

THE WALL STREET JOURNAL.

What's News

Business & Finance

The Biden administration proposed a rule that could put more gig workers on company payrolls, scrapping a Trump administration rule from 2021 that made it easier for firms to classify workers as independent contractors. **A1**

◆ **Fallout from the U.K. financial meltdown** hit Wall Street anew, helping to push the Nasdaq into a bear market and adding to woes in U.S. debt markets. **A1**

◆ **The Nasdaq and S&P 500** ended 1.1% and 0.7% lower, respectively, after the BOE's chief said a plan to rescue pension funds would end Friday. The Dow rose 0.1%. **B1**

◆ **Central banks' moves** to quickly raise interest rates have fueled increased risks to the financial system, the IMF warned, while saying stability concerns in the U.K. appear contained. **A2**

◆ **Thousands of officials** across the government's executive branch reported owning or trading stocks that stood to rise or fall with decisions their agencies made, a Wall Street Journal investigation has found. **A1**

◆ **Former Peloton CEO** John Foley faced repeated margin calls on money he borrowed against his Peloton holdings before he left the company's board, according to people familiar with the situation. **B1**

◆ **Cameco and Brookfield** Renewable Partners said they would buy Westinghouse Electric in a deal that will boost nuclear power, an energy resource reinvigorated by the need to reduce the use of carbon-based fuels. **B3**

World-Wide

◆ **Saudi and other** Gulf-state officials rebuffed an urgent appeal by U.S. officials to delay by a month a decision on a major oil-production cut by OPEC and its Russia-led allies days before the reduction was agreed on. **A1**

◆ **Russia launched** another round of strikes across Ukraine, many of which Kyiv said it intercepted, as the death toll rose from the previous day's barrage, one of Moscow's broadest assaults in nearly eight months of war. **A1, A6**

◆ **A Trump lawyer** has told investigators that a fellow attorney assured her that he had conducted a thorough search of the former president's Mar-a-Lago estate before asking her to certify in June that all government records requested in a subpoena had been returned. **A4**

◆ **Oil-industry strikes** in Iran widened as a refinery south of Tehran joined protesting employees at other facilities in announcing support for antigovernment protests. **A8**

◆ **Families where** at least one member gets health insurance from an employer will find it easier to qualify for Affordable Care Act subsidies that reduce monthly premiums under a rule issued by the Biden administration. **A4**

◆ **The NASA spacecraft** launched last month to alter an asteroid's orbit by a direct hit succeeded in its mission, the agency said. **A3**

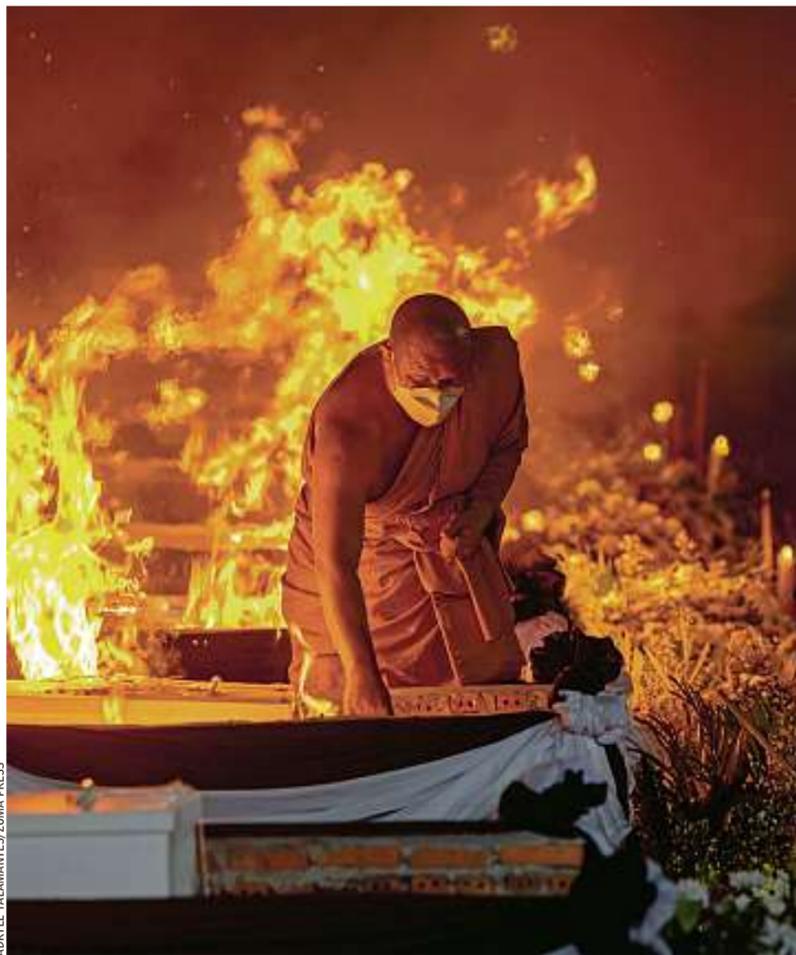
◆ **King Charles III's** coronation ceremony will take place on May 6 of next year at Westminster Abbey, Buckingham Palace said. **A8**

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Victims of Thailand Massacre Are Mourned



FUNERAL RITES: Cremation ceremonies were held at a Buddhist temple on Tuesday for victims of last week's attack at a daycare center in Thailand's rural northeast. The assailant, who was identified as a former police officer, killed 36 people, 24 of them children. **A9**

U.S. Officials Trade Stocks Of Firms Agencies Oversee

Thousands of officials across the government's executive branch reported owning or trading stocks that stood to rise or fall with decisions their

publican and Democratic administrations, disclosed stock investments in companies while those same companies were lobbying their agencies for favorable policies. That amounts to more than one in five senior federal employees across 50 federal agencies reviewed by the Journal.

A top official at the Environmental Protection Agency reported purchases of oil and gas stocks. The Food and Drug Administration improperly let an official own dozens of food and drug stocks on its no-buy list. A Defense Department official bought stock in a de-

fense company five times before it won new business from the Pentagon.

The Journal obtained and analyzed more than 31,000 financial-disclosure forms for about 12,000 senior career employees, political staff and presidential appointees. The review spans 2016 through 2021 and includes data on about 850,000 financial assets and more than 315,000 trades reported in stocks, bonds and funds by the officials, their spouses or dependent children.

The vast majority of the

By Rebecca Ballhaus, Brody Mullins, Chad Day, John West, Joe Palazzolo and James V. Grimaldi

agencies made, a Wall Street Journal investigation has found.

More than 2,600 officials at agencies from the Commerce Department to the Treasury Department, during both Re-

INSIDE



OBITUARY
Angela Lansbury, actress whose career spanned more than 60 years, dies at 96. **A3**



BUSINESS & FINANCE
BNY Mellon, the nation's oldest bank, begins holding clients' crypto. **B1**

There's a New Menace Stalking Suburbia: Meet the McBasement

Limits on above-ground mansion sizes lead to mammoth luxury caves.

By E.B. SOLOMONT

When Sterling McDavid's parents bought a roughly 9,000-square-foot home on Aspen's Red Mountain, the 33-year-old interior designer directed the architect and contractors to start digging.

Limited by zoning above ground, Ms. McDavid, who led the renovation, envisioned an expansive basement with a world-class gym, guest suites and hotel-caliber spa for her parents, former college track star Stacie McDavid, and David McDavid, a former owner of the Dallas Mavericks and car-dealership mogul.

"I love a basement," says

Ms. McDavid, who ultimately blew out her parents' basement to more than double its size. "When you walk into a home, if all the magic is just within the first few steps, that's no fun."

Wealthy Londoners have long built basements reaching two, three, and even four stories below ground. Now, there is a cellars market in the U.S. among property owners facing restrictions on mansion sizes above ground. The McBasements of today have bars, bowling alleys, pools, climbing walls and whiskey-tasting rooms. Builders usher in natural light via grand staircases

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Putin Extends Missile Strikes, Ukraine Asks G-7 to Boost Aid

By JARED MALISIN

ODESSA, Ukraine—Russia launched another round of strikes across Ukraine on Tuesday, many of which Kyiv said it intercepted, as the death toll rose from the previous day's barrage, one of Moscow's broadest assaults in nearly eight months of war.

