a part of the Indra Jatra festival in Kathmandu.

## MEXICO Trade Deficit Falls to \$1.37 Billion

Mexico registered a \$1.37 billion trade deficit in August, smaller than the \$5.7 billion deficit a year earlier as exports rose and imports fell.

Exports in August were up 3.8% from August 2022, to \$52.36 billion, while imports fell 4.3%, to \$53.73 billion, the national statistics agency said on Wednesday.

Petroleum exports were down 4.6% from August 2022, to \$3 billion on lower crude-oil prices, while petroleum imports fell 37%, to \$4.7 billion.

The \$1.7 billion petroleum deficit was partially offset by a \$354 million surplus in nonpetroleum trade.

Exports of manufactured goods rose 4.3% to \$47.15 billion, with auto exports up 11%.

Mining exports increased 12.6% to \$774 million.

—Juan Montes

## ISRAEL U.S. to Permit Visa-Free Travel

The Biden administration is admitting Israel into a select group of countries whose citizens are allowed to travel to the U.S. without getting a visa in advance.

The decision comes despite Washington's concerns about the Israeli government's treatment of Palestinians.

It marks a major accomplishment for Prime Minister Benjamin Netanyahu, who has sparred frequently with the Biden administration.

As of Nov. 30, Israelis will be able to travel to the U.S. for business or leisure purposes for up to 90 days without a visa simply by registering with the Electronic System for Travel Authorization.

But even if they are authorized to travel under that system, U.S. officials at the airport can still bar them from entering the country.

—Associated Press

## IRAQ Fire at Wedding Kills Around 100

A raging fire seemingly caused by fireworks set off to celebrate a Christian wedding consumed a hall in northern Iraq, killing around 100 people and injuring 150 others.

Authorities said flammable building materials also contributed to the latest disaster to hit Iraq's dwindling Christian minority.

The fire happened in the Hamdaniya area of Iraq's Ninewa province, a predominantly Christian area just outside the city of Mosul, some 205 miles northwest of Baghdad, authorities said.

There was no official word on the cause of the blaze, but the Kurdish television news channel Rudaw aired footage showing pyrotechnics shooting flames up and setting a chandelier aflame.

It wasn't immediately clear if the bride and groom were among those hurt.

—Associated Press

# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

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## Meta Unveils New VR Headset, Smart Ray-Bans



**REFOCUSING:** CEO Mark Zuckerberg announced details Wednesday on the Quest 3 virtual reality headset, and new Ray-Ban smart glasses that feature an AI assistant. The company is stepping up its expensive bets on the metaverse. B4, B9

## Starbucks Seeks To Improve Service—For Its Own Baristas

By HEATHER HADDON

Banks of cubicles and walkways separate Starbucks's senior executive offices and the nearest cafe in the company's Seattle headquarters. To Chief Executive Officer Laxman Narasimhan, that is too far.

Distance between the executives who direct Starbucks's corporate policy and the day-to-day trench warfare of serving Frappuccinos has left many of the chain's 248,000 U.S. store workers fed up with senior management, demoralized and quick to quit. Short-staffed cafes saddled with unreliable equipment and rising quantities of online orders have contributed to clogged drive-throughs and long cafe lines. Baristas' frustrations have fueled a unionization drive now entering its third year.

Narasimhan says he gets it. Since taking the reins as CEO in March, he is working to boost store staffing levels, personally directing the revamp of problematic cafes and tackling spotty store inventories. At Starbucks's headquarters, he is

holding monthly get-togethers with rank-and-file workers, encouraging them to air frustrations. His ambition is to heal the relationship between the chain's baristas and its corporate offices, which is hindering Starbucks despite record sales.

The coffee chain generated \$3.3 billion in profit in its 2022 fiscal year, but its relationship with workers poses a challenge as it seeks to expand. Turnover increased after the pandemic in ways that Starbucks said it had never before experienced. The company needs to retain existing workers and attract new ones as it aims to open about 18,400 stores by 2030.

Starbucks has vowed to spend \$1 billion on higher wages and expanded benefits for workers, but some baristas have pinned their hopes on organizing to collectively demand better terms. Over the past two years, about 360 of its 9,380 U.S. cafes have voted to join the Starbucks Workers United union, and the group has filed more than 600 complaints against the company with the

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## Higher Rates Hit Builder Rally

Home construction had been one of the stock market's best performers in 2023

By HARDIKA SINGH

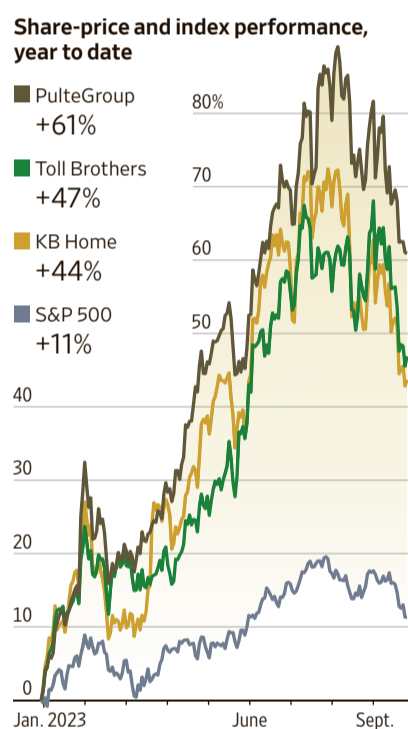
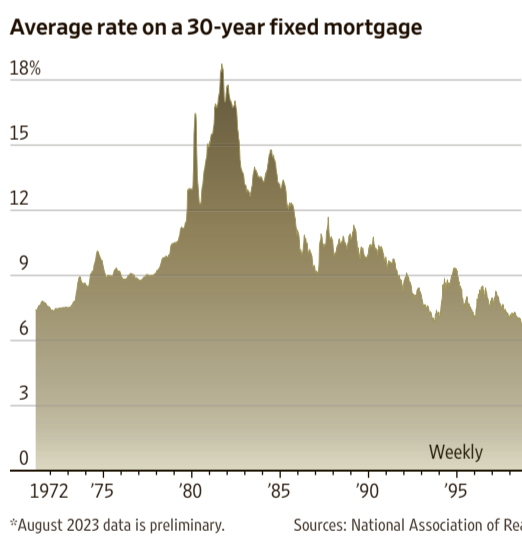
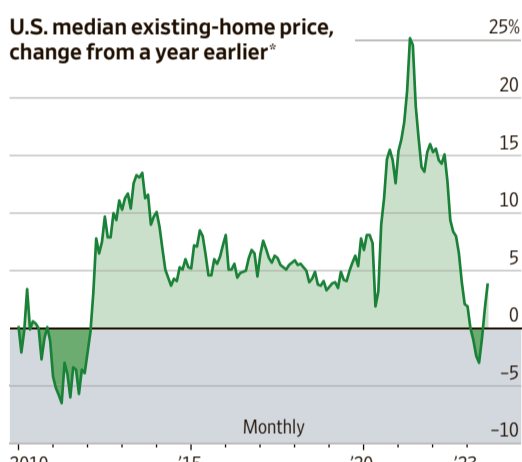
The rally in home-builder stocks has finally fizzled.

The SPDR S&P Homebuilders exchange-traded fund has fallen about 8% this month, compared with a 5.2% decline for the benchmark S&P 500. Shares of **PulteGroup**, **Toll Brothers** and **KB Home** have slid more than 10% in September.

The home-building industry is one of the sectors most sensitive to changes in interest rates, yet until recently it was one of the stock market's best performers for 2023. That is because higher mortgage rates forced many homeowners to stay put, leading to a dearth of houses for sale and fueling the need for newly built homes.

As some of the froth comes out of the broader stock market, investors and analysts say the higher costs to buy a home are finally starting to take a toll on the shares. Despite the recent slump, Pulte-

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\*August 2023 data is preliminary. Sources: National Association of Realtors (existing-home price); FactSet (performance); Freddie Mac (rate)

## China Eases Stance On Home-Price Curbs

By STELLA YIFAN XIE

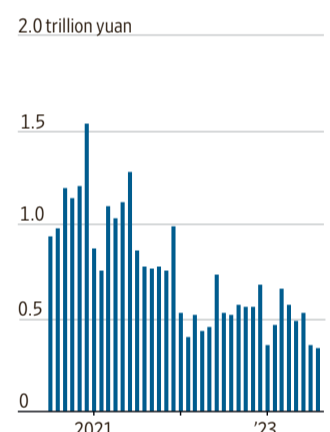
HONG KONG—China's gigantic real-estate bubble has popped, but despite the market's prolonged downturn, prices still haven't fallen much.

In part, that is because of price controls which many Chinese cities imposed on housing over the past two years to keep values stable. Now China is starting to loosen the rules—with unpredictable consequences.

Under the rules, which were applied in dozens of cities, local governments typically blocked developers of new homes from offering discounts of 10% to 15% or more on unsold properties. In some cities, officials put a floor on sale prices for existing homes as well.

In recent weeks, articles appearing in state media have argued that it may be time to ditch the policies, and some cities are starting to loosen them. On Tuesday, the southwestern city of Chengdu removed price restrictions for

Monthly new-home sales of China's top 100 developers



Note: 1 trillion yuan=\$137.7 billion. Source: China Real Estate Information Corp.

projects on newly sold land in central areas and scrapped government-guidance prices for existing homes.

A broader retreat from price floors could help developers to clear inventories of unsold properties and raise revenue to pay down their sizable debts, setting the stage for a potential

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## Steel Company Places Bet on Nuclear Fusion

By JENNIFER HILLER AND AMRITH RAMKUMAR

America's largest steel company is betting nuclear fusion can help it eliminate carbon emissions and power one of the world's most energy-intensive manufacturing processes.

In a first-of-its-kind partnership between a major industrial company and a fusion startup, **Nucor** and **Helion Energy** plan to develop a 500-megawatt fusion power plant that would be placed at one of Nucor's U.S. steel mills by 2030, the companies said.

That amount is enough elec-

tricity to power a few hundred thousand homes, about as much as a conventional power plant. Nucor is investing \$35 million in Helion, which is backed by OpenAI Chief Executive Sam Altman.

The deal is a bet on fusion, a technology that can seem more science fiction than science and has yet to produce electricity.

The agreement shows how Nucor and many other manufacturers are desperate for clean electricity to make greener products but are limited by a lack of abundant wind and solar power.

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## INSIDE



**RETAIL**  
H&M earnings surpass expectations as the chain cuts costs and improves inventory. B3

## Ford vs. GM Feud Could Shape The Future of American EVs

By ANDREW DUEHREN

**Ford Motor** Chief Executive Jim Farley pitched visiting members of Congress in June on the company's plans for a \$3.5 billion battery factory. Using Chinese battery technology at the Michigan plant, he argued, was a smart way for the U.S. to catch up with China's expertise.

Later the same day at the **General Motors** headquarters, CEO Mary Barra and her team had a different message for the lawmakers: Ford's plans could be the harbinger of Chinese

domination of U.S. car manufacturing.

At stake in the meetings, described by people familiar with them, was more than just pride between the old crosstown rivals. It was also the price many Americans could pay for their electric vehicles in the next 10 years—and how the automakers would invest billions of dollars to sell EVs in the U.S.

The pair are lobbying over the terms of a \$7,500 tax credit for consumers who purchase new EVs. Starting next year, buyers can't use the credit on cars that contain battery com-

ponents from any source the U.S. deems a "foreign entity of concern," a vague term meant to reduce American reliance on Chinese batteries and materials.

President Biden is expected to decide this fall how strictly to enforce that requirement. If the rules are too tough, few EVs—if any—will qualify for the tax credit, potentially leaving Americans without that incentive to switch from gasoline-powered cars. A loose read on the rules could invite blowback from Republicans and

Please turn to page B2

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# Home-Price Rules Eased In China

Continued from page B1

But it also could expose Chinese homeowners to bigger drops in home prices, hurting consumer confidence when growth is weak—and potentially destabilizing the financial system.

About 96% of urban households in China owned an apartment as of 2019, according to the country's central bank. And for many, their home is their largest financial asset.

"The logical thing to do is to allow further decline in prices and let the market reach a new equilibrium," said Yao Wei, chief China economist at Société Générale. "But that's a risky choice, and there is a great degree of uncertainty as to how things will play out."

Average new-home prices in 100 major Chinese cities in August fell 0.2% from a year earlier and barely moved compared with the like period two years ago, while existing-home prices fell 2.4% over the past year, according to data from China Index Academy, a real-estate consulting firm.

Economists say China's price-floor mechanisms are helping to prevent steeper falls because many buyers and sellers don't want to do deals when they can't price properties at their true market value. That has left many properties sitting on the shelf.

Private data show home sales among China's 100 largest developers plunged 34% in August from a year earlier, extending a decline since April. Pain from the slowdown has rippled through the economy, depressing consumer spending and construction activity.

The price-floor rules are a legacy of Chinese leader Xi Jinping's efforts to control a housing market that ballooned into a massive bubble in the years leading up to the Covid-19 pandemic. Initially, the government required developers to seek approval on listing prices before they could sell new units—a measure meant to keep them from pushing prices too high.

When Chinese real estate entered a major downturn in late 2021, Beijing ordered cities to make sure the property

market continued to develop at a "stable and healthy pace." Local authorities in many cities—mainly smaller ones—responded in part by barring developers from lowering prices too far below the original ones that they registered with the government.

While some cities set the floors at 10% to 15% below the original prices, others left the details vague, banning developers from "malicious price-cutting" without specifying what that meant.

Recently, Beijing has sent signals indicating it is all right with cities easing or abandoning the price floors, in tandem with other steps the central government has taken to support the market, such as lowering interest rates.

China Real Estate Business Weekly, the flagship newspaper of China's Housing and Urban-Rural Development Ministry, published an editorial on Aug. 20 urging local policy makers to eliminate price floors.

"Developers should be allowed to carry out self-rescue through price reduction promotions in order to raise funds as soon as possible," the article said. Other articles in state media have made similar cases.

Some industry analysts have pushed back, arguing in other media that it is too dangerous to remove the floors. Guangzhou, a manufacturing hub in southern China with a population of 15 million, this month allowed developers to start selling apartments freely without seeking approval on sale prices, according to Chinese media reports. It also lowered the city's price floor late last year.

Efforts to reach Guangzhou city officials were unsuccessful.

At least a dozen other cities have recently loosened price restrictions, under certain circumstances. In Ya'an, a city with 1.4 million people in the province of Sichuan, the local government in August said developers that are able to sell homes in bulk won't be subject to a 15% discount limit. Housing authorities in the eastern city of Huangshan also scrapped price controls for developers that sell at least 10 units at a time.

Developers are eager for the price floors to drop. They face hundreds of billions of dollars worth of debt coming due this year and they need revenue.

—Xiao Xiao in Beijing contributed to this article.

# CEO Aims To Mend Fence

Continued from page B1

Now, Narasimhan has more elbow room to make changes. Howard Schultz, Starbucks' longtime leader who in 2022 came out of retirement to temporarily run the chain, left the company's board in September. The company said he would hold no operational or fiduciary roles.

In an internal message after Schultz stepped down, Narasimhan said he looked forward to advancing his work to "refound Starbucks," with a new mission.