The Group of Seven leaders of large world economies, who met virtually on Tuesday, condemned the attacks against

Ukrainian civilians as a war crime and vowed to hold President Vladimir Putin of Russia and other Russian officials responsible for the strikes. President Volodymyr Zelensky of Ukraine called on the G-7 to step up aid.

Ukraine's air-defense systems shot down Russian missiles across the country Tuesday morning, though strikes in the southeastern Zaporizhzhia region left at least one person dead, according to regional

governors. Russian missiles and drones also hit Ukraine's electric grid for a second day, knocking out power in the city of Lviv and injuring six people at a power plant in the Vinnytsia region, according to local authorities.

Monday's missile-and-drone bombardment shattered the sense of relative normalcy

◆ **Missile attacks illustrate** Ukraine vulnerability..... **A6**

Ripples From U.K. Fiscal Crisis Slam Nasdaq, U.S. Junk Debt

By MATT WIRZ AND CAITLIN OSTROFF

Fallout from the U.K. financial meltdown hit Wall Street anew Tuesday, helping to push the Nasdaq into a bear market representing a 20% decline from a recent peak and adding to woes in U.S. debt markets.

The Dow industrials were up more than 400 points before Bank of England Gov. Andrew Bailey rattled investors on both sides of the Atlantic with remarks in Washington, D.C. He said the bank's rescue plan for pension funds hit by interest-rate increases will end as scheduled Friday, raising the prospect of additional asset sales by U.K. funds forced to raise cash to meet margin calls. After the comments, the Dow ended up

Nasdaq Composite Tuesday



36 points, or 0.12%, the Nasdaq dropped 116 points, or 1.1%, to 10426.19 and the S&P 500 fell 24 points, or 0.7%, to 3588.84. The S&P 500 and the Dow are already in bear markets. The U.K. pound dropped 0.8%.

The action extends tumult in markets as far flung as U.K. stocks and the trillion-dollar

◆ **Nasdaq hits its second bear** market of the year..... **B1**

Proposal Aims To Regulate Gig Workers

By GABRIEL T. RUBIN AND DAVID HARRISON

The Biden administration is proposing a new rule that could put more gig workers on company payrolls, scrapping a Trump administration rule from 2021 that made it easier for firms to classify workers as independent contractors.

The proposal, released Tuesday, would affect millions of workers across a range of industries, including health-care, restaurants, construction and ride-share transportation, the Labor Department said.

Most prominently, it could lead to a push to classify drivers for ride-share or food delivery companies such as Uber Technologies Inc. and Lyft Inc. or DoorDash Inc. as employees rather than gig workers. The companies have opposed similar efforts in the past.

Shares of Uber closed down 10%, Lyft dropped 12% and DoorDash declined nearly 6% on Tuesday.

The rule would put in place a more stringent test to determine when companies can count workers as contractors rather than employees. Under labor law, employees are eligible for protections such as the minimum wage, medical leave or overtime pay that don't apply to independent contractors.

"We have seen in many cases that employers misclassify their employees as independent contractors, particularly among our nation's most vulnerable workers," Labor Secretary Marty Walsh said. "Misclassification deprives workers of their federal labor protections, including their right to be paid their full, legally earned wages."

Please turn to page A12

Saudis Spurred Biden On Call to Delay Oil Cuts

RIYADH, Saudi Arabia—Days before a major oil-production cut by OPEC and its Russia-led allies, U.S. officials called their counterparts in Saudi Arabia and other big Gulf producers with an urgent

avoid bad news ahead of the U.S. midterm elections, on which control of Congress hangs. High gas prices and inflation have been central issues in the campaign.

Instead, the people said, the kingdom leaned on its OPEC allies to approve the cut, which is aimed at reducing production by two million barrels a day.

Adrienne Watson, a National Security Council spokeswoman, rejected Saudi contentions that the Biden administration was driven by political calculations. U.S. officials questioned a Saudi analysis that oil prices were about to plunge and urged them to wait and see how the market reacted. If the price did collapse, U.S. officials told their Saudi counterparts, OPEC+ could react whenever they needed.

"It's categorically false to connect this to U.S. elections," Ms. Watson said. "It's about the

Please turn to page A12

U.S. NEWS

IMF Sees Increased Financial System Risk

BY ANDREW ACKERMAN
AND YUKA HAYASHI

WASHINGTON—Global central banks' moves to quickly raise interest rates have fueled increased risks to the financial system, the International Monetary Fund warned, while saying stability concerns bubbling up in the U.K. appear contained.

The Bank of England took steps to address recent turmoil in British bond and currency markets for the second straight day on Tuesday. "At this point, we don't anticipate these actions being necessary in other countries," Tobias Adrian, head of the IMF's Monetary and Capital Markets Department, said Tuesday.

The comments came together with the release of the fund's latest Global Financial Stability Report. It warned of heightened risks fueled by deteriorating market liquidity—or the ability to easily buy or sell an asset—that could combine with elevated financial vulnerabilities fueled by years of low interest rates and cheap credit to amplify future shocks.

Mr. Adrian said the only periods when financial risks have

been higher were in times of acute crisis, such as the global financial crisis of 2007-2009 and the start of the 2020 Covid-triggered downturn.

"We are certainly at a stressed moment," he said. Still, the fund's baseline scenario "is one where things continue to be orderly."

The Federal Reserve and other central banks are raising interest rates at the fastest pace in more than four decades to beat back inflation by slowing economic growth. The risk is that rate increases can cause disruptions in lending, which swelled when rates were low. Amid high inflation and significant economic uncertainty, global stock and bond markets have been highly volatile, with investors aggressively pulling back from risk taking, the IMF report said. Fund officials and global policy makers are holding meetings this week in Washington.

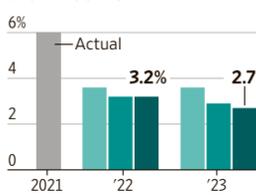
"There is a risk of a disorderly tightening in financial conditions," the report said, warning that investors could continue to pull back from global markets "if inflationary pressures do not abate as quickly as currently anticipated

or the economic slowdown intensifies."

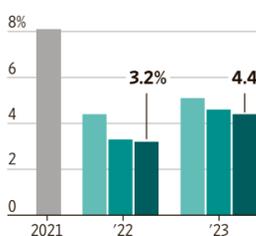
Separately Tuesday, the IMF released economic projections that showed global growth is forecast to slow next year more than previously expected. The IMF attributed the weaker outlook to the effects of inflation, war in Ukraine and the slow-

International Monetary Fund's projections for end-of-year GDP growth*, annual percent change

GLOBAL OUTPUT

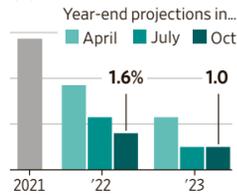


CHINA

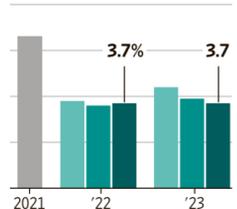


Source: International Monetary Fund

U.S.

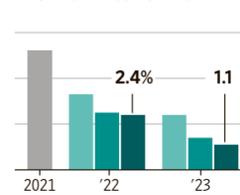


EMERGING MARKET AND DEVELOPING ECONOMIES*

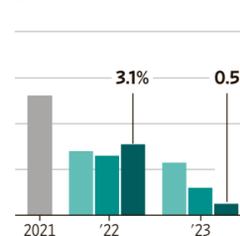


*Adjusted for inflation and seasonality †Includes U.S. ‡Includes China

ADVANCED ECONOMIES*



EURO AREA



down in China due to Covid-19 lockdowns.

The global economy is projected to expand 2.7% in 2023, down from 3.2% this year and 6% in 2021, the IMF said. The new 2023 forecast represents a modest reduction from a July estimate. The IMF said the U.S. economy would expand 1% next

year. The fund forecasts a 1.6% expansion of the U.S. economy this year.

Central banks must act to keep inflationary pressures from becoming entrenched, the fund said in its report. It referenced a period of the 1970s when the Fed raised rates aggressively to bring down infla-

tion but then reversed course prematurely for fear of inflicting more pain on the labor market than the public and Congress would tolerate. "Policy makers should heed the lessons of the past," the fund said.