When Starbucks launched its search for a new CEO, its board wanted someone who could pinpoint where things went wrong with its workforce and a hands-on operator who could restore the relationship.

Narasimhan, then CEO of Lysol maker Reckitt Benckiser Group, initially hesitated when Starbucks came calling. He wondered about diving into a complex new company so quickly after the Covid-19 pandemic, and about the role of Schultz, who Starbucks in 2022 tapped as CEO—for a third time.

Starbucks promised Narasimhan he would have latitude to make changes and proposed a way to steep him in the chain's sprawling operations: For around six months he would train as a barista and work in stores. That seasoning period would run almost five times as long as the average transition time for external CEO hires last year, according to leadership consulting firm Spencer Stuart.

Narasimhan's first day taping on an apron at a Starbucks in Mineola, N.Y., last October gave him a taste of the learning curve. Eager to jump into making lattes, his trainer, Sandy Roberts, told him no: "We're going to slow down and we're going to experience it all," she said. First he had to taste the chain's coffees, Roberts explained, part of the immersion Starbucks required of new baristas.

When Narasimhan later offered up his first latte to Roberts, she handed it back. Too light, she said; make it again. He did.

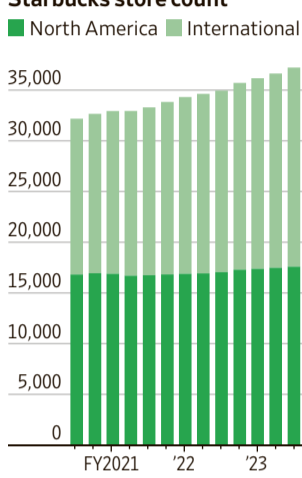
As he learned the way Starbucks requires baristas to dis-

## BUSINESS & FINANCE

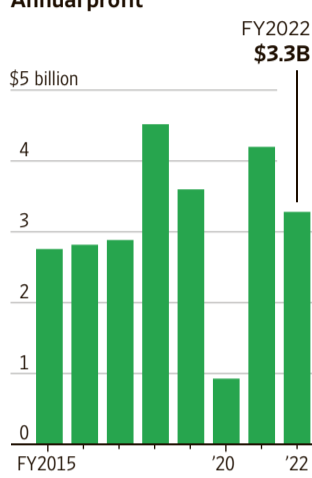


Starbucks CEO Laxman Narasimhan got familiar with store operations by working as a barista.

### Starbucks store count



### Annual profit



Notes: Store counts are as of July 2; Fiscal year ends in late Sept./early Oct. Sources: the company (stores); S&P Capital IQ (profit)

pense whipped cream and wash out buckets, Narasimhan was ahead of much of Starbucks' C-suite. In November 2022 the company gathered senior executives at a company coffee farm in Costa Rica to discuss Starbucks' future and how to get its stores running better. Schultz told them that out-of-touch leadership was part of the problem.

"Is there anyone in this room who can go with me to an espresso machine and make a latte?" Schultz said, according to a recording of the meeting that was viewed by The Wall Street Journal. "I don't think we can fix the systemic problem with the level of lofty knowledge that exists in this room."

Starbucks' baristas have complained that executives are out of touch with the struggles they face. Workers have been frustrated by expanding cafe procedures, long lines and demanding customers—problems that became worse as the pandemic made it harder to fully staff stores.

Michael Mueller, a Starbucks barista of six years who helped organize a union at his store in Cary, Ill., said at peak times most baristas don't create layered Frappuccinos like the Caramel Ribbon Crunch and iced shaken espressos as quickly as the chain asks.

"They've added menu items that take a lot longer, but they still want drive-through times to be low," said Mueller.

Working in cafes last winter, Narasimhan got a firsthand look. He had an egg bite explode in front of a customer, and burned his hand scraping cheese off a sandwich. Filling a latte to the cup's brim, he criticized himself for not leaving room for cream. He forgot how to ring up customers paying with credit cards.

Those missteps could be corrected with training and experience. As he traveled to Starbucks locations across the U.S., Narasimhan saw deeper, more systemic challenges. In Texas, he repeatedly apologized to customers after that store ran out of breakfast

sandwiches. While working a Chicago drive-through in March, the cafe manager called out how long it was taking to process each order, a reminder of the pressure on baristas and the challenge of keeping the lines moving. He saw store storage spaces haphazardly laid out, costing workers time and energy as they hustled for supplies.

Vida Joyce Coz, a 24-year Starbucks barista who helped train Narasimhan in the espresso bar and drive-through in a Houston-area cafe, said he wanted to understand what she did when the store ran out of hot cups, or the ovens stopped working, and what the company should do about it.

After a shift in the Chicago store, Narasimhan asked employees for their feedback. Understand the impact your decisions will have on employees, they told him. Don't lose touch with the stores and help workers manage better during peak times.

"Having worked as a partner, it's clear to me that there are things that we need to do," Narasimhan said in an interview.

The Starbucks Workers United union says that Narasimhan should give priority to negotiations with newly unionized workers versus spending his time working in cafes. The union in May tried to speak to Narasimhan about signing an agreement to respect their right to organize, but he walked away, according to a social-media post.

Mueller, the Illinois barista, said he has noticed some improvement in his store's staffing, but he said Narasimhan's time in the cafes was more of a "photo opp" than substantive.

# Ford-GM Feud to Shape EVs

Continued from page B1

other China critics. Ford, with its plans to license Chinese technology to make cheaper, iron-based batteries in Michigan, lobbied for a more flexible interpretation of the "foreign entity" rule. If its planned batteries aren't eligible for the car-buyer subsidy, Ford executives indicated they could scale back the investment; on Monday, the company paused construction of the new battery plant.

"It would be absurd to classify Ford or its fully owned subsidiary as a foreign entity, much less one of concern. We're Ford, and we're all-in on America," Chris Smith, Ford's chief government affairs officer, said.

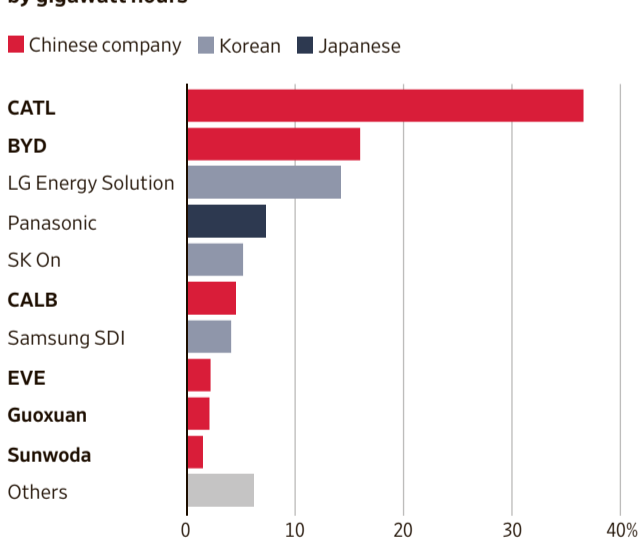
GM isn't planning investments with Chinese battery firms—and could see Ford gain a critical technological and cost advantage in the EV race if its deal goes forward. GM executives and lobbyists have called for a strict "foreign entity of concern" rule that would prevent such licensing arrangements.

"This is not about GM vs. Ford," a GM spokeswoman said. She said GM wants clarity and for the rules to follow the intent of the Inflation Reduction Act, which created the new tax-credit requirements.

Robbie Orvis, a senior director at Energy Innovation, a think tank on climate issues, said the tax credit—and the "foreign entity of concern" rule—will shape how many electric cars are sold in the U.S. in the next 10 years.

"This is the big missing piece that a lot of us are wait-

### Share of global EV battery market as measured by gigawatt hours



Source: SNE Research

ing to see," he said. The biggest American automakers see electric vehicles as the future of the industry. Striking United Auto Workers are demanding high wages and benefits, while Ford, GM and Stellantis say they need to keep labor costs down to invest in EV production.

Higher costs remain a significant barrier to EV sales for many American buyers. The average price of a new electric vehicle was \$53,469 in July, higher than the \$48,334 average for gasoline-powered cars, according to Kelley Blue Book data. So automakers see the \$7,500 EV tax credit as crucial to get more price-conscious consumers to make the switch.

A Treasury spokeswoman said the Biden administration's incentives would help U.S. automakers be global leaders.

"The Inflation Reduction Act is increasing our energy security by encouraging invest-

ments in America," she said. "We will continue to assess and respond to any national security concerns associated with both international and domestic supply chains."

Some automakers are holding off on investing in their EV supply chains until they see what Chinese materials or technology are allowed under the final rules of the tax credit, people familiar with their plans said.

Ford hoped to get ahead by licensing technology from China's Contemporary Amperex Technol-

ogy Co. Ltd., known as CATL, to make lithium-iron-phosphate batteries at an industrial scale in the U.S. for the first time. They are much cheaper than other alternatives, reducing the production cost of the car.

Ford structured the deal with CATL, the largest battery maker in the world, as a licensing agreement rather than a joint venture. The U.S. com-

pany will fully control the subsidiary that owns the Michigan factory, paying royalties to CATL for the use of their manufacturing technology.

CATL declined to comment. But licensing Chinese technology has drawn political blowback, including from Michigan Republicans. Several House committees have opened probes or held hearings on the deal.

"We should be using taxpayers' dollars to fund American innovation and ingenuity to be leading in these areas, not lagging behind by decades and subsidizing" the Chinese Communist Party, said Rep. John Moolenaar (R., Mich.).

Ford defended the plan by pointing to the jobs and advanced technology it will bring to the U.S.

GM executives told the Biden administration that if consumers can use the tax credit to buy cars that CATL helps Ford make, GM and other automakers would be at a competitive disadvantage, people familiar with the conversations said. They would feel pressure to strike their own deals with Chinese firms, undercutting Washington's goal of distancing the auto industry from China, the GM executives warned.

During a trip to Washington in July, Ford's Farley tried to contain the furor. At what an attendee said was a tense meeting in a Capitol Hill office, Farley faced a barrage of questions from Michigan Republicans. The lawmakers wanted to know how many CATL employees would work in the plant and whether Ford employees would learn to understand the CATL technology, people familiar with the meeting said.

Farley's answers didn't satisfy many of the Republican attendees. Rep. John James (R., Mich.) has proposed legislation that would prevent Ford's deal and others like it from meeting the requirements for car-buying subsidies.



Chinese home prices remain elevated. Towers in Guangzhou.

LUDOVIC MARINANCE/FRANCE PRESSE/GETTY IMAGES

## BUSINESS NEWS

# Las Vegas Workers Vote to Strike

No walk-off date has been set as contract talks with casinos continue

By DEAN SEAL

Las Vegas Strip workers voted to authorize a possible strike as union contract negotiations continue with casino companies including **MGM Resorts** and **Caesars Entertainment**.

The Culinary and Bartenders unions said late Tuesday that 95% of members voted to give union leadership the authority to call a strike for about 53,000 Las Vegas housekeepers, bartenders and other workers if a deal isn't reached.

The Culinary Union hasn't yet set a strike deadline and said it continues to negotiate in good faith with the gambling companies. There is no guarantee that a strike will occur.

More talks are scheduled for next week, Culinary Union Secretary-Treasurer Ted Page said.

"If these gambling companies don't come to an agreement, the workers have spoken and we will be ready to do whatever it takes—up to and including a strike," Pappa-



Union members cast their ballots during a strike vote on Tuesday in Las Vegas.

george said.

Workers are seeking new, five-year contracts that include "the largest wage increases ever negotiated in the history of the Culinary Union," according to a statement from the group. The Culinary and Bartenders unions negotiate together.

They are also bargaining for reductions in housekeeping workloads, more on-site

security to protect workers from criminal behavior by customers and extended rights to return to their jobs in the event of another pandemic or economic crisis, the Culinary Union said.

About 40,000 of the 53,000 workers are employed by the big three casino companies on the Strip—**MGM Resorts**, **Caesars** and **Wynn Resorts**—and their contracts expired over

the summer.

The casino and hotel operators didn't return a request for comment.

The last time Las Vegas Strip workers walked off the job was in 1984, with 17,000 Culinary Union members on strike for 67 days. The Culinary and Bartender unions represent 60,000 workers in Nevada.

—Katherine Sayre contributed to this article.

# H&M Posts Profit Above Expectations

By DOMINIC CHOPPING

Sweden's **H&M Hennes & Mauritz** posted better-than-expected third-quarter earnings as its focus on profitability and inventory efficiency saw strong cash flow and profit development, but it cautioned that the start to the autumn season has been delayed by unusually warm weather in Europe.

The fashion retailer on Wednesday posted a net profit of 3.33 billion Swedish kronor, or about \$302.9 million, for the quarter to Aug. 31 compared with 531 million kronor a year earlier. Analysts polled by FactSet had expected 3.23 billion kronor.

Sales rose 6% to 60.9 billion kronor, as previously announced, but sales in September are seen falling 10% in local currencies as hot weather made customers delay purchases of autumn clothes while the company is also missing out on Russian sales this year after exiting the country.

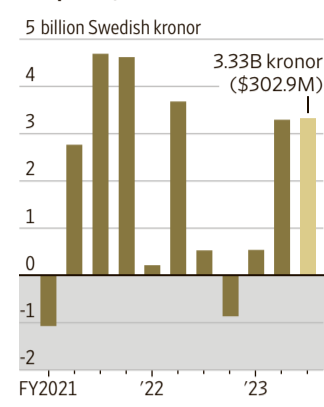
H&M is working through a cost and efficiency program to save 2 billion kronor a year and it said Wednesday that the program is proceeding at full speed and will continue to have an effect in the coming quarters.

At the end of last year it outlined plans to cut around 1,500 jobs from its global workforce as part of the broader efficiency program aimed at reducing administrative and overhead costs and boosting its profit margin that was under pressure from higher raw-material and freight costs.

Its recent focus on profitability and inventory over sales is moving the company in the right direction as it aims to meet its long-held 10% operating margin in 2024, it said.

"With a strong customer focus, improved cash flow and increased inventory efficiency our goal of an operating margin of 10% during 2024 re-

Hennes & Mauritz quarterly net profit/loss



Note: Latest fiscal quarter ended Aug. 31  
Sources: S&P Capital IQ; the company

main," Chief Executive Helena Helmersson said.

H&M reported a third-quarter operating margin of 7.8% versus 1.6% last year.

After several years of rebalancing its physical store presence in light of the market shift toward online shopping, H&M said Wednesday that its store portfolio has reached a level at which it sees fewer closures going forward.

The company was a relative latecomer to digital sales and has been investing heavily to boost its online store footprint and logistical infrastructure while optimizing the number of its stores.

The company still sees stores as an important part of building its brand, though, so it plans to open new stores while increasing investments in areas such as technology, artificial intelligence and supply chain.

At the end of August, H&M had 4,375 stores, down from 4,664 at the same time last year, with 175 of the closed stores relating to Russia and Belarus.

During the current financial year it has opened 66 new stores and closed 156.

The retailer added that it would proceed with a 3 billion kronor buyback starting Wednesday.

# Lululemon, Peloton Team Up, Ending Feud

By SABELA OJEA

**Lululemon Athletica** and **Peloton Interactive** are abandoning efforts to get into each other's turf and instead striking a partnership that will let each company stick with its core business.