The IMF warned emerging-market economies could be most affected by any downturn, squeezed by high borrowing costs, high inflation and volatile commodity markets. Corporate borrowing costs have also jumped, the IMF said, while warning about risks in the U.S. housing market, pointing to the nonbank financial firms that play an increasingly large role in mortgage finance but are less regulated than banks.

Policy makers could contain further buildup of vulnerabilities by adjusting policy levers such as underwriting standards and supervisory pressure to control pockets of risk, Mr. Adrian said in a blog post accompanying Tuesday's report.

"Policy makers face an unusually challenging financial stability environment," he wrote. Risks to financial stability have substantially increased "amid the highly uncertain global environment."

U.K. Crisis Hits U.S. Stock, Debt

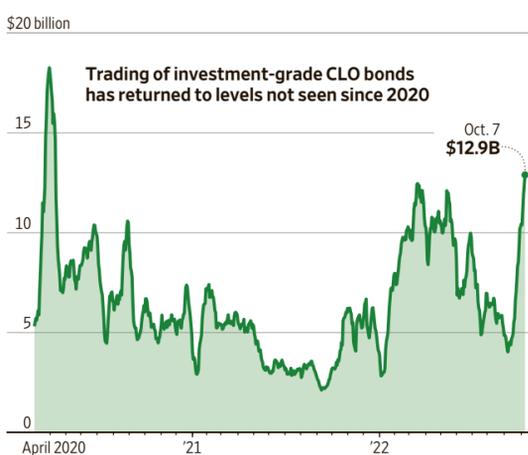
Continued from Page One U.S. market for collateralized loan obligations.

Once a niche product, CLOs are now widely held by investors around the world, including the British pensions, insurers and funds that got caught by the recent crash in U.K. currency and government-bond markets. Many of them sold CLO bonds to meet margin calls, sending prices of the securities declining well below their intrinsic value, analysts and fund managers said.

Some U.S. investment funds rushed to snap up the bonds at what they considered incredible bargains.

"It was the heaviest selling pressure we've ever seen," said Tom Majewski, a managing partner at Eagle Point Credit Management, a Greenwich, Conn.-based investment firm specializing in CLOs. Eagle Point purchased about \$80 million of CLO securities in the seven trading days ended Oct. 5, double the amount it would normally buy in a seven-day period, he said.

In recent weeks, trading of the CLO bonds most commonly held by pensions and insurers hit its highest level since March and April of 2020, according to analysis by The Wall Street Journal of trading data reported to a U.S. regulator. CLO prices stabilized last week after falling to their lowest level since mid-2020, but the selling continued unabated. Average daily trading



in the first week of October was around \$1 billion, twice the daily average over the past 12 months, according to analysis by the Journal.

The surge of activity took place while global markets—with the exception of the U.K.—were far calmer than at the outbreak of the pandemic. The S&P 500 lost 7% in the past three weeks, compared with 16% in March 2020.

Rising turmoil in CLOs shows how fluctuations of normally placid interest rates in developed economies are rattling financial markets. Forced selling by U.K. investors hit corporate bonds, stocks, mortgage-backed securities and asset-backed securities, investors and analysts said.

CLOs are a sliver of assets held by U.K. pension funds that try to guard against changes in rates through so-called liability-driven investment strategies. Con Keating, head of research at Brighton Rock Group, said he estimated them to be a maximum of 5% of assets un-

der management.

Pensions and others invested £1.6 trillion, equivalent to \$1.8 trillion, in LDIs by 2021, data from trade group The Investment Association show. In the relatively small market for CLOs, sales a percentage of that size have the ability to shift prices, unlike in larger markets for government bonds and stocks.

Weakness in the CLO market might have a knock-on effect on leveraged buyouts—a lucrative business for Wall Street—because the investment vehicles purchase about 60% of the loans backing the deals.

CLOs are investment vehicles primarily run by alternative-asset managers like Blackstone Inc. and Carlyle Group Inc. The firms sell bonds and stocks to outside investors, then use the money to buy junk-rated corporate loans, which pay interest that is redistributed to holders of the CLO bonds and shares. Investors piled into CLOs over the past decade, sparking worry of excessive risk taking, but

Bank of England Adds to Bond Buys

The Bank of England extended support targeted at pension funds for a second day, the latest bid to contain a furious bond-market selloff that has threatened U.K. financial stability.

The central bank Tuesday said it would add inflation-linked government bonds to its program of long-dated bond purchases after a fresh attempt on Monday to help pension funds failed to calm markets. "Dysfunction in this market, and the prospect of self-reinforcing 'fire sale' dynamics pose a material risk to U.K. fi-

ancial stability," the BOE said.

The yield on a 30-year U.K. inflation-linked bond soared to 1502% from 0.851% on Oct. 7, according to Tradeweb. Just weeks ago, the yield on the gilt, as U.K. government bonds are known, was negative. Because yields rise as prices fall, bond investors faced punishing losses.

On Tuesday, after the BOE expanded the purchases, the yields held mostly steady but at the new, elevated levels. The central bank said it bought roughly £2 billion, equal to \$2.2 billion, in inflation-linked gilts, out of a £5 billion daily capacity.

The bank's bond purchases, however, are meant to run out on Friday. The Pensions and Life-

time Savings Association, a trade body that represents the pension industry, urged the central bank on Tuesday to extend its purchases until the end of October.

Speaking on the sidelines of the annual meetings of the International Monetary Fund, BOE Governor Andrew Bailey said the bond-buying program will end Friday as planned. The funds have a "window of opportunity" in which to sell assets to cover "very big margin calls," he said.

The near-daily expansion of the BOE's rescue plan highlighted the challenges facing central banks in stamping out problems fueled by a once-in-a-generation increase in inflation and interest rates.

—Chelsey Dulaney

they held up in the 2020 market panic, making them even more popular.

Most CLOs issue bonds of different rank: Those with triple-A credit ratings get paid first, while junior bonds rated as low as double-B wait in line to receive payment. Insurers and pensions favor the higher-ranked CLO bonds because their credit ratings satisfy regulatory guidelines and because they pay higher yields than corporate and mortgage bonds with comparable investment-grade ratings.

Heavy selling of CLOs started the week ended Sept. 23, when the pound hit a 37-year low, forcing U.K. investors that use derivatives to hedge foreign-exchange risk to sell assets to cover losses, said Wayne Dahl, a managing director at Los Angeles-based Oaktree Capital. The deluge intensified the following week, when prices of U.K. government bonds fell, triggering margin calls on LDIs, held by pension funds.

"That generated a ton of emails internally," Mr. Dahl said. "We've definitely been buyers."

About \$13 billion of investment-grade CLO bond trades were reported in the U.S. during the past three weeks, according to analysis by the Journal of a database maintained by Interactive Data Corp. and the Financial Industry Regulatory Authority. That is the highest volume since a three-week stretch in March and April 2020 when about \$15 billion changed hands.

CLO prices have dropped to their lowest levels since May of 2020, according to an index of the securities operated by Palmer Square Capital Management. The firm's investment-grade CLO bond index traded at 88.7 last week, down 4% since the start of September.

Some bond prices slipped even further, particularly those of European CLOs that were heavily owned by U.K. investors. The double-A-rated bond of a euro-denominated CLO

managed by Investcorp Credit Management fell about 5% in late September to about 90 cents on the dollar, according to data from KopenTech LLC. A spokeswoman for Investcorp declined to comment.

Falling CLO bond prices make it more expensive for CLO managers to borrow money to launch investment pools, reducing new issuance. Fewer new CLOs means fewer buyers for the "leveraged loans" investment banks sell to help private-equity firms fund their takeovers when debt investors are worried about a potential recession.

Banks that financed Vista Equity Partners and Elliott Management Corp.'s \$16.5 billion buyout of Citrix Systems took a roughly \$500 million loss on related loans sold in September amid weak investor demand. The market will face an even bigger test when banks try to place \$6.5 billion of loans for Elon Musk's planned \$44 billion purchase of Twitter Inc.

U.S. WATCH

WASHINGTON, D.C.

Museums Give Back Artwork to Nigeria

Three U.S. museums transferred ownership of more than two dozen works of art known as the Benin Bronzes to Nigeria Tuesday, part of an effort to return pieces they say were stolen over a century ago.

British soldiers took thousands of artifacts in an 1897 raid of the Kingdom of Benin, in what is now Nigeria, as the U.K. expanded its colonial empire in West Africa. The Benin Bronzes, sculptures and plaques made of bronze and brass, also include pieces made of ivory, wood and other materials. The pieces were taken to Europe and sold, ending up in museums and private collections around the world.

Most of the 31 pieces reclaimed by Nigeria Tuesday came from the Smithsonian Institution's National Museum of African Art in Washington, D.C. One artwork came from the National Gallery of Art, also in Washington, and another from the Rhode Island School of Design Museum.

Representatives from the three institutions signed over the pieces at a ceremony in Washington on Tuesday.

—Joseph Pisani



Plaques by Edo artists at the Benin Bronzes repatriation ceremony at the National Museum of African Art on Tuesday.

CONGRESS

Defense Bill Moves To Senate Floor

The Senate moved forward on the annual defense policy bill that sets spending levels and provides pay raises for the country's military, with lawmakers setting goals of bolstering U.S. weapons inventory and improving relationships with countries positioned to help counter threats from China and Russia.

Senate Armed Services Committee Chairman Sen. Jack Reed (D, R.I.) put a draft of the National Defense Authorization Act

on the floor Tuesday morning. The move tees up lawmakers to debate the hundreds of proposals it contains when they reconvene next month after the mid-term elections.

The legislation authorizes \$847 billion for military and national security programs at the Department of Defense and the Energy Department, \$45 billion more than President Biden requested in the spring and up from the \$778 billion passed by lawmakers last year.

The Senate bill would send \$800 million for Ukraine's government and military.

—Katy Stech Ferek

LOS ANGELES

White House Says 3 Should Leave Council

The White House on Tuesday called for three Los Angeles City Council members to resign after the release of a recorded conversation they participated in where one used racist language.

Meanwhile, California's attorney general said his office is considering whether to investigate the incident.

The developments raise the pressure on Nury Martinez, who earlier Tuesday said she would take a leave of absence from the City Council, and fellow council members Gil Cedillo and Kevin de León, all Democrats. Ms. Martinez stepped down from her position as council president Monday.

In the audio, Ms. Martinez discussed redirecting with Messrs. de León and Cedillo and a local labor leader. Ms. Martinez called fellow council member Mike Bonin, who is white, "a little bitch," and said his son, who is Black, "parece changuito," or "looks like a monkey."

On Monday she apologized for her comments. Messrs. Cedillo and de León apologized for not objecting to what she said.

—Christine Mai-Duc

CORRECTIONS & AMPLIFICATIONS

Belarusian President Alexander Lukashenko was incorrectly referred to as Ms. Lukashenko in one instance in a World News article on Tuesday about Belarus's plan to deploy joint forces with Russia near the border with Ukraine.

Returns on a portfolio of 60% stocks and 40% bonds in the first three quarters of

2022 were down 20.15%. A chart with the Intelligent Investor column in Saturday's Exchange section mislabeled the returns as from 2020.

An Off Duty article on Saturday about London incorrectly referred to Queen Elizabeth II as HRH (Her Royal Highness) rather than HM (Her Majesty) the Queen.

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

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U.S. NEWS

NASA's Strike Shifted Asteroid's Orbital Path

Collision shortened journey by 32 minutes; 'watershed moment for planetary defense'

By **AYLIN WOODWARD**

The first mission to test a technology that one day might protect Earth from a catastrophic asteroid impact achieved its goal on Sept. 26, when a fast-moving spacecraft smashed into and changed the trajectory of a distant space rock, the National Aeronautics and Space Administration said Tuesday.

NASA said the intentional collision between its uncrewed spacecraft and the 525-foot-wide asteroid, called Dimorphos, successfully shifted the asteroid's orbit around a larger asteroid called Didymos.

"This is a watershed moment for planetary defense and a watershed moment for humanity," NASA Administrator Bill Nelson said Tuesday at a press briefing.

The spacecraft was moving more than 14,000 miles an hour

when it struck Dimorphos, which was about 7 million miles from Earth at the time of impact and doesn't pose a threat to our planet.

"The impact was perfectly executed," said Megan Bruck Sval, the planetary defense project lead at Lawrence Livermore National Laboratory in California and a co-investigator of the \$325 million mission, known as the Double Asteroid Redirection Test, or DART. She called the mission a great success.

Since the collision, DART team members have been working to quantify the shift in Dimorphos's orbit. Before impact, it took Dimorphos 11 hours and 55 minutes to complete one orbit around Didymos. Now that time has been shortened to 11 hours and 23 minutes, Mr. Nelson said.

The magnitude of the change to Dimorphos's orbit came as a pleasant surprise, said Harrison Agrusa, a University of Maryland astrophysicist and DART investigation team member. "We were envisioning maybe more of a 10-, 20-minute change," Dr. Agrusa said.

The team members based their calculations on post-impact observations of the asteroid pair by the James Webb and Hubble space telescopes and ground-based observatories on every continent.

While a 32-minute change might seem insignificant, it may be all that is needed to deflect the path of a dangerous asteroid—as long as the deflection happens far enough in advance of a potential strike on Earth.

"That small amount adds up to a bigger change over time," Dr. Nancy Chabot, DART coordination lead and a planetary scientist at Johns Hopkins University Applied Physics Laboratory in Laurel, Md., said before the collision. The research center built and operated the DART spacecraft and manages the mission for NASA's Planetary Defense Coordination Office.

There are no asteroids larger than 140 meters in diameter known to be on a collision course with Earth within the next 100 years, according to NASA. But the agency has been able to find and track only an



NASA/JOHN HOPKINS APL/REUTERS

A patch of Dimorphos about 100 feet across is visible two seconds before impact on Sept. 26.

estimated 40% of all asteroids and comets that size whose orbits bring them close to Earth.

If an asteroid the size of Dimorphos were to strike a populated area, it could bring about a disaster "on the scale we've never seen before," said NASA's Planetary Defense Officer Lindley Johnson.

There have been devastating asteroid strikes in Earth's history, including the impact from a 6-mile-wide space rock that played a role in the extinction of the dinosaurs more than 65

million years ago. In 2013, a roughly 60-foot-wide fireball exploded above the Russian city of Chelyabinsk, damaging thousands of buildings and injuring about 1,500 people.

Mr. Johnson said there are alternatives to the kinetic-impactor technique successfully demonstrated by the DART mission, including shooting asteroids with ion beams or changing their trajectories through the use of a so-called gravity tractor—a spacecraft that looms near an asteroid

and exerts a gravitational pull on the space rock for an extended time.

"Every situation we may face is a little bit different—time to impact, the size of the object, the orbit—and may require different tools," he added.

Watch a Video



Scan this code for a video on NASA's mission to deflect the asteroid.

Actress Was Acclaimed Star Of Film, TV and Broadway

By **ERICH SCHWARTZEL**

LOS ANGELES—Angela Lansbury, an actress whose career spanned more than 60 years and included legendary performances as diverse as Mrs. Lovett in "Sweeney Todd" and Jessica Fletcher in "Murder, She Wrote," has died in Los Angeles. She was 96 years old.

"The children of Dame Angela Lansbury are sad to announce that their mother died peacefully in her sleep," a statement from her family said. A cause of death wasn't given.

Since her big-screen debut in 1944, Ms. Lansbury became known to several generations for iconic performances in film and television and on Broadway, with each role more disparate than the last.

She was the Machiavellian mother in "The Manchurian Candidate" in 1962 and the outlandish aunt in "Mame" on Broadway just a few years later. With a singsong voice that seemed to be perpetually reciting a lullaby, Ms. Lansbury endeared herself to younger moviegoers as the voice of Mrs. Potts, the maternal teapot in the 1991 Disney film "Beauty and the Beast."

Discovered as a teenager during World War II, Ms. Lansbury continued working well into her senior years. She appeared in Disney's "Mary Poppins Returns" in 2018, and in 2015 appeared on the West End stage in a production of Noël Coward's "Blithe Spirit."