Lululemon said it would discontinue sales of its Studio Mirror home-fitness device before the end of the year and instead steer those customers to Peloton's digital fitness classes. Peloton, which had tried to launch its own apparel collection, will start selling co-

branded Lululemon attire at its stores and website.

Shares of Peloton jumped 16% after hours on the news. The company has been struggling with a slowdown in demand for its equipment and subscriptions for its online fitness classes. Shares of Lululemon, which has ridden strong demand for its apparel, were little changed.

Lululemon said Wednesday it laid off about 120 employees who worked on Mirror as part of the move.

In 2020, Lululemon acquired Mirror for \$500 million to compete against Peloton amid a

surge in demand for home-fitness equipment during the worst of Covid-19. Lululemon recently took a \$408 million charge related to the fitness-streaming program and a \$63 million provision against hardware inventory.

Peloton in 2021 launched an apparel brand as it sought to expand beyond fitness equipment and digital subscriptions. The move sparked a legal fight after Lululemon sent a letter alleging that some of the products, including Peloton's bras and leggings, infringed Lululemon's patent designs. The

dispute was settled last year.

The two companies previously had a partnership in which some Lululemon products were sold on Peloton's website. That arrangement ended after Peloton introduced its own apparel.

Under the new five-year partnership, the companies will sell co-branded apparel starting Oct. 11. Lululemon Studio members will have access to Peloton classes for the same price they pay currently starting Nov. 1.

—Liz Young contributed to this article.

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TECHNOLOGY

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# Meta Unveils a New VR Headset

Facebook parent also showcases smart glasses, AI chatbots to help on social apps

By SALVADOR RODRIGUEZ

Facebook parent **Meta Platforms** on Wednesday announced the release date of its coming Quest 3 virtual reality headset and new Ray-Ban smart glasses along with a bevy of AI chatbots for its social apps.

"The limits of your physical space are going to be able to expand," Meta CEO Mark Zuckerberg said when announcing the new products. "You're going to be able to be a part of much larger worlds."

The company is hoping the devices will jump-start its push to bring users into the so-called metaverse, an effort on which it has spent billions of dollars and seen limited returns.

**Apple** is set to release its Vision Pro headset in 2024, years after Zuckerberg renamed the company in an attempt to focus on what he has said may be the next emerging



CEO Mark Zuckerberg unveiled the Quest 3 at Meta's California headquarters Wednesday.

computing platform.

The Quest 3 will begin shipping to users in October. Pre-orders for the \$499 device started on Wednesday.

Meta also will release the second generation of its Ray-Ban smart glasses on Oct. 17 for \$299. The Wall Street

Journal had previously reported that the devices would arrive as soon as this fall.

The second-generation Ray-Ban smart glasses will allow users to livestream their perspective to their followers. The new smart glasses will include a 36-hour battery life

and will be available in different Ray-Ban models than its predecessor.

The device also will come equipped with Meta AI, an artificial-intelligence assistant announced by Zuckerberg on Wednesday.

Meta AI is built on the

company's Llama 2 large-language model and is a general purpose AI assistant that can answer user questions within Messenger, WhatsApp and Instagram. Meta AI will be able to provide users with real-time information through a partnership with **Microsoft** Bing, Zuckerberg said.

Meta announced that it also will release 28 other AI chatbots that users will be able to interact with. Meta joined with a number of celebrities, including Tom Brady, Paris Hilton and Snoop Dogg, whose faces provide expressions as users interact with the chatbots. The Journal had previously reported that Meta would release AI chatbots with personalities.

"This is our first effort at training a bunch of AIs that are a bit more fun," Zuckerberg said, adding that they will have a number of limitations that will become apparent to users.

Zuckerberg said the AI chatbots would be released in a limited beta mode on Wednesday.

◆ **Heard on the Street:** Meta's expensive quest. B9

# Yaccarino Sees X as Profitable In 2024

By ALEXA CORSE

X Corp. Chief Executive Linda Yaccarino said Wednesday the company is "just about break even" in terms of operating cash flow and should turn a profit early next year.

Yaccarino, NBCUniversal's former ad-sales czar who joined the company, formerly called Twitter, in June, has faced questions about how much she can rebuild X's ad business after tumult under company owner Elon Musk, who acquired the platform late last year and swiftly cut thousands of jobs, upended features like verification and loosened content-moderation policies.

Yaccarino spoke at the Code Conference in Orange County, Calif., in an interview with CNBC reporter Julia Boorstin that became awkward at times, including when the CEO was pressed about the company's user and engagement numbers.

Boorstin cited data showing that X downloads and engagement were declining and asked Yaccarino how that squared with the CEO's knowledge of the business. She also asked Yaccarino about daily active users.

Yaccarino said X had more than 540 million global users, though she repeatedly redirected the conversation from questions about specific statistics to broader language about the company's vision.

"I'm not sure you're even asking me the right questions," Yaccarino said at one point. "What's going on under our nose is a platform in transformation, where there is no surrogate."

Boorstin also questioned Yaccarino about recent job cuts affecting several X employees who worked on election integrity and security threats. Yaccarino, who has emphasized the platform's commitment to election integrity, said X takes the issue seriously and that the team is "robust and growing."

The Information previously reported the departures.

Musk tweeted in September that X's U.S. advertising revenue is down 60%, without specifying the time frame.

While some brands, including Oreo maker Mondelez International and pharmaceutical company Eli Lilly, have returned to the platform, ad buyers say others remain hesitant largely because of turmoil surrounding the site.

Yaccarino sounded a more optimistic note on Wednesday, saying about 1,500 advertisers have returned to the platform.

Yaccarino took the stage about an hour after Yoel Roth, Twitter's former head of trust and safety, said in an onstage interview at the same conference that the platform is less safe for advertisers than it used to be. "They're going to need evidence of progress on safety that Twitter can't provide," he said about marketers.

Roth, who left the company two weeks after Musk's takeover and later said he faced online death threats and fled his Bay Area home after he was the subject of an attacking tweet by Musk, was a last-minute addition to the schedule after General Motors CEO Mary Barra couldn't make it due to the United Auto Workers strike, moderator Kara Swisher said.

Asked by Boorstin to respond to Roth's statements, Yaccarino said Roth doesn't know her and she doesn't know Roth and that the version of Twitter he worked for no longer exists.



X CEO Linda Yaccarino

# Steelmaker Makes Bet On Fusion

Continued from page B1

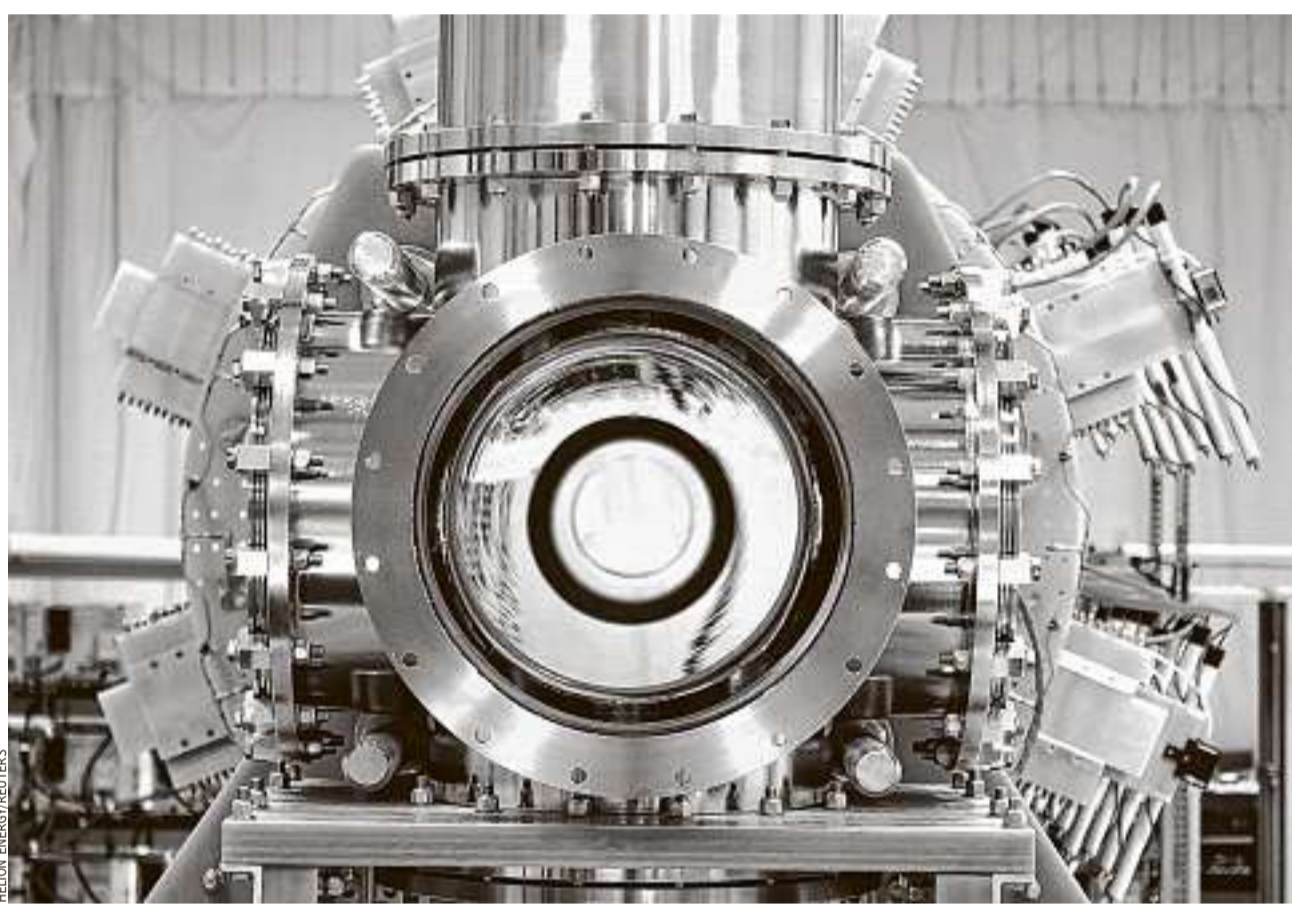
Many green steelmaking techniques require immense power, creating a need for energy sources such as fusion that address some of the limitations of today's renewable and battery technologies. "We don't want to sit on the sidelines and wait for all these technologies and hope they get developed," Leon Topalian, Nucor's chief executive, said in an interview.

Fusion powers the sun and has the potential to provide vast amounts of carbon-free power if someone can figure out how to harness it on Earth. No company has proved it can get more energy out of fusion than it takes to create it, and most experts think commercial fusion remains decades away.

Money has poured into fusion following a long-awaited breakthrough in December, when Lawrence Livermore National Laboratory said it had produced more energy from fusion than was delivered through lasers to drive the reaction.

Nucor's steel goes into the world's buildings, cars and appliances. In states where Nucor has facilities, it is among the largest electricity consumers.

Customers including **General Motors** and the heating-and-cooling equipment maker **Trane Technologies** are demanding greener steel, pushing Nucor to move faster on clean energy. The company has used recycled material for many years to make cleaner products,



Nucor and Helion plan to develop a 500-megawatt power plant. Part of Helion's prototype for fusion energy reaction tests.

but the steel industry needs to address power consumption to meet climate targets and is currently dependent on local utility grids, many of which rely on fossil fuels.

The Nucor fusion plant would be about 10 times the capacity of another facility Helion plans to build to provide fusion-generated electricity by 2028 for **Microsoft**. The Microsoft deal, believed to be the fusion industry's first commercial agreement, was announced in May.

Nucor plans to buy power directly from Helion at its steel mill rather than purchase it from a utility or electricity grid

operator. If successful, that approach could provide a blueprint for fusion companies to sign similar deals with power customers. Helion could sell excess power not used by Nucor back to the grid operator, another potential benefit for the developing fusion industry.

"This is moving out of the realm of a federally funded research program and into industrial power development," said David Kirtley, Helion's chief executive. "This should be the signal that fusion electricity is coming."

Helion is building its seventh prototype, which it says will demonstrate electricity gener-

ated from fusion next year.

Current nuclear power plants use fission reactions, which split atoms to create a burst of energy. Fusion merges atoms instead.

In August, the Livermore laboratory said it had replicated its breakthrough. While the achievement doesn't account for the electricity powering the lasers, it helped boost optimism about the decades-long pursuit of fusion.

In addition to proving fusion can generate electricity, the companies will have to show a fusion plant can provide power directly to a big user and receive regulatory approvals for

the project.

State and local regulations will be a factor in deciding where to put the fusion plant, company officials said. Helion is based near Seattle, while Nucor is based in Charlotte, N.C., and has mills across the U.S. The companies will consider local incentives that could buttress federal subsidies.

Helion has been among the industry's largest fundraisers, with around \$630 million, including the Nucor investment. Altman has invested \$375 million in Helion and has said having customers is critical for keeping Helion focused on the realities of business.

# Corteva Lawsuit Says Startup Stole Seed-Gen Tech

By PATRICK THOMAS

One of the world's biggest agriculture companies is accusing a startup of scheming to steal high-tech crop seeds.

**Corteva**, the agriculture behemoth spun out of DowDuPont in 2019, on Wednesday filed a lawsuit in federal court in Delaware, accusing the seed-gene-editing company **Inari Agriculture** of illicitly obtaining Corteva seeds from a U.S. depository and illegally shipping them to Europe. Corteva alleges that the startup made small changes to the plants' genetics and now is seeking to patent the seeds in the U.S.

"Theft of proprietary technology hurts not only our company but also, ultimately, our nation's farmers," said Corteva's chief technology officer, Sam Eathington, in a statement.

Inari declined to comment. Seeds are at the root of the global agriculture industry, generating tens of billions of dollars in sales. The world's largest crop-seed developers—including Corteva, **Bayer** and **Syngenta**—

are investing in the potential of gene-editing technology in crops, which enables scientists to make precise changes to plants' existing DNA.

For decades genetic modification, which is different from gene editing, in agriculture has largely involved inserting outside genes into profitable crop varieties and has helped create seeds modified to resist certain herbicides.

The agriculture industry has spent billions of dollars in recent years competing to develop new technology for editing the genes of plants that they hope will yield highly lucrative enhanced crops.

Founded in 2016, privately held Massachusetts-based Inari was valued at about \$1.5 billion last year and has said its focus is designing new varieties of corn, soybeans and wheat that are more resilient to the effects

of climate change and less stressful to the environment.

Many of its top executives include former officials at seed companies like Syngenta and Bayer.

Rather than breed new seeds like Corteva does, Inari partners with seed makers to use its gene-editing technology to enhance their products.

Corteva, a top supplier to Iowa soybean growers, Brazilian corn operations and other farmers around the world, says in its lawsuit that it has never partnered with Inari and has no agreement for the startup to modify any of its seeds.

Corteva claims Inari began taking its technology in 2020 through a nonprofit depository of seeds called the American Type Culture Collection that makes them available for research.