Ms. Lansbury was born in England on Oct. 16, 1925. She began acting as a child, drawn to the land of make-believe after her father's death when she was 9 years old. When German



Ms. Lansbury starred in 'Murder, She Wrote' for 12 seasons.

aircraft began bombing London during the Blitz, she and her family left for the U.S., arriving in New York in 1940.

Acting school and a move to Los Angeles followed. She caught a lucky break when she was cast in an adaptation of the play "Gaslight," a drama about a husband slowly and deliberately driving his wife crazy. Ms. Lansbury, then 18 years old, was nominated for an Academy Award for her performance as the couple's maid; a second nomination soon followed for 1945's "The Picture of Dorian Gray."

Metro-Goldwyn-Mayer Inc. signed her to a \$500-a-week contract. But that auspicious start was soon damped by typecasting: Ms. Lansbury was routinely relegated to unremarkable supporting parts or characters who were much older than she was in real life.

When she was cast in "The Manchurian Candidate," she

was only three years older than the actor playing her son. It earned her a third Oscar nomination.

She made her Broadway debut in 1957's "Hotel Paradiso." She played the title role in "Mame" in 1966, winning her first Tony Award for the performance. She won another for her performance in "Dear World" two years later.

In 1974, she won a third for playing Mama Rose in a revival of "Gypsy," and then a fourth as Mrs. Lovett in "Sweeney Todd" five years later. She won her fifth Tony for "Blithe Spirit" in 2009.

In 1984, Ms. Lansbury began starring on TV in "Murder, She Wrote" as Jessica Fletcher, a crime novelist who solves crime in the picturesque hamlet of Cabot Cove, Maine. Ms. Lansbury, then in her 60s, was an unlikely leading lady, but the show was a hit and ran for 12 seasons.

Syed Murder Charges Dropped

By **JOSEPH DE AVILA**

Prosecutors in Baltimore dropped the murder charges against Adnan Syed after DNA evidence cleared him of the crime in a case that drew national attention after it was featured on the podcast "Serial."

Baltimore City State's Attorney Marilyn Mosby said Tuesday that Mr. Syed was wrongfully convicted and her office wouldn't prosecute him a second time for the 1999 death of Hae Min Lee. Ms. Mosby said new DNA evidence collected from Ms. Lee's shoes excluded Mr. Syed from the crime.

"It is my responsibility to acknowledge and apologize to the family of Hae Min Lee and Adnan Syed," Ms. Mosby said, noting her administration didn't handle the original prosecution. Ms. Mosby said her office notified the lawyer representing the Lee family on Tuesday.

Steve Kelly, a lawyer for the Lee family, said the family learned of the decision through the media. "By rushing to dismiss the criminal charges, the state's attorney's office sought to silence Hae Min Lee's family and to prevent the family and the public from understanding why the state so abruptly changed its position of more than 20 years," Mr. Kelly said.

Erica Suter, a lawyer for Mr. Syed, said the DNA results confirmed Mr. Syed's innocence. "Today is a day that Adnan Syed and his loved ones have been waiting for for 23 long years," she said. Mr. Syed's conviction was vacated in September. Ms. Suter said Mr. Syed will soon file a motion in court to certify his innocence.

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PARIS

U.S. Slips, China Rises in College Rankings

By **DOUGLAS BELKIN AND SHA HUA**

U.S. pre-eminence among the world's top universities continues to diminish, according to a new global ranking, while Chinese universities are on the rise, producing a greater quantity and higher quality of research than ever before.

This year's World University Rankings, released Tuesday by Times Higher Education, a British publication that tracks education, also named the University of Oxford in England the world's leading research university for the seventh straight year.

The U.S. and Britain continue to dominate the upper echelon of the rankings, with the U.S. taking seven of the top 10 slots and Britain three. Oxford is followed by Harvard University, University of Cambridge, Stanford University,

Overall world top 10 universities

2023 RANK	INSTITUTION	COUNTRY/REGION	2022 RANK
1	University of Oxford	U.K.	1
2	Harvard University	U.S.	2 (tied)
3 (tied)	University of Cambridge	U.K.	5 (tied)
	Stanford University	U.S.	4
5	MIT	U.S.	5 (tied)
6	California Institute of Technology	U.S.	2 (tied)
7	Princeton University	U.S.	7
8	University of California, Berkeley	U.S.	8
9	Yale University	U.S.	9
10	Imperial College London	U.K.	12

Source: Times Higher Education

Massachusetts Institute of Technology, California Institute of Technology, Princeton University, University of California, Berkeley, Yale University and Imperial College London.

But among the top 10 universities, the number of those in the U.S. fell to 34 from 43

between 2018 and this year. The number of Chinese universities in the top 100 increased from two to seven.

"The data is very clear: America can no longer take for granted its decadeslong dominance of world higher education and research, and it is

China that is leading the challenge," said Phil Baty, the rankings editor. "If current trends remained the same, we would see China overtaking the U.S. in the coming years."

The number of Chinese scholarly publications has been growing steadily since the mid-1990s, but as recently as this year it was widely believed in the Western academic community that the quality of Chinese scholarship still lagged behind Western nations.

Then a paper published this spring in the journal *Scientometrics* found that China has overtaken the U.S. as the world leader in scientific research output of "high impact" studies.

Not only was China producing more research than the U.S. and Europe overall but a higher percentage of that research was among the top 1% of papers most cited globally.

U.S. NEWS

Trump Lawyer Gives Files Account

Bobb tells probers she vouched for return of documents based on second attorney's word

WASHINGTON—A lawyer for Donald Trump has told federal investigators that a fellow attorney assured her that he had conducted a thorough search of the former president's Mar-a-Lago estate before asking her to certify in June that all government records requested in a subpoena had been returned, according to a person familiar with the matter.

By Alex Leary,
Aruna Viswanatha
and Sadie Gurman

The certification by Christina Bobb was undermined two months later when the FBI searched the Florida compound and retrieved boxes of presidential records that belong to the National Archives along with classified documents. Ms. Bobb's interview with Justice Department investigators on Friday marked the latest twist in the confrontation between the former president and the government over missing records.

Since the August search, federal officials have continued questioning whether they have all the documents from the Trump administration that should be in government possession, either because they are classified or covered by laws governing the handling of presidential records.

Authorities are focusing on more than 70 empty folders, some of which were marked



Christina Bobb gave investigators new details about the events leading up to the Mar-a-Lago search.

classified, that were retrieved from Mar-a-Lago among the more than 20 boxes they carted away, according to people familiar with the matter. Federal officials also have expressed concern about whether Mr. Trump took documents on flights as he traveled from Mar-a-Lago to his other properties in New York and New Jersey, according to a person familiar with the matter.

A spokesman for Mr. Trump didn't respond to a request for comment.

Ms. Bobb provided new details about the sequence of events that culminated in August's search, according to the person familiar with the matter, including her interactions with Evan Corcoran, another member of the legal team. She

said she first met Mr. Corcoran on June 3, the day she said he asked her to sign that "any and all responsive documents" had been returned.

According to two people familiar with the case, Ms. Bobb did so only after insisting that it include language stating she was doing so "based upon the information that has been provided to me," and "to the best of my knowledge."

Mr. Corcoran, a former assistant U.S. attorney, didn't respond to a request for comment. Ms. Bobb, whose Friday meeting was earlier reported by NBC News, didn't respond to a request for comment. The former president has said he has been unfairly targeted.

Ms. Bobb's account could pose legal jeopardy for Mr.

Corcoran, who on June 3 handed Justice Department officials a folder containing some sensitive documents. Ms. Bobb, who hadn't until then been involved in the handling of the documents, was told by Mr. Corcoran that he had conducted a thorough search of Mar-a-Lago storage areas, according to one of the people familiar with the matter. Mr. Corcoran said because he was involved in the document transfer, he couldn't serve as an official custodian of the documents and sign a certification about them, that person said.

The Justice Department has said it found evidence of obstruction of its investigation, noting in court filings that records were likely concealed and removed from a storage

room while the investigation was progressing.

A person close to Ms. Bobb said she voluntarily met with prosecutors. She is represented by lawyer John Lauro.

Agents removed 11,000 documents from the Florida resort during the Aug. 8 search, including about 100 marked as classified. In addition to obstruction, prosecutors have said they are investigating potential violations of the Espionage Act, which governs classified information, and a presidential records law requiring that White House records go to the National Archives.