## The agricultural sector has spent billions on gene-editing tech to enhance crops.

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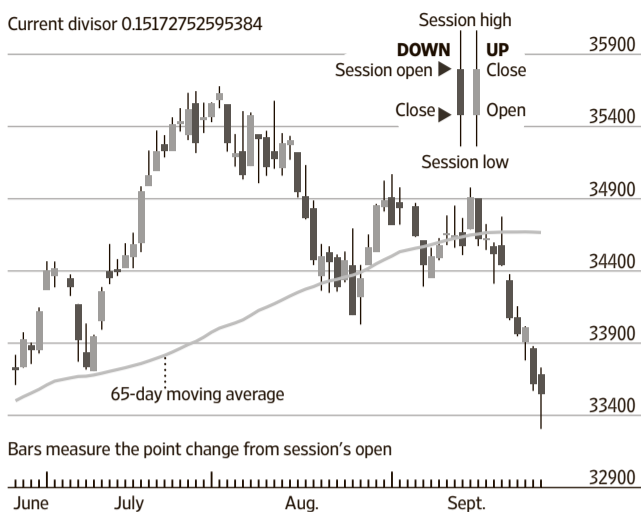
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MARKETS DIGEST

EQUITIES

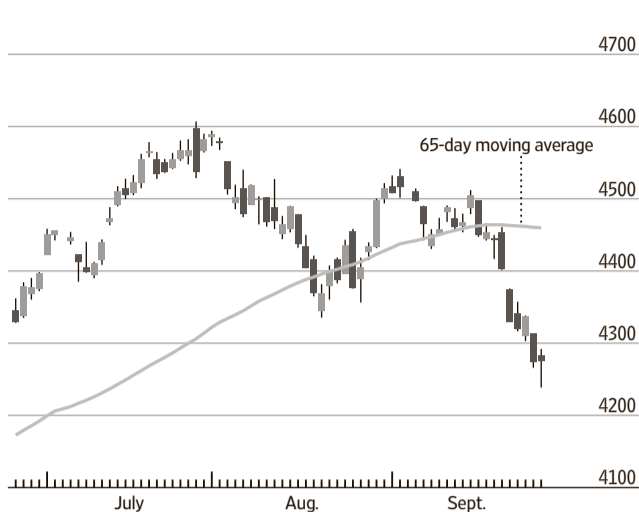
Dow Jones Industrial Average

33550.27 ▼68.61, or 0.20%
High, low, open and close for each trading day of the past three months.



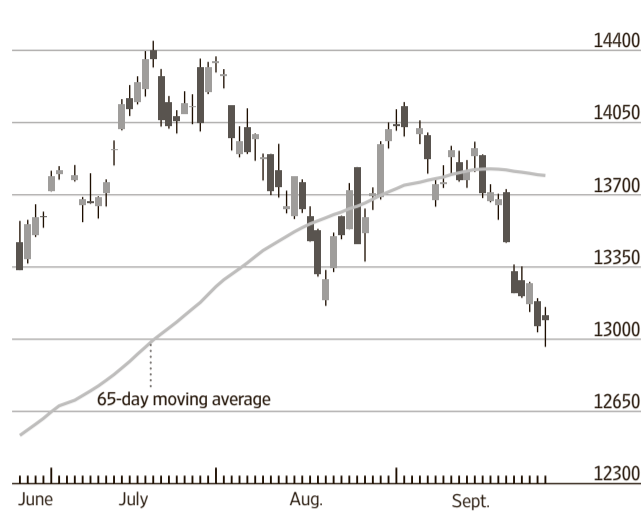
S&P 500 Index

4274.51 ▲0.98, or 0.02%
High, low, open and close for each trading day of the past three months.



Nasdaq Composite Index

13092.85 ▲29.24, or 0.22%
High, low, open and close for each trading day of the past three months.



Major U.S. Stock-Market Indexes

Table with columns for Index Name, High, Low, Close, Net chg, %chg, 52-Week High, Low, %chg, YTD %chg, 3-yr. ann. %chg. Includes Dow Jones, Nasdaq Stock Market, S&P, and Other Indexes.

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6 p.m. ET as reported by electronic trading services...

Most-active issues in late trading

Table of most-active issues in late trading with columns for Company, Symbol, Volume, Last, Net chg, After Hours % chg, High, Low.

Percentage gainers...

Table of percentage gainers with columns for Company, Symbol, Volume, Last, Net chg, After Hours % chg, High, Low.

...And losers

Table of percentage losers with columns for Company, Symbol, Volume, Last, Net chg, After Hours % chg, High, Low.

Trading Diary

Volume, Advancers, Decliners

Table of trading diary statistics including Total volume, Adv. volume, Decl. volume, Issues traded, Advancers, Declines, etc.

International Stock Indexes

Table of international stock indexes with columns for Region/Country, Index, Close, Net chg, Latest % chg, YTD % chg.

Percentage Gainers...

Table of percentage gainers with columns for Company, Symbol, Latest Session Close, Net chg, % chg, 52-Week High, Low, % chg.

Percentage Losers

Table of percentage losers with columns for Company, Symbol, Latest Session Close, Net chg, % chg, 52-Week High, Low, % chg.

Most Active Stocks

Table of most active stocks with columns for Company, Symbol, Volume, % chg from 65-day avg, Latest Session Close, % chg, 52-Week High, Low.

Volume Movers

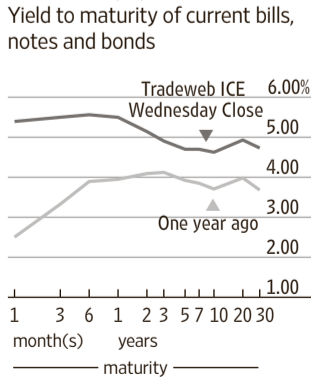
Table of volume movers with columns for Company, Symbol, Volume, % chg from 65-day average, Latest Session Close, % chg, 52-Week High, Low.

CREDIT MARKETS

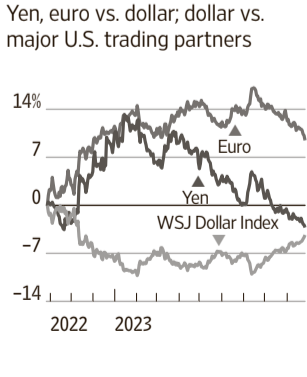
Consumer Rates and Returns to Investor

Table of consumer rates and returns to investor including U.S. consumer rates, Selected rates, and Interest rate trends.

Treasury yield curve



Forex Race



Corporate Borrowing Rates and Yields

Table of corporate borrowing rates and yields with columns for Bond total return index, U.S. Treasury, Aggregate, Fixed-Rate MBS, High-Yield 100, Muni Master, EMBI Global.

CURRENCIES & COMMODITIES

Currencies

Table of U.S.-dollar foreign-exchange rates in late New York trading, including Americas, Europe, Asia-Pacific, Middle East/Africa.

Commodities

Table of commodity prices including DJ Commodity, Refinitiv/CC CRB Index, Crude oil, Natural gas, Gold.



COMMODITIES

wsj.com/market-data/commodities

Futures Contracts

Metal & Petroleum Futures table with columns for Open, High, Low, Settle, Chg, and Open interest. Includes Copper-High, Gold, Palladium, and NY Harbor ULSD.

Agriculture Futures table with columns for Open, High, Low, Settle, Chg, and Open interest. Includes Corn, Soybeans, Soybean Meal, and Wheat.

Interest Rate Futures table with columns for Open, High, Low, Settle, Chg, and Open interest. Includes Ultra Treasury Bonds, Treasury Bonds, and Treasury Notes.

Currency Futures table with columns for Open, High, Low, Settle, Chg, and Open interest. Includes Japanese Yen, Canadian Dollar, British Pound, and Mexican Peso.

Index Futures table with columns for Open, High, Low, Settle, Chg, and Open interest. Includes Mini DJ Industrial Average and Mini S&P 500.

Cash Prices | wsj.com/market-data/commodities

Wednesday, September 27, 2023

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Cash Prices table with columns for Wednesday and various commodity prices like Energy, Metals, and Grains and Feeds.

Borrowing Benchmarks | wsj.com/market-data/bonds/benchmarks

September 27, 2023

Borrowing Benchmarks table with columns for Latest, Week ago, and 52-Week High/Low. Includes U.S. consumer price index, International rates, and U.S. government rates.

Macro & Market Economics

Watching the Gauges: U.S. Supply and Demand

Inventories, imports and demand for the week ended September 22. Current figures are in thousands of barrels or thousands of gallons per day, except natural-gas figures, which are in billions of cubic feet.

Inventories, 000s barrels table with columns for Current, Expected change, Previous week, Year ago, 4-week avg, and 5-year avg.

Imports, 000s barrels per day table with columns for Current, Expected change, Previous week, Year ago, 4-week avg, and 5-year avg.

Weekly Demand, 000s barrels per day table with columns for Current, Expected change, Previous week, Year ago, 4-week avg, and 5-year avg.

Natural gas storage table with columns for Current, Expected change, Previous week, Year ago, 4-week avg, and 5-year avg. Includes a line chart showing storage levels.

Weekly Demand, 000s barrels per day table with columns for Current, Expected change, Previous week, Year ago, 4-week avg, and 5-year avg.

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Note: Expected changes are provided by Dow Jones Newswires' survey of analysts. Previous and average inventory data are in millions. Sources: FactSet; Dow Jones Market Data; U.S. Energy Information Administration; Dow Jones Newswires

Bonds | wsj.com/market-data/bonds/benchmarks

Tracking Bond Benchmarks

Return on investment and spreads over Treasuries and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Bond benchmarks table with columns for Total return, YTD total return, Index, and Yield (%). Includes Broad Market, U.S. Corporate Indexes, and High Yield Bonds.

Global Government Bonds: Mapping Yields

Yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose (▲) or fell (▼) in the latest session

Global Government Bonds table with columns for Coupon (%), Maturity, in years, Latest, Yield (%), Previous, Month ago, Year ago, Spread Under/Over U.S. Treasuries, in basis points, Latest, Prev, and Year ago.

Corporate Debt

Prices of firms' bonds reflect factors including investors' economic, sectoral and company-specific expectations

Investment-grade spreads that tightened the most...

Investment-grade spreads table with columns for Issuer, Symbol, Coupon (%), Yield (%), Maturity, Current, Spread, in basis points, One-day change, and Last week.

...And spreads that widened the most

Spreads that widened table with columns for Issuer, Symbol, Coupon (%), Yield (%), Maturity, Current, Spread, in basis points, One-day change, and Last week.

High-yield issues with the biggest price increases...

High-yield issues table with columns for Issuer, Symbol, Coupon (%), Yield (%), Maturity, Current, Bond Price as % of face value, Last week.

...And with the biggest price decreases

High-yield issues table with columns for Issuer, Symbol, Coupon (%), Yield (%), Maturity, Current, Bond Price as % of face value, Last week.

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Note: Expected changes are provided by Dow Jones Newswires' survey of analysts. Previous and average inventory data are in millions. Sources: FactSet; Dow Jones Market Data; U.S. Energy Information Administration; Dow Jones Newswires

BIGGEST STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Nasdaq), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE.

Footnotes:
+ New 52-week high.
- New 52-week low.
d Indicates loss in the most recent four trading days.
FD First-day of trading.
H Does not meet continued listing standards.
I Temporary exemption from Nasdaq requirements.

Table of the largest 1,000 large-cap companies based on market capitalization. Columns include Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices during 4 p.m. the previous day.

Main table of stock data for Wednesday, September 27, 2023. Columns include Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg.

Stocks with the Most Volatility

Table of stocks with the most volatility. Columns include Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg.

Stocks with the Most Gains

Table of stocks with the most gains. Columns include Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg.

Stocks with the Most Losses

Table of stocks with the most losses. Columns include Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg.

Stocks with the Most Volume

Table of stocks with the most volume. Columns include Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg.

Stocks with the Most Dividends

Table of stocks with the most dividends. Columns include Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg.

Stocks with the Most Earnings

Table of stocks with the most earnings. Columns include Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg.

Stocks with the Most P/E Ratios

Table of stocks with the most P/E ratios. Columns include Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg, Stock, Sym, Close, Net Chg.

Stocks with the Most Debt

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Highs

Table of stocks that reached new 52-week highs. Columns include Stock, Sym, Hi/Low, Chg, Stock, Sym, Hi/Low, Chg, Stock, Sym, Hi/Low, Chg.

Lows

Table of stocks that reached new 52-week lows. Columns include Stock, Sym, Hi/Low, Chg, Stock, Sym, Hi/Low, Chg, Stock, Sym, Hi/Low, Chg.

Dividend Changes

KEY: A: annual; M: monthly; Q: quarterly; r: revised; SA: semiannual; S21: stock split and ratio; SO: spin-off.

Table of dividend changes for various companies. Columns include Company, Symbol, Yld %, Amount, New/Old, Frq, Payable/Record.

Stocks

Table of stocks from a.i.e. Brands Holding, Mueller Industries, etc. Columns include Company, Symbol, Yld %, Amount, New/Old, Frq, Payable/Record.

Foreign

Table of foreign stocks. Columns include Company, Symbol, Yld %, Amount, New/Old, Frq, Payable/Record.

IPO Scorecard

Performance of IPOs, most-recent listed first.

Table of IPO performance metrics. Columns include Company, SYMBOL, We'd's, Offer, Ist-day, Company, SYMBOL, We'd's, Offer, Ist-day.

Exchange-Traded Portfolios

WSJ.com/ETFResearch

Largest 100 exchange-traded funds, latest session

Large table of exchange-traded funds (ETFs) with columns for EFTF, Symbol, Closing Price, YTD, EFTF, Symbol, Closing Price, YTD.

MARKETS



Energy companies led gains in the S&P 500, with the sector rising 2.5%. Oil prices rose.

S&P, Nasdaq Edge Up, Dow Falls

Ten-year Treasury note settles at yield of 4.625%, highest level in 16 years

By CAITLIN OSTROFF

The S&P 500 ended the day higher—just barely. But after the week that stocks just had, even a tiny increase can feel like good news.

Stocks have broadly fallen since last week's Federal Reserve meeting, when central bankers raised their interest-rate forecasts for next year. Investors are also weighing the impact of higher energy prices on inflation, which the Fed's interest-rate increases this year have sought to tame, and a potential government shutdown.

Watch a Video



Scan this code to watch Dion Rabouin's video on risks from a strong dollar.

The S&P 500 closed nearly flat. The Nasdaq Composite added 0.2%, while the Dow Jones Industrial Average edged down 0.2%.

"There might be a bit of sellers' exhaustion," said Chris Zaccarelli, chief investment officer for Independent Advisor Alliance. "We do believe that this pullback is a temporary thing."

A stronger-than-expected U.S. economy has led some investors to bet that the Fed will leave interest rates elevated, either to keep fighting inflation or because it sees no pressing need to take them much lower. That has helped push bond yields higher. The 10-year Treasury yield ticked up to 4.625%, its highest level since October 2007, and up from 4.558% Tuesday.

"We had been expecting this bumpiness," said Gina Bolvin, president of Bolvin Wealth Management. "It's still all about the Fed and what they're going to say, and that's all higher for longer."

Higher yields mean higher borrowing costs for businesses and consumers, making investors nervous about how long the economy can keep expanding.

U.S. Crude Price Is Highest of Year

U.S. crude oil futures extended their three-month-long rally, bringing them to their highest level of the year.

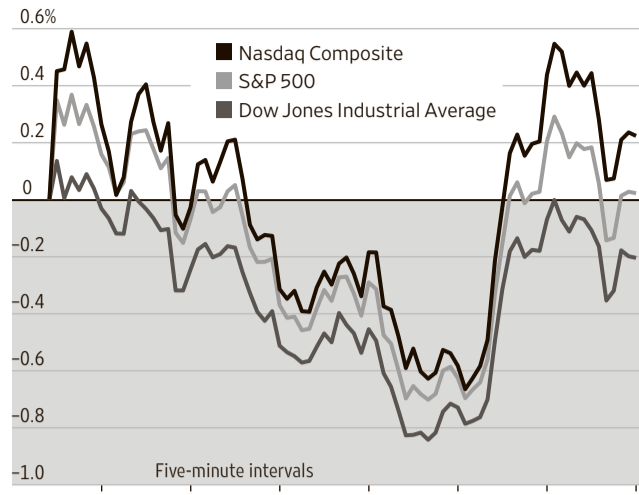
Futures for November delivery settled at \$93.68 a barrel, up 3.6% from Tuesday's close and more than 30% since June. The jump extended a run-up in prices that began in early July, after production cuts made by the Organization of the Petroleum Exporting Countries and its allies reduced global oil supplies to a level below demand.

U.S. crude settled at its highest level since August 2022, according to Dow Jones Market Data. Brent crude, its global counterpart, finished at \$96.55, its highest close since November.

Prices popped about 1.5% after the Energy Information Administration reported that U.S. crude inventories fell more than expected last week to their lowest level of the year. The move added to gains in earlier trading that were fueled in part by an American Petroleum Institute survey showing crude-oil inventories in Cushing, Okla., declining to a 14-month low.

—Bob Henderson

Index performance on Wednesday



Source: FactSet

Overseas, the pan-continental Stoxx Europe 600 edged down 0.2%. At midday Thursday, Japan's Nikkei 225 was down 1.7% and Hong Kong's Hang Seng Index was down 1%. S&P 500 futures were flat.

AUCTION RESULTS

Here are the results of Wednesday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

Table with 2 columns: Applications, Accepted bids, Spread, Bids at clearing yield accepted, Cusp number. Includes 17-WEEK BILLS and ONE-YEAR, 10-MONTH FRNS.

Table with 2 columns: Applications, Accepted bids, Spread, Bids at clearing yield accepted, Cusp number. Includes FIVE-YEAR NOTES.

Higher Rates Hit Builders

Continued from page B1 Group is up about 60% in 2023, Toll Brothers has risen 45% and KB Home is up 43%. The S&P 500 is hanging on to an 11% advance.

Mortgage rates peaked at 7.23% in late August, the highest level since 2001, and are still hovering above 7%, according to the latest weekly reading from Freddie Mac. They tend to move loosely with the 10-year Treasury yield, which on Wednesday hit its highest level since 2007. Some investors expect yields to keep climbing as they brace for the possibility that interest rates remain higher for longer.

"Home builders are at the mercy of the Fed," said Michael Cook, investment analyst at Penn Mutual Asset Management.

The broader stock market's rally has stalled since the end of July, with a flurry of stronger-than-expected economic data raising worries about the path of interest rates. The S&P 500 on Friday closed out its worst week since March after the Federal Reserve left rates unchanged but signaled it could raise them once more before year-end and keep them elevated in 2024.



The home-building industry is one of the sectors most sensitive to changes in interest rates.

Traders in the interest-rate derivatives market have repeatedly pushed back their expectations for when the Fed will start cutting rates—they currently put a probability of about 45% on the prospect of lower rates by June.

Frank Memcaj, founder of Wayman Value Investing newsletter, said Americans might hesitate to buy a home if they expect rates to fall soon.

"Where we're at in the rate hike cycle, this is when it starts to change buyer sentiment and behavior," Memcaj said.

Recent data also is casting doubt about whether home-builder shares can hold on to their outsized gains. Housing starts in the U.S. slid 11% in August to the lowest level since June 2020. New-home sales suffered their largest monthly decline since September 2022, while existing-home sales, which make up most of the housing market, fell to their slowest pace since January.

"We're finally starting to see the reaction that most people had expected, which is [share] prices starting to come down," said Chris Zaccarelli, chief investment officer for Independent Advisor Alliance.

Some analysts and home builders expect the market to improve over time, given the country's tight housing supply. Last week, KB Home reported a quarterly drop in profit from a year earlier but

raised its outlook for revenue and earnings in its fiscal year ending in November.

"The outlook remains healthy for housing market conditions driven by low existing home inventory and constrained availability of new homes at our price points," Chief Executive Jeffrey Mezger said on the company's earnings call.

Despite this year's run-up, housing stocks are still trading at cheaper valuations than their historical averages. PulteGroup, Toll Brothers and KB Home are all trading at about six times their projected earnings over the next 12 months, below their 10-year average of roughly 10. The S&P 500's multiple is about 18.

Industry Ventures Raises \$1.7 Billion

By ROD JAMES

Industry Ventures raised \$1.7 billion to take advantage of a steep drop in later-stage startup values and a growing need for cash among investors in venture-capital funds and their managers.

The San Francisco firm has collected \$1.45 billion for Industry Ventures Secondary X, its largest fund yet for acquiring secondhand stakes in venture funds and private startups, according to a statement.

The secondaries specialist raised \$260 million for Industry Ventures Tech Buyout II and related vehicles. The firm plans to invest from these vehicles to buy venture funds of less than \$750 million in size, acquire secondhand stakes in them and co-invest directly in startups.

Industry Ventures had indicated a \$1 billion target for the 10th fund in a March filing, before reporting any commitments to the pool, but interest from investors far exceeded that level, said founder and Chief Executive Hans Swildens.

Backers of the fund aim to take advantage of a pullback in startup values since early 2022 and the prospect of high-quality assets coming up for sale following a succession of bank failures early this year.

Binance Sells Its Russian Operations

By CAITLIN MCCABE

Binance, the world's largest cryptocurrency exchange, is exiting Russia by selling its operations there to a new crypto exchange known as CommEX.

"As we look toward the future, we recognize that operating in Russia is not compatible with Binance's compliance strategy," said Noah Perlman, Binance's chief compliance officer.

Binance said Wednesday that "off-boarding" Russian customers would take up to a year.

It didn't give financial details of the deal.

Binance last month introduced curbs on peer-to-peer trading in Russia, and said it was considering a full withdrawal from that market, after The Wall Street Journal reported on how Binance was helping Russians move money abroad.

The Justice Department has been investigating Binance in connection with possible violations of U.S. sanctions on Russia, the Journal reported. The company also faces separate lawsuits from U.S. securities and commodity regulators.

CommEX was launched on Tuesday, according to a statement. It says it is a centralized digital-asset exchange backed by unnamed crypto venture capitalists. Its terms of use say the company is incorporated in the Seychelles.

Binance said it won't have any continuing revenue split from the sale, or an option to buy back shares in the business.

"If you've been an investor with us over the past 24 years, you have confidence that when bank failures happen, we've been able to execute well," Swildens said.

Industry Ventures has often acquired assets out of bankruptcy, including holdings from failed energy company Enron in 2003 and from bank holding company Washington Mutual in 2009.

Asset sales by distressed owners are contributing to a wave of holdings being brought to market by venture funds linked to corporations, and these holdings represent prime targets for Industry Ventures, Swildens said.

The collapse in technology startup values has caused a rethinking of venture investing, with some participants stepping back from the market. Groups that sold startup assets in the past year include software giant Microsoft and French energy major Total.

Industry Ventures' two new funds brings assets under management at the firm to more than \$7 billion. The firm completed 600 investments and is exposed to more than 5,500 venture-backed companies through its funds, according to the statement.

Mutual Funds

Data provided by LIPPER

Top 250 mutual-funds listings for Nasdaq-published share classes by net assets. e-Ex-distribution. f-Previous day's quotation. g-Footnotes x and s apply. h-Footnotes e and s apply. k-Recalculated by Lipper, using updated data. p-Distribution costs apply. 12b-1-F-Redemption charge may apply. \*Stock split or dividend. \*Footnotes p and r apply. \*Footnotes x and e apply. \*Ex-dividend. \*Footnote x, e and s apply. NA-Not available due to incomplete price, performance or cost data. NE-Not released by Lipper, data under review. NN-Fund not tracked. NS-Fund didn't exist at start of period.

Table of mutual fund performance for Wednesday, September 27, 2023. Columns include Fund, NAV, Chg, %Ret, and Net YTD. Lists various funds like AB Funds, American Century Inv, and others.

Table of mutual fund performance for Wednesday, September 27, 2023. Columns include Fund, NAV, Chg, %Ret, and Net YTD. Lists various funds like Fidelity Freedom, Fidelity Selects, and others.

Table of mutual fund performance for Wednesday, September 27, 2023. Columns include Fund, NAV, Chg, %Ret, and Net YTD. Lists various funds like JPMorgan R Class, Natixis Funds, and others.

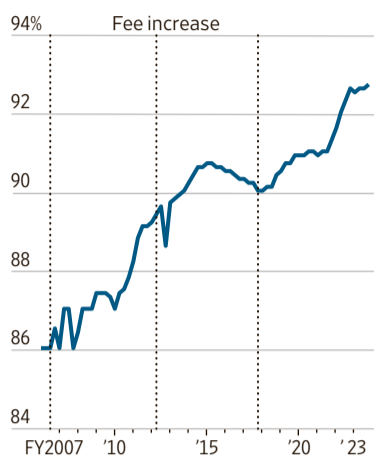
# HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

## Costco Keeps Everyone Guessing

The beloved retailer is doing just fine but appears to be taking a cautious view on consumers

Costco's North America membership renewal rate



Note: FY2023 ended on Sept. 3  
Source: Company data, Evercore ISI Research

Costco's decision to hold off on a membership-fee increase will probably elicit sighs of relief from its customers. How should its investors be feeling?

Costco on Tuesday said comparable sales excluding fuel and foreign-exchange impacts rose 3.8% from a year earlier in its quarter ended Sept. 3, in line with Wall Street expectations.

For the company's full fiscal year, comparable sales rose 5.2% on that basis. Net income for the quarter climbed 16% to \$2.16 billion, higher than the 13% growth analysts expected to see. In other words, solid numbers.

But those who were expecting Costco to announce a membership-fee increase or a special dividend left the earnings call empty-handed.

Both should be due right about now based on Costco's past record.

The retailer has tended to raise its membership fees every five to six years, and the last time The company did so was in 2017. Costco also has issued special dividends roughly 2½ years apart on average, with the last one coming in late 2020.

In some ways, Costco seemed well positioned to push through both. The supermarket price shock has eased for consumers: Food-at-home inflation slowed to about 3% year over year in August, down from an eye-watering 13% a year earlier.

Meanwhile, Costco now has \$13.7 billion of cash on its balance sheet—the most it has ever had—and is net cash positive, placing no

barriers on dividend payments.

On the earnings call, Chief Financial Officer Richard Galanti said both the membership-fee increase and the special dividend are questions of “when, not if,” but declined to give any hints on the timeline.

The delays could reflect how cautious Costco feels about its customers. Even though shopping frequency at the retailer's U.S. business rose about 5% last quarter, the size of the basket declined 4.5%, the company said.

And Costco could be getting jittery about a peak in membership retention rates, which in North America hit a record 92.7% last quarter. Raising membership fees is a quick but risky lever to juice the bottom line, yet sales volume is the slower, surer way.

To that end, the company has been adding products that excite its members, including one-ounce gold bars, which Galanti said sell out within a few hours of being introduced.

It also recently teamed up with online healthcare marketplace Sesame, which will provide members with special discount pricing on health services like virtual doctor visits.

Of course, Costco might be too cautious—but the membership fee and the special dividend are tools it can keep in its back pocket for whenever it feels safe to bring them out.

At Costco, value for the customer is likely to turn into value for shareholders, too.

—Jinjo Lee

## Amgen Eyes a Piece of the Obesity Market

Surging expectations for the obesity-drug market added hundreds of billions of dollars to the combined market capitalization of Eli Lilly and Novo Nordisk. While the drug bonanza is real, the obesity duopoly is now richly valued.

For investors looking for a more reasonably priced entry point into the obesity market, Amgen looks interesting. Unlike the two leaders in the space, Amgen is cheaper than the average U.S. stock, trading at 13.9 times forward earnings versus a 46.6 multiple for Lilly. And while it is very much behind the makers of Ozempic and Mounjaro, there could be room for more players in this category.

Amgen is expected to publish results from two anti-obesity drug studies next year. If the results are positive, the company could start receiving more credit from investors for its obesity pipeline.

“It's still early on obesity and investors haven't fully valued it yet,” Jefferies analyst Michael Yee, an Amgen bull, wrote recently.

The argument isn't that Amgen will catch up with Lilly and Novo Nordisk. The two companies have a massive head start, and they have a pipeline of drugs that looks even more impressive. But in a category that some analysts think could be worth more than \$100 billion in annual sales, third place could be pretty good. Just 10% of the market would make for a pretty sizable blockbuster.

Sometime next year we will find out how serious Amgen's obesity portfolio is. In the first half of the year, Amgen is expected to publish data from an early-stage study of an oral medication whose mechanism of action the company has yet to disclose. In the second half of 2024, it is expected to release data from a midstage study of an inject-



Amgen is expected to publish results from two anti-obesity drug studies next year.

able therapy that, in a phase I trial, helped patients lose up to 14.5% of their body weight after 12 weeks.

Much like Mounjaro and Ozempic, the Amgen injectable targets the GLP-1 receptor, which helps regulate appetite. But while Mounjaro also activates a second receptor, known as GIP, the Amgen drug actually blocks that receptor. The approach is based on genetic research suggesting a lower activity of this receptor tends to lead to reduced body weight.

If the drug ends up delivering high efficacy in a bigger trial without any major safety issues, one key advantage it offers is convenience. It is a once-monthly injection, while other GLP-1s are taken weekly. In addition to these two drugs, management says the com-

pany is testing additional preclinical compounds targeting obesity.

“We're not seeing this as a one-and-done play,” said Murdo Gordon, Amgen's executive vice president of global commercial operations. “We are trying to cover the waterfront, and we also think that this market could evolve into a combination market.”

For investors, there isn't much to lose at this stage because Amgen shares aren't really pricing in much success in this area. They have been trading at a relative discount to peers as top-selling drugs such as Prolia for bone health and Otezla for autoimmune diseases lose patent protection later this decade. But in recent weeks, the stock has bounced back after second-quarter earnings beat estimates following a

disappointing first quarter.

Additionally, investors can now start adding about \$5 billion in annual sales later this decade from Horizon Therapeutics into their models. Amgen is set to acquire the biotechnology company for \$27.8 billion after a settlement with the Federal Trade Commission. The deal might have been pricey, but the added revenue will help offset pressure from patent expirations.

Amgen is obviously playing from behind on obesity. By the time it hypothetically enters the market, around 2027, Novo Nordisk and Eli Lilly will be dominant. But with the prices of these drugs so high and the market so big, there should be ample competition. The opportunity could be significant.

—David Wainer

## Facebook Needs to Cover Pricey Meta Quest

Mark Zuckerberg really needs to hope Facebook's advertising growth doesn't start slowing again.