A federal judge, acting on a motion from the Trump team, last month appointed a special master to review documents seized in the search. Mr. Trump's lawyers want the documents marked classified included in the special master's examination, while the Justice Department opposed that request, saying it needed immediate access to them as part of its investigation. The Supreme Court is weighing a request from the Trump team to intervene in the case after a ruling by an appeals court limited the special master's review.

The Justice Department on Tuesday asked the high court to deny that request, reiterating its stance that Mr. Trump has no right to the 100-or-so documents with classified markings. In its response, it wrote: "[The] applicant has no plausible claim of privilege in or ownership of government records bearing classification markings. As the court of appeals recognized, applicant thus has no basis to demand special-master review of those records."

ACA Rule Expands Subsidies To Families

By STEPHANIE ARMOUR

WASHINGTON—Families where at least one member gets health insurance from an employer will find it easier to qualify for Affordable Care Act subsidies that reduce monthly premiums under a rule issued Tuesday by the Biden administration.

Individuals have been unable to get federal subsidies for ACA health-insurance plans if they were eligible for affordable employer coverage that meets minimum coverage standards. But the coverage had to be affordable just for the employee and didn't take into account other family members.

The final rule revises the interpretation so that the assessment measures affordability for members of the family other than just the worker, aiming to fix what has long been known as "the family glitch." The administration said the change means about one million Americans will either gain coverage or see their insurance become more affordable.

The change represents the latest push by the Biden administration and Democrats to shore up and expand the 12-year-old law passed under former President Barack Obama. Congress in August passed legislation extending more generous ACA subsidies through 2025 and made more people eligible for ACA coverage by removing an eligibility income cap.

"This marks the most significant administrative action to implement the Affordable Care Act since the law was first put into place," President Biden said in a statement.

Some congressional Republicans have said they oppose the move, saying the statute can't be changed through rule-making.

The rule issued by the Department of the Treasury will go into effect next month.

GOP Ads Hit Democrats as Soft on Crime

By NATALIE ANDREWS

BENSON, N.C.—Republicans in competitive House and Senate districts are hitting Democrats with a barrage of ads focused on voters' increased fears about the surge in violent crime in recent years, with the issue playing a central role in many tight races.

Republicans have called Democrats too tolerant of crime after social-justice protests in 2020 swept through the country over policing abuses, and have criticized some Democrats' support of measures such as eliminating cash bail. They also have tied Democratic candidates to calls from activists to defund police departments and shift money to other resources.

Democrats have responded by citing bills that passed the House in September that would send grants to police departments, as well as their advocacy for tighter gun laws they say would reduce crime. Many also say that changes to the criminal justice system are long overdue, citing what they say is over-incarceration in minority and low-income communities. Last week, President Biden pardoned all prior federal convictions of simple possession of marijuana.

Higher violent-crime rates since the Covid-19 pandemic began have made crime a major concern in local and national elections, with violence hitting both cities and rural areas. Federal Bureau of Investigation data released in the past week shows murders rose 4% last year after increasing nearly 30% in 2020.

Overall violent crimes dropped 1% in 2021, as robber-



In Pennsylvania's Senate race, Republican Mehmet Oz, left, has knocked Democratic opponent John Fetterman on clemency recommendations.



ies decreased. The data is based on unusually low participation by local law-enforcement agencies as the FBI makes a transition to a new data-collection system.

In a House district spanning suburbs and exurbs south of Raleigh, N.C., voters are seeing a higher concentration of crime ads than any other market with a competitive House race. Republicans backing GOP nominee Bo Hines connect Democrat Wiley Nickel's career as a defense attorney with their national message that his party's policies are leading to increases in crime. A recent ad funded by a Republican group calls him "the criminal choice for Congress" and an advocate for cutting police funding.

Mr. Nickel, a state senator, rejects those characterizations and said he backed legislation in the state Legislature intended to help police depart-

ments, many of which are struggling nationwide with hiring and officer retention. He has responded with an ad touting his endorsement from the North Carolina Police Benevolent Association.

Higher violent-crime rates have become a concern in local and national elections.

"Frankly, I don't know any mainstream Democrats at all who support defunding the police," he said in an interview.

Roughly 70% of the political ads on broadcast and cable TV in the Raleigh-Durham market since Labor Day have at least touched on crime, the highest percentage of any market with a House race, according to ad

tracker AdImpact. The House seat is rated a tossup by the nonpartisan Cook Political Report.

Ads featuring crime are playing a large role in Senate contests as well, sometimes eclipsing other top voter issues such as inflation, abortion access and immigration. Crime has been prominently mentioned in more than a third of all congressional campaign broadcast and cable TV spots that have aired since Labor Day in Pennsylvania and Wisconsin, the highest share among states with competitive Senate races, AdImpact data show.

"Republicans see a very clear advantage talking about the economy, talking about crime, talking about immigration," said Matt Gorman, a longtime GOP strategist and vice president of Targeted Victory, a Republican consulting firm. "You've got to press those advantages."

In the Keystone State, Democratic Senate nominee John Fetterman has faced criticism over what Republican Mehmet Oz casts as overly lenient clemency recommendations on the state Board of Pardons, which he heads as lieutenant governor. He has called the criticism a misstatement of his record and said he "fought hard for second chances for deserving Pennsylvanians and to free the wrongfully convicted."

Polls show Mr. Oz has narrowed the gap in that race to a handful of points in recent weeks, upsetting Democrats' hopes of an easy win to flip the state to their column as they defend their control of the 50-50 Senate.

The Wall Street Journal's August poll found that registered voters favored Republicans over Democrats, 43% to 26%, on reducing crime.

—John McCormick contributed to this article.

Federal Deficit Fell \$1.4 Trillion in Fiscal Year 2022, CBO Estimates

By AMARA OMEOKWE

The federal deficit declined to \$1.4 trillion in the just-ended fiscal year, as tax revenues increased and pandemic-related spending fell, according to estimates from the nonpartisan

Congressional Budget Office. The CBO's preliminary deficit figures for the 2022 fiscal year, which ended Sept. 30, show the federal budget shortfall fell by half from nearly \$2.8 trillion the prior year, a roughly \$1.4 trillion decline.

The CBO said the drop came as government revenues increased in all major categories, particularly from individual income taxes. Expenditures related to Covid-19 programs, such as stimulus checks and small-business loans, fell. In fiscal year 2019, before the pandemic, the government reported a \$984 billion deficit.

The Biden administration has highlighted the deficit's decline this year, arguing that its policies helped spur economic growth and labor-market strength that bolstered revenues the government received in 2022 from income, corporate and other taxes. Republicans and other critics have argued the deficit's reduction is largely the result of the end of pandemic programs designed to be

temporary, rather than any specific administration action, and have said Mr. Biden's policies reflect fiscal irresponsibility. Those criticisms have intensified as the Federal Reserve lifts interest rates to combat inflation, pushing up the government's borrowing costs.

"Unfortunately, trillion-dollar-plus deficits seem to have become the norm," said Michael Peterson, chief executive of the nonpartisan Peter G. Peterson Foundation, which advocates for deficit reduction. "As we face high inflation and rising interest rates, we should be adding certainty to our fiscal foundation."

The CBO's deficit estimate is about \$341 billion more than it projected earlier in 2022,

mainly because of the costs associated with President Biden's plan to offer student-loan forgiveness to millions of Americans. The CBO said that according to federal budgeting law, the multiyear costs of the student-loan forgiveness plan are recorded upfront.

The deficit's projected decline is an economic accomplishment for the Biden administration and even with student-loan forgiveness, the estimated reduction stands on its own, said Jared Bernstein, a member of the White House Council of Economic Advisers.

The CBO estimates that total receipts were \$4.9 trillion in fiscal year 2022, a 21% increase from the prior year, with individual income taxes collected up 29% from the year before.

Student Loan Relief To Require Basic Data

By ANDREW RESTUCCIA

WASHINGTON—Many borrowers will only have to provide the federal government with basic information, including their legal names, Social Security numbers and dates of birth, to apply for federal student loan relief through a new program set to launch later this month, Biden administration officials said.