The co-founder and chief executive of Meta Platforms took to the stage at the company's headquarters on Wednesday to tout the latest efforts in mixed reality, which blends virtual reality with real-world images. There weren't many surprises—especially because Zuckerberg scooped himself by unveiling the new Quest 3 headset in June as a way to get ahead of Apple's unveiling of its first mixed-reality device the following week. Zuckerberg used the event to jump on the bandwagon of generative artificial intelligence, announcing a new personal assistant chatbot called Meta AI.

Meta is hardly alone among big tech companies not named Apple that are still dabbling in hardware. Microsoft and Amazon held events last week to showcase their lineups of new devices for the fall, while Google is scheduled to introduce its latest Pixel smartphones next week.

Still, the parent of Facebook stands out. Reality Labs, the segment that houses Meta's work in VR and augmented reality, generated 1.5% of the company's revenue for the 12-month period ended June. It produced an operating loss of \$15.7 billion for that time. That loss has effectively taken about 35% off the operating earnings over the past four quarters by the company's Family of Apps—mainly Facebook and Instagram advertising. Alphabet's Other Bets ventures cost about 7% of the operating earnings of the core Google business for that time.

For Meta, that won't be getting better soon. It warned in its second-quarter call in July that losses from Reality Labs will “increase meaningfully” next year. There is always the possibility that the Quest 3 headset will be a hit, but the VR/AR market has so far proven to be more of a showcase for quick flameouts. According to data from IDC, Meta's headset shipments in the first half of this year slid 72% from a year earlier, which was helped by the brief popularity of its Quest 2 headset. IDC projects total headset shipments across the industry will fall 3% this year from last year.

That might explain why Zuckerberg quickly pivoted to AI after announcing the Quest 3 will start shipping next month. In addition to the Meta AI chatbot, he announced more specialized chatbots fronted by celebrities. Meta will start selling new smartglasses next month with Meta AI through its partnership with Ray-Ban.

But AI is expensive. And unlike big-tech peers such as Microsoft and Google that already rolled out prices for their GenAI-based services, Zuckerberg said nothing about any business model being attached to the new AI tools.

Hence, the company still in the midst of its “year of efficiency” faces growing bills. Meta's share price surged 147% this year—the second-best performer on the S&P 500—mostly on the belief that the Facebook and Instagram ad businesses will keep accelerating their recent growth trends. Zuckerberg's metaverse can't afford to have many friends tap out.

—Dan Gallagher

## Amazon's Record Undercuts the FTC's Case

The biggest of the big technology companies is in the government's crosshairs. But while Amazon may be a huge target, it won't be an easy one.

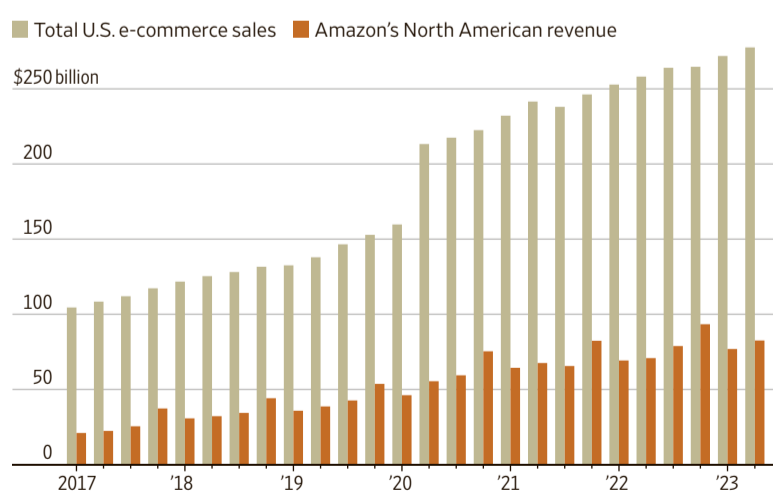
The Federal Trade Commission, along with 17 states, sued Amazon on Tuesday, calling the e-commerce giant a monopolist that “has seized control over much of the online retail economy.” It has done this, the government alleges, by locking in sellers who rely on their ability to reach Amazon's customer base but face an ever-rising raft of fees and rule changes by Amazon to remain on the platform. Amazon customers have to deal with a “degraded” experience consisting of inflated prices and lower-quality search results, the latter because of Amazon's ever-growing business of selling advertising on its site, the suit alleges.

Amazon denied the charges, and investors weren't alarmed. Its stock was down 3% Tuesday morning on the market's big selloff. The stock slipped an additional 1% by the closing bell. It closed unchanged at \$125.98 on Wednesday.

The suit was hardly a surprise. It had been widely expected ever since longtime Amazon critic Lina Khan was named chair of the commission in 2021. Amazon has spent much of the time since arguing that Khan should be recused from any investigation of the company given her stated animosity to it.

That clearly didn't work, but the government faces an uphill battle.

Results per quarter



Sources: Census Bureau (e-commerce sales); the company (revenue)

Its track record hasn't been great: This year the FTC failed to stop Facebook-parent Meta Platforms from acquiring a virtual-reality company called Within after arguing that deal would hurt competition in the nascent VR space. A more ambitious attempt to block Microsoft's pending acquisition of Activision Blizzard flopped after a federal judge ruled that the FTC failed to make a persuasive case that the deal would substantially lessen competition.

Amazon certainly makes a tempting target. The company generates more than \$538 billion in annual revenue. That is more than any other public company in the world

except Walmart, according to data from S&P Global Market Intelligence. It has gotten here by amassing a huge base of buyers and sellers and a delivery network consisting of its own planes, trucks and nearly 1,300 distribution facilities in the U.S. alone, according to the latest data from logistics consultant MWPVL.

That scale naturally earned Amazon more than its share of irate customers, sellers and rivals, and some of the company's actions certainly have been questionable. But Amazon as a monopolist doesn't square with the fact that the company accounts for less than a third of total e-commerce sales in the U.S. over the past

four quarters, according to the government's latest retail-sales data.

And even that distribution footprint doesn't exactly let Amazon just set prices; it commands the lowest operating margins among its peers, and its retail operations lost money in seven of the past eight quarters. Overbuilding of its fulfillment network caused Amazon to burn cash over the past two years.

Competition is growing of late instead of diminishing. Walmart's U.S. e-commerce revenue averaged 39% annual growth over the past four years and is expected to hit nearly \$62 billion in the fiscal year ending January, according to consensus estimates from Visible Alpha. Shopify has more than tripled its revenue over just the past three years precisely by powering e-commerce sales for a variety of large and small merchants looking for an alternative to selling on Amazon.

“Interestingly, we believe the e-commerce market is becoming more competitive,” Citigroup analyst Ronald Josey wrote in a report Tuesday, noting the sharp rise of e-commerce bargain sellers. Colin Sebastian of Robert W. Baird noted the scope of the FTC's case is narrower than anticipated in that it doesn't seem to be seeking a breakup. “At best, the FTC could hope for some modest changes to Amazon's pricing policies, fewer requirements around Prime shipping, and presumably improved search results,” he wrote. —Dan Gallagher

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# JOURNAL REPORT CYBERSECURITY

THE WALL STREET JOURNAL.

Thursday, September 28, 2023 | R1

## Your Online Account May Have Been Breached.



## So Why Aren't You Doing Anything About It?

JON KRAUSE

Too many people respond with a shrug and maybe change their password. That's asking for trouble.

**H**OW DO consumers respond when their online accounts are exposed to hackers? Many of them simply don't. Data breaches at major firms have become all too common, with more than 110 million user accounts exposed in just the second quarter of 2023. Yet our research found that nearly two-

**BY RAJENDRAN MURTHY**

thirds of U.S. consumers would return to a site after they were notified of a breach—with only the bare minimum of precautions, like changing their passwords. Almost a quarter of the roughly 200 people we surveyed said they would return to the compro-

mised website with no changes to their behavior at all. Only 10% said they wouldn't go back. Even people who had cybersecurity training

*Please turn to page R8*

*Rajendran Murthy is the J. Warren McClure Research Professor of Marketing at the Rochester Institute of Technology's Saunders College of Business. He can be reached at reports@wsj.com.*

### How to Make It Easier for Consumers To Control the Ads They See Online

More-visible controls can make sites look more busy, but may be worth it, researchers say

**BY SUMAN BHATTACHARYYA**

**H**OW CAN social-media platforms make it easier for users to control the ads they see? A new study offers some answers.

The study looks at different ways of helping users lo-

cate ad-settings tools, whether busier menus would more easily help them find ad settings and whether that can result in users having more-favorable perceptions about the settings—that is, they find them more helpful than annoying.

Social-media users often find it difficult to locate the tools used to control how

their personal data informs the ads they see. In part, that's because for platform developers, there's typically a trade-off between a sparser design and a busier interface with ad settings that are more visible. They typically are willing to sacrifice visibility to keep the design cleaner.

But the findings suggest that users are more open to busier-looking interfaces if it means they have more control over how their personal

*Please turn to page R2*

### Inside

**THINK IT OVER**

Ten questions to ask yourself about data breaches. There are no easy answers, but these issues are still worth pondering. **R2**

**SCOFFLAWS**

Employees keep ignoring rules for cybersecurity in the workplace. What can companies do about it? **R4**



**OUR READERS WEIGH IN**

Is it ethical to restrict the use of AI surveillance, such as facial recognition, in law enforcement to protect people's privacy? **R9**



Scan this code to learn how tools like ChatGPT are making hacking easier, even for non-hackers.



## JOURNAL REPORT | CYBERSECURITY



# 10 Questions to Ask Yourself About Data Breaches

Should employees be punished if they caused a successful hack? Should companies pay ransomware? The answers may not be as straightforward as they seem.

BETSY MORRIS

**C**ORPORATE chief executives are under pressure to make sure their companies are secure from cyberattacks—or to minimize the damage if their data is breached by hackers. New Securities and Exchange Com-

mission rules adopted in July, which require companies to disclose security breaches big enough to be material, further turned up the heat on executives. But deciding how to best protect a company, its shareholders and consumers raises some difficult questions. As is clear, there are no easy answers. But that doesn't mean they aren't worth pondering.

- Should the pay of a company's CEO and other top executives be tied to the company's cybersecurity metrics? If not, what are other ways to motivate top executives to make the changes critical to protecting against cyberattacks?
- Should company chief information security officers take pay cuts or lose their jobs

as a result of a major data breach? What if you knew that a CISO didn't have the authority to get the cooperation needed to protect the company?

- Should a company be required by the SEC to demonstrate that its C-suite and its board have some cybersecurity expertise? If so, how much expertise?
- Should companies publicize internally who is responsible for a data breach? What if the breach occurred because the

employee failed to take required precautions?

- Should companies make it known which employees fell for mock phishing emails? Should it be done in a company-wide email?

- Cybersecurity experts are developing new easier and faster ways for employees to gain access to their company networks through biometrics such as fingerprints, voice prints or facial recognition. Should these authentication methods be used if they make your work life easier? What if there was a small but not insignificant chance that your data could be hacked?

- Should companies require employees to change their passwords every few months? What if it makes it more likely employees will just use easy-to-remember passwords?

- Should employees be allowed to use their personal devices from home to do work? What if doing so significantly increased a company's cybersecurity risk? What if prohibiting remote work helps protect against cyberattacks but hurts a company's ability to recruit top talent?

- Should companies pay ransomware demands to recover their access to data critical to the running of the company? What if it's an organization, such as a hospital, whose operations are crucial to thousands or hundreds of thousands of customers? What if paying makes it more likely that another ransomware attack will occur in that organization or in others?

- Should companies share information about ransomware attacks with one another? Should they share information with the government? What if sharing it could limit the executives' options since the federal government has strongly discouraged paying ransoms?

*Betsy Morris is a writer in San Francisco. She can be reached at [reports@wsj.com](mailto:reports@wsj.com).*

JON GRAUSE

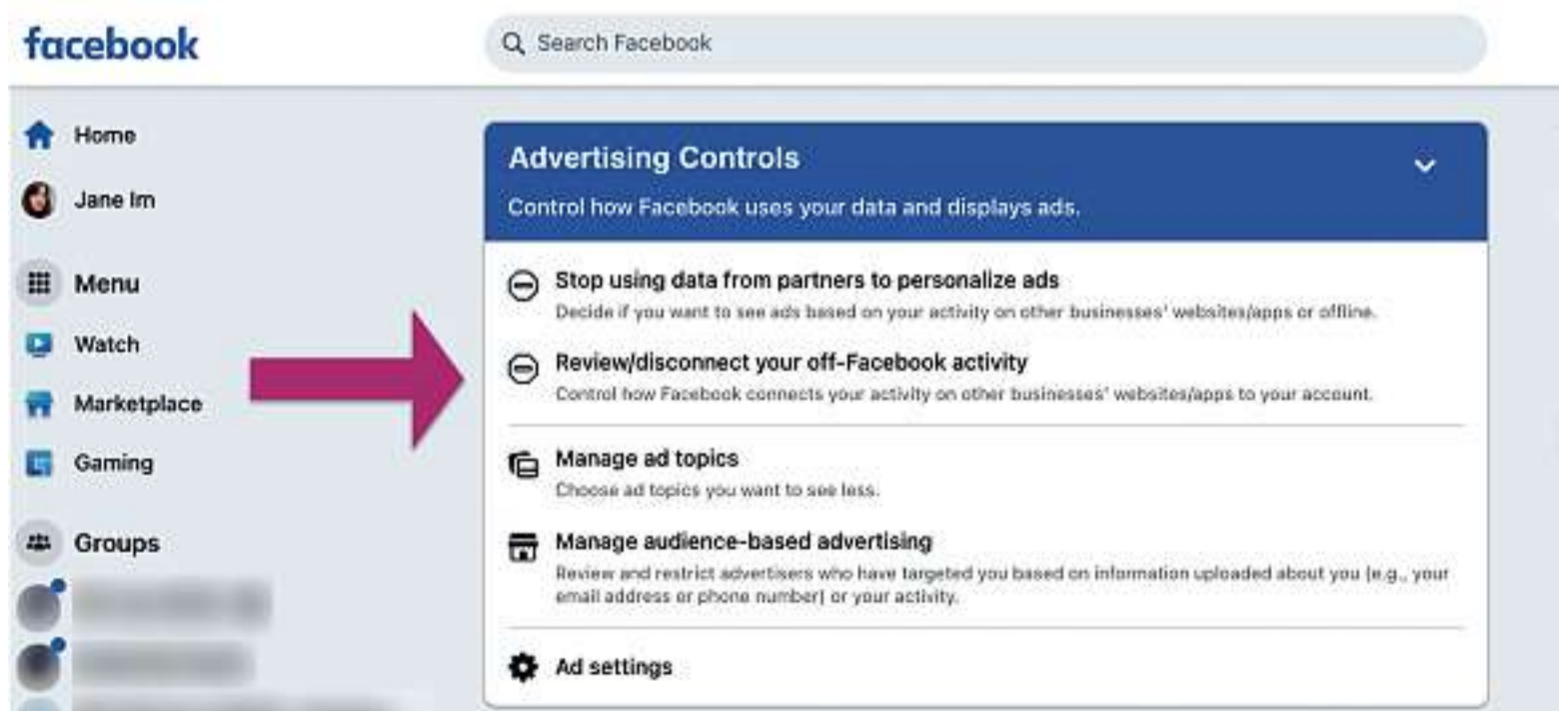
## Controlling The Ads Users See

*Continued from page R1*  
data is used for ads. What's more, doing so can benefit the platforms as well, because users' ad experiences can be made more relevant to their interests, and the platforms can get better data about user preferences.