Borrowers must attest under penalty of perjury that the information they submitted is accurate and that they meet the income qualifications for the program, officials said. A subset of applicants whose income puts them close to the cutoff to qualify will have to submit additional information to verify their incomes, the officials said.

The administration has been working through how it will manage the largest student loan forgiveness program in U.S. history. Tens of millions of people could seek relief.

The application will be made public later this month, but officials didn't give a date. They said it is the administration's goal to process most applications submitted by the middle of next month before mandatory loan payments resume Jan. 1 for the first time in nearly three years. The administration estimates it will take several weeks for an application to be fully processed.

A copy of the application provided by the White House requests the following information: First name, middle initial, last name, former last name, Social Security number, date of birth, phone number and email.

To be eligible, individual borrowers must make less than \$125,000 a year or less than \$250,000 a year per household. The program will forgive up to \$10,000 in debt for federal student-loan borrowers, or up to \$20,000 for borrowers who received Pell Grants when they were in college.

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WORLD NEWS

Strikes Show Holes in Kyiv's Air Defenses

Russia's latest missile attacks intensify pleas by Ukraine for more Western weaponry

By MICHAEL R. GORDON

The barrage of missiles Russia unleashed on Ukrainian cities this week illustrates Kyiv's limited ability to defend its population centers against missile attacks, say Western military experts.

Ukraine's vulnerability, in part, stems from the technological challenge any nation would face in protecting cities from attacks by salvos of cruise missiles, which hug the earth and can overwhelm limited air defenses. It also reflects the delays in acquiring sophisticated air defenses from the West.

The Pentagon has said the U.S. is sending two mobile air-defense systems known as Nasams to Ukraine within the next two months. Another six Nasams systems, which are deemed to be effective against cruise missiles, have been earmarked for Ukraine, but Pentagon and industry officials said it could take about 18 months or more to finish and deliver them.

Washington doesn't plan to send Patriot surface-to-air missile systems, which the U.S. and its allies use to defend air bases and other key installations. Pa-

triot are in short supply, though one U.S. system is being temporarily employed in Slovakia to backfill a Russian-made S-300 system sent to Ukraine.

While Ukraine's limited air defenses have been effective against Russia's warplanes and helicopters, Russian cruise and ballistic missiles present a far greater challenge, especially when fired at Ukraine's electrical grid and other infrastructure in large populated areas, said Philip Breedlove, a former North Atlantic Treaty Organization commander and retired Air Force general.

Ukraine's air-defense systems "have had a great impact" on attacks from Russian helicopters and fixed-wing aircraft, Gen. Breedlove said. "But the force is not equipped well for ballistic or cruise-missile defense."

Michael Kofman, an expert on the Russian military at CNA, a research organization, said an effective air defense requires systems that blunt attacks from a variety of threats at different altitudes. Building one is an ambitious undertaking, and the capability Ukraine has obtained wasn't sufficient, he added.

"Effective air and missile defense requires layering different types of systems defending Ukrainian cities and critical infrastructure," he said. "Provision of air defense is a visible laggard in Western military support, but will only grow in significance in



An office building was hit by Russian airstrikes on Monday in the Ukrainian capital of Kyiv.

the coming months."

President Biden on Monday condemned the Russian missile strikes, saying the attack, which killed and injured civilians, had no military purpose. In a call with Ukrainian President Volodymyr Zelensky, Mr. Biden promised to provide "advanced air-defense systems," the White House said.

The White House didn't indicate whether the U.S. would accelerate its provision of Nasams systems or increase the supply of other air defenses for Ukraine.

Defense Secretary Lloyd Austin and Gen. Mark Milley, the chairman of the Joint Chiefs of Staff, are scheduled to meet with NATO defense ministers in Brussels later this week to discuss

Ukraine's future defense needs, the Pentagon said Monday.

Ukrainian Defense Minister Oleksii Reznikov on Monday urged the U.S. and its allies to respond to the Russian missile barrage by providing his country with more anti-aircraft and anti-missile systems. Ukrainian officials previously have appealed for long-range U.S. Army Tacti-

cal Missile Systems to strike bases that the Russians are using to fly Iran-provided drones, but that request has so far been rebuffed because the Biden administration fears it could risk a broader conflict with Russia.

Ukrainian officials said they intercepted about half of the Russian missiles that were fired at their cities on Monday. At least 84 were fired and 43 had been intercepted, according to the general staff of Ukraine's armed forces. Additionally, 13 drones were shot down, the general staff added.

As with other categories of arms, Ukraine has received a variety of Soviet-era and Western air-defense systems. Slovakia gave Ukraine the S-300, and Germany supplied Gepard self-propelled anti-aircraft guns, which are useful against drones but not cruise missiles.

German Defense Minister Christine Lambrecht said Monday that the first of four IRIS-T air defenses would be sent within days, with the remaining three sent next year. Spain is training the Ukrainian military to use the Aspide, a joint Spanish-Italian anti-aircraft system.

The U.S. has provided Stinger shoulder-fired air-defense weapons, which primarily are useful against low-flying aircraft. Poland, the U.K. and others also have supplied shoulder-fired systems, such as Manpads.

NATO Aims to Better Coordinate Its Arms Purchases

By DANIEL MICHAELS AND DOUG CAMERON

BRUSSELS—NATO member states are working on ways to align their weapons purchases to better prepare for future conflicts, as they gear up for a major increase in military spending to replace the huge amounts of materiel sent to Ukraine and shore up their potential defenses against Russian aggression.

By improving purchasing cooperation, the North Atlantic

Treaty Organization hopes to make a leap in how its members would together fight a future conflict, including buying weapons systems that are easily interchangeable, plentiful and are more effective on the battlefield.

NATO members also believe that Russia's hostility and other threats mean the alliance must have more arms on hand to deter and combat future threats. In 2014, NATO nations agreed to boost military spending substantially, but many

have only really increased their budgets since Russia invaded Ukraine on Feb. 24.

The shift has sparked new demand for weapons systems that are proving successful in Ukraine, such as the M142 High Mobility Artillery Rocket System, or Himars. The U.S. M777 howitzer is generating so much interest that its producer, British defense giant BAE Systems PLC, is considering restarting production of the big gun, which was winding down.

When defense ministers from NATO's 30 countries, plus aspiring members Finland and Sweden, gather in Brussels this week, they aim to approve recommendations recently tabled by their national arms buyers and allied countries for ensuring that they work more smoothly with Western defense contractors.

NATO Secretary-General Jens Stoltenberg has made a priority of increasing alliance defense spending, improving

operations and guaranteeing that all members are ready to respond when needed.

Coordinating and accelerating defense procurement is difficult because countries have varying national military priorities, that follow agendas and budgeting timelines that might not easily synchronize. Weapons systems use specialized components—from exotic alloys to reinforced electronics able to withstand battle conditions—that are slow to produce

in normal times, and now face more hurdles due to global supply-chain constraints.

NATO has tried for years to adopt common standards for equipment. If all members shoot the same caliber bullets and shells, for example, pooling ammunition becomes easier. But varying traditions, entrenched standards and a desire to support national arms industries often have interfered with efforts to make equipment interchangeable.

JOY AND LIGHT
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Fauvist artistry. Painterly style. Vivid color.



Entitled *Jeune fille cousant*, Henri Lebasque's composition captures a bright yet contemplative scene of a young girl sewing. The vivid palette and loose brushstrokes exude energy and vitality. Often called the "painter of joy and light," Lebasque was part of the early 20th-century Parisian art scene and exhibited at the Salon des Indépendants alongside artists like Georges Seurat and Paul Cézanne. Circa 1906. Panel: 13 3/4" h x 12 1/8" w Frame: 19" h x 17 1/2" w. #31-5992

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Russia
Renews
Attacks

Continued from Page One that had returned to much of central and western Ukraine in recent months after Russian forces withdrew from areas around the capital, Kyiv, and shifted the focus of its firepower to eastern Ukraine.

Russian forces on Monday fired 84 missiles along with drones in a series of strikes that coincided with Ukraine's morning rush hour, raising fears it could mark a new phase of the Kremlin's assault centered on massive aerial bombardment. Ukraine said its air defenses intercepted about half of Monday's salvos, a number that couldn't be independently verified.