### Too many clicks

In an experiment in August 2022, a team of researchers from the University of Michigan and Carnegie Mellon University found that Facebook users wishing to make changes in ad settings usually had to navigate three pages and click at least five times to find the majority of the privacy-related ad controls. While the experiment was based on Facebook ad settings, the study's authors say their conclusions apply across various social-media platforms.

Jane Im, a Ph.D. student at Michigan and an author of the study, is a former intern at Facebook parent Meta and is currently a Meta Ph.D. research fellow, a program in which Meta pays tuition and university fees for up to two academic years, and pays a stipend. After a preliminary study, Im and her fellow researchers decided to focus the experiment on two pathways to ad settings in the desktop version of Facebook that they added through Google Chrome extensions: a menu that takes users to ad settings more directly within the ads themselves, and a menu at the top of the content feed. (Facebook's cur-



rent ad-preferences menu on the desktop version is located at the top right-hand corner of ads. After clicking "Why am I seeing this ad?" users are directed to ad-settings pages after clicking through a couple of menus. Users can also access ad settings after clicking on their top right-hand corner profile picture and moving through a few dropdown menus and pages.)

According to Im, the design changes made the settings more visible, but the researchers didn't make any changes in how the ad settings function.

The researchers created scenarios with 110 participants who had to complete three key tasks, including finding a list of advertisers that targeted ads using lists of users' personal information; finding a list of ad topics Facebook deemed relevant to their interests; and stopping Facebook from showing them ads based on

websites or apps that they visited.

Design changes that made settings more visible resulted in a significantly higher proportion of participants being able to carry out the assigned tasks.

Members of each group were also asked to rate Facebook's ad settings in terms of usability. In all four groups where the settings were made more visible, compared with a control group where the visibility was left unchanged, the ratings tended to be more favorable than they were in the control group.

### Open to new designs

Based on the findings from the study, Im says despite a push toward minimalist app designs, consumers might be open to designs that give priority to ad-control accessibility. Some users might appreciate the ability to control the topics of the ads they see by

giving Facebook some insights about their preferences, she says.

"The important thing is for companies to understand which options to surface for different kinds of users," says Im. "Platforms could potentially design a feature that asks users what kind of ad-related needs they have, and then populate the ad menu and feed dashboard interfaces with the desired options, for each group of users."

Of course, some users may never be persuaded to share any information about their ad preferences with platforms. But others might opt in, if their privacy and ability to customize their ad-preference experiences were guaranteed, Im says.

"Asking users for their ad preferences instead of just passively assuming their interests based on behavioral data is a win-win for both companies and users," she


Researchers found that this experimental design for a dashboard that could appear at the top of Facebook's main feed helped study participants find ad settings more easily.

says. "Consumers can tell companies what they want to see, and companies can get more-accurate insights."

A Meta spokesman says the company consults with a range of experts to acquire feedback on settings. "We design our settings to make them easy to find and use, and we regularly seek feedback on our settings from privacy advocates, design experts and independent researchers," he says.

*Suman Bhattacharyya is a writer in Philadelphia. He can be reached at [reports@wsj.com](mailto:reports@wsj.com).*

JANE IM, RUIYI WANG, WEIKUN LV, NICK COOK, HANA HABB, LORRIE FAITH GRANOR, NICOLA BANOVIC AND FLORIAN SCHAUB

# PUT AI TO WORK WITH SERVICENOW

Everyone's talking about the latest-greatest leap in AI – Generative AI. The news can't stop buzzing about it. The pundits can't stop debating it. The Street is fawning over it. And the board is clamoring for it. Buckle up. The hype machine is in overdrive.

If that's not enough, endless Gen AI "solutions" keep popping up like whack-a-moles. There's AI for this. AI for that. There's even AI for ... creating AI. And you can't throw a rock without hitting some other company promising the future. Big players. Little players. Blue chips. Start-ups. Unicorns. And companies you've never even heard of.

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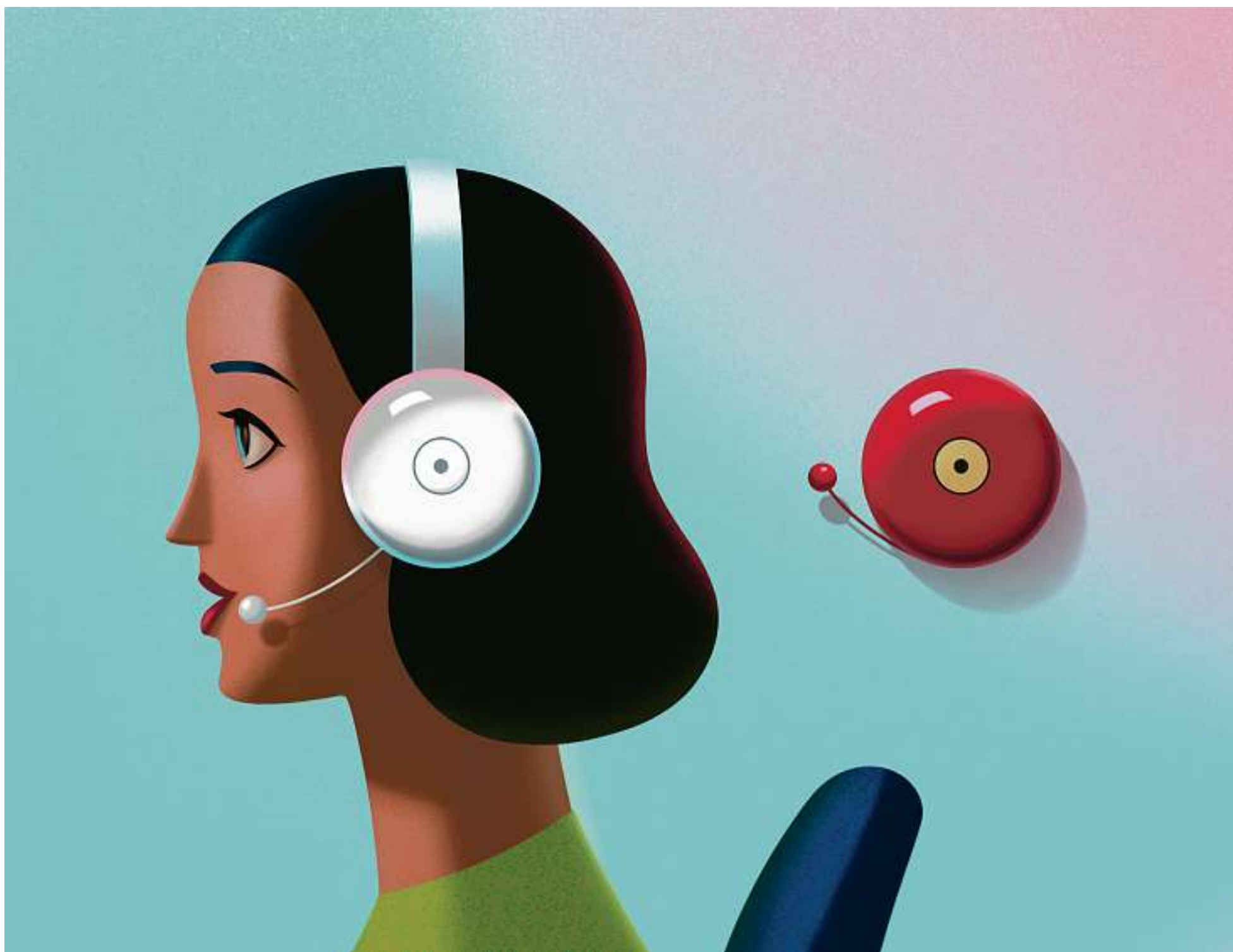
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# Why Employees Keep Ignoring Workplace Cybersecurity Rules

People are able to justify their bad behavior with rationalizations. Companies need to tackle the lies we tell ourselves head on.

BY ANTHONY VANCE AND ZEYNEP SAHIN

**C**OMPANIES spend a lot of time making sure employees know the rules regarding cybersecurity. They cajole, they beg, they threaten. They make them take classes, sign forms, watch videos.

And yet, somehow, it does little good.

A study by Gartner last year found that 69% of employees had bypassed their organization's security policies in the past 12 months, and 74% said they would be willing to do so if it helped them or their team accomplish a business objective. All this even though most of them probably know that human error is often a factor in cybersecurity breaches.

Such indifference inevitably raises the question: Why? Why do people ignore security guidelines, even in the face of stiff penalties? Why do they flout the rules, even though they know it isn't good for either their employers or themselves?

The answer may be what criminologists have long called "neutralization techniques"—rationalizations that people instinctively use to "neutralize" the wrongness or harm of an action. Cybersecurity researchers have shown that such techniques also play a big role in employees' willingness to ignore their employer's cybersecurity guidelines.

## The lies we tell

The concept of neutralization was developed by American criminologists Gresham Sykes and David Matza in the 1950s to explain the ability of juveniles to offend to "neutralize" guilt associated with misbehavior. They

identified several neutralization techniques, and set the groundwork for criminologists to add techniques later on.

Typical rationalizations employees use to flout an employer's security rules include the following. Many will no doubt sound familiar, but they all have the same thing in common: They allow people to shirk the guilt they would normally feel for violating security guidelines. In this way, employees can maintain their rule-abiding self-image while drifting in and out of compliance.

*Denial of injury* is when employees convince themselves that no harm will come from ignoring a security policy, so breaking the rule is acceptable. And because it is acceptable, no punishment is deserved.

*Appeal to higher loyalties* is when employees place the demands of a work project or manager above compliance with a security guideline. They know that ignoring the policy is wrong, but they make loyalty to someone or something an imperative that overrides that.

*Denial of responsibility* is when employees refuse to take personal responsibility for their actions, rationalizing that the situation is beyond their control. They might claim they weren't aware of a specific security policy or weren't given the proper training to implement it.

*Metaphor of the ledger* is a technique in which employees mentally tally all of the positive things they do, such as working overtime or meeting quotas, and compare those to their occasional negative behaviors. If the positive actions outnumber the negative, they tell themselves they should be able to break a security rule occasionally without feeling guilty.

*Defense of necessity* is when employees convince themselves they were forced to behave a certain way in a given situation, so it isn't their fault. For example, they justify downloading unauthorized software from the internet because they need it to meet a tight deadline.

*Condemnation of the condemners* involves criticizing those who implement and enforce security policies and using that as justification for ignoring the rules. For example, employees might believe that the security team is unreasonable or out of touch with the needs of the business, so they view their policies as invalid and acceptable to ignore.

## What can management do?

One would think the threat of sanctions would cause employees to think twice before violating a company's information-security rules. Unfortunately, sanctions for wrongdoing are

training courses to address neutralization techniques head-on by explaining their use and why they are invalid. Since so many of these techniques are second nature, bringing them to the surface makes people examine them in a way they didn't have to before.

In a study, security training was experimentally given to 87 employees of a large multinational company. Of those employees, 21 received the standard security training and 66 received training that also addressed specific neutralization techniques.

For example, the trainer described how people commonly use a "defense of necessity" to justify choosing weak passwords, believing that strong passwords are too onerous to use. Then the trainer discussed why this notion isn't necessarily true and demonstrated practical ways to choose passwords that are both strong and usable. In another example, the trainer explained how people use the "denial of injury" technique to rationalize no harm is done in using a weak password. The trainer then showed why this view is false by demonstrating how easily hackers can guess weak passwords and the damage that can be done with this access.

The threat of sanctions is less powerful if people convince themselves that violating a policy isn't wrong in their circumstance.

precisely what neutralization techniques are so effective at dismissing. If someone convinces themselves that violating a policy isn't wrong in their circumstance, why would they fear being apprehended or punished?

But if sanctions don't work, what does?

First, security teams can use

## Get the message

Second, if holding a training course isn't practical or feasible, organizations can call out neutralization techniques in messages sent to employees.

In one study, 200 working professionals were presented with hypothetical scenarios in which an individual used either a "defense of necessity" or "denial of injury" rationalization to violate a security policy. They were then asked the likelihood that they would behave the same way in a similar situation.

Half of the scenarios included a message that directly undermined the specific neutralization techniques used, such as: "Even though people believe that sharing passwords can be justified under certain circumstances without any real consequences, adherence to this policy is important; sharing of passwords should not be justified for any reason."

The results showed that those who received messages that directly undermined specific neutralization techniques reported far lower likelihood that they would violate the security policy if in the same situation in the future. This suggests that simply being aware of the fallacies underlying neutralization techniques can help to reduce their use.

The key takeaway from these studies is that organizations need to understand that neutralization comes naturally to people, and no amount of threatening and insisting will change that.

But management can help employees to recognize and reject rationalizations, and see cybersecurity policies for the essential role they play.

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## JOURNAL REPORT | CYBERSECURITY



## How Much Cybersecurity Expertise Do Boards Really Have? Not Much.

A new WSJ survey offers a detailed look

BY ROB SLOAN

**T**HE NUMBER of directors at S&P 500 companies who have cybersecurity expertise has increased sharply since last year.

But the amount of cybersecurity expertise on boards remains relatively low, at a time when boards are under increased scrutiny for security failings.

As of Aug. 31, 107 directors at 113 companies had professional experience in cybersecurity, according to research conducted by WSJ Pro Research. Together,

those directors held 124 S&P 500 board seats and represented 2.3% of the directors on the boards of companies in the index. This same research last November found 86 directors at 91 companies held 100 board seats.

The increase was probably driven mainly by a growing awareness among companies that cybersecurity is core to their long-term business performance, says Jamil Farshchi, chief information security officer at Equifax and a board director at software company UKG. Cybercrime is a large and growing risk to companies, threatening to disrupt their operations, tarnish their reputation, and expose them to legal action and some-

times regulatory penalties if they fail to safeguard data.

An additional incentive to add board members with cybersecurity experience could come from a Securities and Exchange Commission rule passed in July aimed at improving board oversight of cybersecurity risk.

### Perception vs. reality

The relatively low level of cybersecurity experience among directors found in our research contrasts with the findings of a survey by WSJ Pro Research and the National Association of Corporate Directors earlier this year. In responses to that survey from 472 corporate board directors, 76% said their board had at least one cybersecurity expert, including 19% who said their board had at least three directors with cy-

bersecurity expertise. Some directors may overrate the cybersecurity expertise of some board members.

bersecurity expertise.

That contrast suggests some directors may overrate the cybersecurity expertise of board members who don't have professional experience in the field. Farshchi says having at least some knowledge of technology on the board is a big step forward, but if the goal is to truly provide effective oversight for cybersecurity, a director needs related professional experience.

He doesn't believe companies can claim to effectively oversee cybersecurity risk without a director who has specific expertise in the subject. "They can make the claim, but—barring some exceptional circumstances—not credibly," he says.

Of the 107 directors in our latest research who have such expertise, 82 have experience in an executive role, including eight with experience as chief information security officers and 68 as chief information officers. The other 25 directors' experience comes from either having held a senior government role in cybersecurity or from having led and/or founded a cybersecurity company. The research analyzed data from FactSet, publicly available biographies and social media.

More than half of the directors with cybersecurity experience in our research were board members at financial-services and information-technology companies. About one quarter sat on the boards of industrial and healthcare companies.

Most business sectors added directors with cybersecurity experience, though the healthcare and communication-services industries remained at their previous levels and the real-estate sector lost all of its cyber directors. Of the four real-estate industry directors with cybersecurity experience we found in

2022, two left their boards and two no longer qualified in our research because of the length of time since they had held a cybersecurity-focused role.

### No experience necessary?

Not everyone believes that every company's board needs a director with cybersecurity experience. "Board seats are a limited resource and it is not practical to hire a director for every specialty," says Shamla Naidoo, head of cloud strategy at cybersecurity company Netskope and former CISO of International Business Machines. "Risk governance for cyber is not fundamentally different from managing risk in any other area."

Naidoo says that even when a breach is the impetus for a board to improve its ability to manage cybersecurity risk, hiring a single cybersecurity specialist to sit on the board isn't necessarily the best approach. "This is not a scalable nor thoughtful way to address new risks facing companies," she says. Instead, she advocates for "a cyber-savvy boardroom with numerous knowledgeable directors."

Whatever a board's composition, most directors aren't very confident in their board's ability to handle a cybersecurity incident. While about three-quarters of the directors who responded to the WSJ Pro/National Association of Corporate Directors survey said their board had at least one cybersecurity expert, only 30% rated their board's ability to oversee a cybersecurity crisis as "expert" or "advanced." That suggests that most companies are still vulnerable to making mistakes in response to breaches—mistakes that will raise questions about the board's performance, especially if that board doesn't include someone with experience in cybersecurity.

*Rob Sloan is the research director at WSJ Pro. He can be reached at [rob.sloan@wsj.com](mailto:rob.sloan@wsj.com).*

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# JOURNAL REPORT | CYBERSECURITY

## What to Do After A Breach

*Continued from page R1*  
 within the past 90 days—in other words, people who should be primed to protect themselves—took risks. In this subsequent study, over a quarter of roughly 500 people said they would return to the breached website while taking the absolute minimum security measures, and only about 9% would take more-complicated steps such as setting up two-factor authentication. And they would do that only if they experienced real financial consequences, like fraudulent charges on their credit cards.

Why wouldn't people protect themselves? Many of the consumers we surveyed believed that there were few—if any—alternatives to the websites they used frequently, and *all* websites seemed to be affected by data breaches. Why bother beefing up security?

Likewise, some people said they would stick with a compromised site because they had put so much time and effort into their presence on it—a classic sunk-cost fallacy.

Since doing nothing may put your finances and personal information at risk, what *should* you do in case of a breach? Based on my experience as a researcher in this domain and guided by input from customers recovering from data breaches, I recommend the following actions.

### The first steps

- **Take each data-breach notification seriously.** Immediately

change passwords on the affected sites and sign up to follow the updates from the breached firm. This is also a good time to ensure your passwords are unique and not being used across several sites.

- **Find out what kind of breach it is.** Some breaches violate your privacy—such as stealing your playlist or viewing preferences—but may not be as damaging as other hacks. So they may just require a simple password change on the affected site. Even the breach of encrypted password data, such as in the LastPass data breach, while serious, isn't an immediate threat.

On the other hand, things like compromised credit-card numbers, financial data and personally identifiable information need stronger attention.

Even seemingly innocuous breaches of social-media networks may reveal data that can be used to impersonate you and perhaps be used to invade the privacy of those around you. For instance, hackers might be able to figure out your “forgot password” questions on websites by learning where you grew up, the names of your pets and more.

### The next steps

- **Set up push notifications for financial data.** When you're notified of data breaches that involve credit cards or payment information, review the transactions on the affected accounts, going back to the previ-



ous payment period.

Whether or not there has been unusual activity, protect yourself by adding mobile push notifications for credit-card transactions—an option offered by most credit cards, online-payment mechanisms and banks. Most notifications happen in real time, so consumers affected by data breaches can quickly identify and contest improper charges.

- **Use free credit monitoring.**

Some credit cards and banking firms such as Discover and Chase provide free monitoring of consumer credit and provide monthly updates of noteworthy events and changes. Some go further and provide benefits such as removal of your personally identifiable information found on public sites, including data brokers. Using these services is an easy way to identify

other active sessions—so every other device that is currently logged in is effectively logged out.

Also review all direct messages, posts, and comment activity on the account, and report anything suspicious. If it affects other people, let them know. Finally, pause or temporarily deactivate the account, if that is an option, to make it even tougher for hackers to get access.

and report fraudulent activity, as well as protect against identity theft—so review this data regularly if your information has been exposed.

- **Enable dual-factor authentication on all of your accounts.** This is a good practice in general but is especially important for anyone affected by data breaches. With dual-factor authentication, you enter your password as usual but then confirm your identity using a personal device, typically a mobile phone. This limits someone from logging into the account with a stolen password.

### If your social-media platform has been breached

Along with enabling dual-factor authentication, there are a number of steps you should take in the event of a social-media breach. First, change the password and log in with the new one. Check the login-activity page to see if anyone other than you has logged in, and then look for the option to delete all



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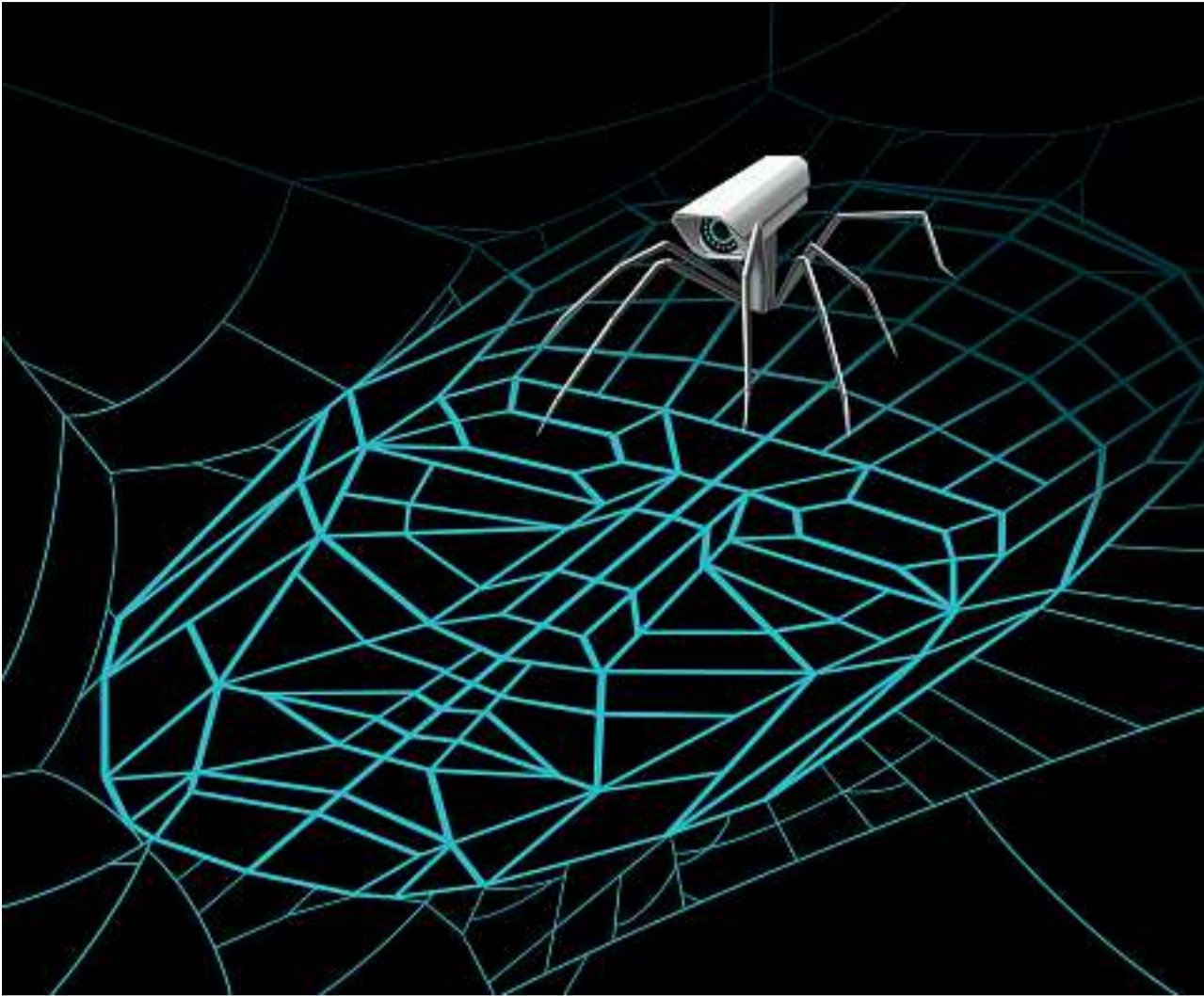
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## JOURNAL REPORT | CYBERSECURITY



## Should AI Surveillance Be Restricted? WSJ Readers Share Their Thoughts

When does crime prevention turn into privacy invasion? For many, the line is clear. For others, it's a tricky balance.

BY DEMETRIA GALLEGOS

**CYBERSECURITY** applications of artificial intelligence abound, from detecting deep fakes in video to algorithms that detect financial fraud and predict cyberattacks.

But at what point do such crime-fighting applications cross over into violations of our privacy? And, more specifically, what are the ethics involved in AI surveillance of law-abiding citizens?

As part of a series on the ethical implications of artificial intelligence, we wanted to know what Wall Street Journal readers think about AI surveillance, so we asked this question: *Is it ethical to restrict AI surveillance, such as facial recognition, in law enforcement to protect privacy, even if it means that fewer criminals—including violent ones—will be caught or convicted?* Here are some of the responses.

### A simple trade-off

I'll give up a little privacy to not be murdered.

—Mary Sykes, Rose Hill, Kan.

### More surveillance, not less

I'm answering this question on the anniversary of 9/11. I want more AI surveillance, not less. There is no expectation of privacy when out in public. But AI shouldn't be peering into your windows.

—Elisa Rae Shupe, Las Vegas

### A question of accuracy

The question presumes AI facial recognition is accurate. It is not, especially if one is not white and male in the U.S. Until ethnic faces are equally unlikely to be misrepresented and wrongly charged for crimes, AI surveillance is not ready for prime time.

—Michelle Mauthe Harvey, Oxford, Miss

### It's about how it's used

Facial recognition is as ethical as eyewitness accounts, lineups or other

police tools. The only difference is the speed with which suspects for many crimes can be collected. It will allow prosecution of any jaywalker, or those the police don't like. The ethical problem is not with the tool, but how it is used.

—Daniel Brand, Kailua, Hawaii

### Who will watch the watchers?

Get a warrant before surveillance can be conducted. "Black box" any public/law enforcement surveillance systems so facial recognition cannot be conducted without the prior consent of a human judge. Because, the issue isn't "Can you trust AI?"; the real question is "Can you trust the persons using AI for surveillance?"

—John Parziale, Ocala, Fla.

### A victim's perspective

If I was the victim of a violent crime I would want all the AIs looking at all the faces.

—Clint Eubanks, Houston

### Leave it at the airport

Face recognition with AI for airport security is, to me, reasonable, but not as a general crime-fighting tool!

—Jim Sky, Bellevue, Neb.

### What follows the identification?

I think AI surveillance is fine to use in law enforcement IF the officers of the law calmly interview suspects identified by AI instead of busting their doors down, etc.

—Dawn Taggblom, DeLand, Fla.

### Is it worth it?

If a high percentage of people can be prevented from being victimized with such surveillance, then it should be allowed. But if the percent is below the worth-it threshold in that area, don't allow it.

—Wendelin Comen, Raleigh, N.C.

### No privacy to protect

What privacy? Why should

it ever be a secret where you go outside your home and with whom you interact?

AI will be just another, more accurate, witness to your actions, a further refinement of human observation and closed-circuit cameras.

—Wister Smith, Scottsboro, Ala.

### AI's most critical issue

All surveillance must be restricted in some way to protect civil liberties, and we pay a price for that in the sense that we make life more difficult for law enforcement. Figuring out how to enhance law enforcement without jeopardizing liberties is the most critical AI issue.

—John Arpee, Herndon, Va.

### More of the same

We are already the most surveilled people. Our phones know every pattern, every place, every conversation, and every search. Cameras are literally everywhere. I suppose facial recognition isn't yet ubiquitous, but it doesn't seem any more of a threat than the information that is already available.

—Robert Garrison, Dallas

### Humans are the refs

This is already being done, as law enforcement scans license plates and faces in some contexts to identify potentially troublesome individuals. Maybe more criminals will be caught, but one has to wonder whether the "minority reports" of dissenting AIs will also be considered and/or be made available.

Which leads to the question of how differing AIs are going to resolve their differences. My opinion is that this has to be done by humans, who listen to what the AIs have to say, and then make a decision, based on their human experience.

So we always need to have knowledgeable, skillful humans around to supervise the AIs. We NEVER want to turn over the final decision to an AI. It is not just a matter of ethics, it is a matter of safety.

—Ralph Caruso, Palm City, Fla.

about their lives, AI can identify who they are, who they are with and where they are going. It doesn't matter whether they are attending a legal protest rally, walking down the street or going to a restaurant, AI then can use this type of data to establish guilt by association and place innocent people on government suspect lists. This is too much power for institutions that have shown a persistent lack of accountability.

—Jay Weyermann, Aurora, Colo.

### Transparency required

AI surveillance may be needed, particularly as our crime rate is increasing....However, the existence of surveillance should be disclosed and the cameras should be made physically obvious.

—Carol Healey, San Francisco

### The loss of freedom

To paraphrase Benjamin Franklin, those who would choose security over freedom deserve neither. Police are already tracking us everywhere we go in our cars thanks to license plate readers. Cameras and microphones are everywhere, in and out of our homes. Everyone is tracking what we read and what we buy. The government wants to get rid of cash so that they can see every purchase we make. Drones are flying around doing God knows what.

AI will magnify all of that and more. Sure, it can do some good, but you can say sayonara to what privacy is left. And if you think we can control something that is exponentially smarter than we

are, I've got a bridge you need to have a look at.

—DeWitt Smith, Fredericksburg, Texas

### An open book

No. The innocent have nothing to hide.

—James Sullivan, Fort Lauderdale, Fla.

### Crime trumps all

No. Get the criminals! Though there would certainly be problematic false identifications with AI, there is also the opportunity to catch criminals....Arson, theft, murder, burglary—many of the perpetrators could be arrested if identified through surveillance and AI.

—Rebecca Bechhold, Daniel Island, S.C.

### Take my privacy, please

I say use every tool available to identify and bring lawbreakers to justice. I have no problem with sacrificing my privacy for that effort.

—Mark Radomsky, Lexington, S.C.

### It's 1984

Yes, it is ethical to restrict AI surveillance. Crimes aren't so rampant as to justify creating a police state....AI surveillance in the U.S. is like having Big Brother, as in "1984," or in what used to be the U.S.S.R. You can still review CCTV footage, but you don't need AI.

—Dalila Benachenhou, Washington, D.C.

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