The death toll from those attacks rose to 19, with 105 injured, Ukraine's emergency services said Tuesday.

Since the start of the war, Kyiv's ability to prevent Russia from dominating the skies above Ukraine has been crucial to its fending off Moscow's advance. Ukraine's aerial defense is built on a patchwork of Soviet-era air-defense batteries bolstered by systems rushed to the battlefield by the U.S. and others in the early days of the invasion.

Addressing the G-7 leaders, Mr. Zelensky said the G-7 and "our entire democratic world...must respond symmetrically" to Moscow.

"When Russia attacks the energy sector and energy stability of our countries, we must block its energy sector with sanctions, break the stability of Russian revenues from oil and gas trade," Mr. Zelensky told the virtual meeting.

In a statement afterward, the G-7 leaders condemned the attacks and said they welcomed Mr. Zelensky's desire for a just peace, which they said should include protection of Ukraine's sovereignty and territorial integrity, safeguarding Ukraine's ability to defend itself in the future and ensuring its reconstruction, possibly using Russian funds to do so. President Biden pledged to



A building in Zaporizhzhia, southeastern Ukraine, was destroyed as Russia launched another barrage of strikes Tuesday.

provide more advanced air-defense systems in a call with Mr. Zelensky on Monday, and a senior French defense official said France is also looking at providing Ukraine with air-defense capabilities. The Pentagon has said the U.S. is sending two mobile air-defense systems known as Nasams to Ukraine within the next two months. Another six Nasams have been earmarked for Ukraine, but Pentagon and industry officials said it could take around 18 months or longer to finish and deliver them.

Mr. Biden said Tuesday night in an interview with CNN

G-7 leaders vow
to hold Mr. Putin
responsible for the
attacks on civilians.

that Mr. Putin "has miscalculated significantly."

Mr. Biden spoke about Mr. Putin's remarks after invading Ukraine, saying: "He talked about the whole idea of—he was needed to be the leader of Russia that united all of Russian speakers. I mean, it's just, I just think it's irrational."

Mr. Biden said he didn't think Mr. Putin would use a tactical nuclear weapon in Ukraine, but he said, "I think it's irresponsible for him to talk about it." Mr. Biden added that he won't negotiate with Russia on staying in Ukraine and said he believes Mr. Putin committed war crimes.

In Kyiv on Tuesday morning, Ukraine's air defenses

shot down two incoming missiles, the regional governor said, among a total of 14 intercepted across the country. The city went into a partial lockdown amid government warnings of further planned attacks from Russia.

Ukrainian leaders have accused Russia of launching the attacks as a campaign of terror intended to wear down Ukraine's civilian population after months in which Russian forces have lost ground to a lethal Ukrainian offensive.

"The occupiers already cannot oppose us on the battlefield, that is why they resort to this terror," Mr. Zelensky said in a Monday night address, delivered from a blast site in central Kyiv. "Well, we'll make the battlefield even more excruciating for the enemy. And we will restore everything that was destroyed."

Deputy Foreign Minister Sergei Ryabkov of Russia warned in an interview with state broadcaster Rossiya Segodnya of the danger to Western powers of "uncontrolled escalation" and "large-scale assistance to Kyiv."

Mr. Putin said Monday's broad attack on Ukraine was in response to an attack on a strategic bridge connecting Russia to Crimea, a part of Ukraine that Russia seized in 2014. Russian authorities blamed Ukraine for an explosion on the bridge on Saturday. Ukraine hasn't claimed responsibility for the bridge explosion, but senior Ukrainian officials celebrated it on social media.

—Matthew Luxmoore, Ann M. Simmons and Laurence Norman contributed to this article.



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WORLD NEWS

Israel, Lebanon Reach Border Deal

Maritime agreement clears a path for Lapid government to start sending gas to Europe

By Dov Lieber

TEL AVIV—Israel and Lebanon have agreed to a U.S.-brokered deal demarcating a disputed maritime border, officials from both sides said on Tuesday, easing recent tensions between the longtime foes and opening the way for Israel to export gas to Europe.

The deal, which has been in the works for a decade, marks a rare instance of economic cooperation between the two countries, which have fought two major wars and don't have diplomatic relations. Once signed, the deal would allow Israel to quickly follow through on its commitment to sell gas to the European Union, which is searching for new energy sources following Russia's invasion of Ukraine and subsequent sanctions on Moscow.

"This is a historic achievement that will strengthen Israel's security, bring billions into Israel's economy and ensure stability on the northern border," Israeli Prime Minister Yair Lapid said.

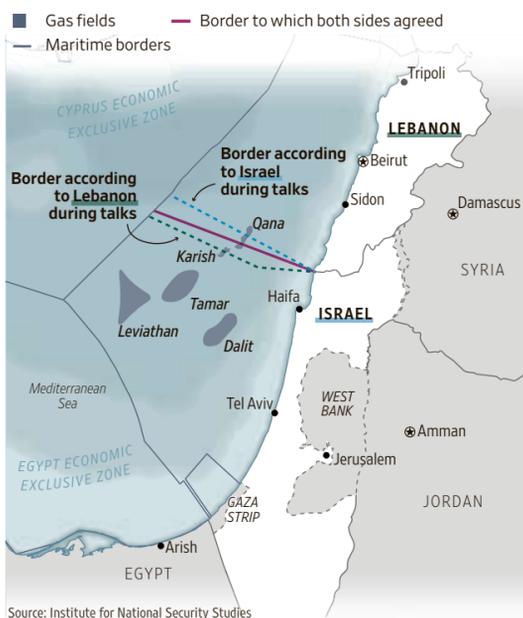
"The final version of the offer satisfies Lebanon, meets its demands, and preserves its rights to its natural wealth," Lebanese President Michel Aoun said separately.

The leaders of both countries said they would still need approval from their governments before formally signing the deal, possibly this month.

President Biden called the leaders of both countries to congratulate them on the deal. The State Department's energy envoy, Amos Hochstein, has been shuttling between Beirut and Jerusalem in recent months to close the agreement, which became more time sensitive after a gas rig arrived at the disputed Karish field in the Mediterranean Sea in the spring.

The maritime deal gives Israel full control of the Karish gas field, Israeli and Lebanese officials said. The Qana gas field farther north would be in Lebanon's control, but Israel would maintain a stake in the gas located in its territory, Israeli officials said.

Last week, disagreements arose over how Israel would receive payment for its share of Qana and whether Israel's maritime-security border would be recognized. Both sides agreed to new compro-



Source: Institute for National Security Studies
Camille Bressange/The Wall Street Journal

mises on Tuesday, Israeli and Lebanese officials said.

Israel's security cabinet will discuss the deal on Wednesday, and its parliament will also need time to ratify the deal, which could take a few weeks. Israeli opposition leader Benjamin Netanyahu,

who opposes the current deal, could also try to stymie the agreement by turning to the country's Supreme Court.

"This is not a historic deal, but a historic capitulation" to threats from Lebanon, Mr. Netanyahu said. Polls show Mr. Netanyahu could be Israel's next

prime minister following elections at the start of November.

Israeli and Lebanese officials said the French company TotalEnergies SE, which is slated to develop the Qana field for Lebanon, will be responsible for paying Israel for its share of the gas. Total didn't respond to a request for comment.

French President Emmanuel Macron also helped support talks, said Israeli and French officials, as well as Mr. Biden.

The officials said Israel's current maritime boundary with Lebanon, currently marked by a line of buoys, would be accepted by the parties as the "status quo line." This status quo would become internationally recognized and backed by the United Nations and the U.S., the officials said.

Israel sees the recognition of the status quo line as a historic diplomatic achievement that could act as a deterrent against another war, Israeli officials say.

Lebanese officials hailed the border deal as a desperately needed boon for the country's stability. However, they emphasized that it wouldn't be a step toward further normalization with Israel.

Coronation Of King Charles Is Set for The Spring

By Max Colchester

LONDON—King Charles III's coronation ceremony will take place on May 6 next year at Westminster Abbey, Buckingham Palace said Tuesday.

The coronation of the British king, the first such ceremony since the late Queen Elizabeth II's in 1953, marks the moment when the monarch is formally invested with regal power.

The queen consort, Camilla, also will be crowned during the event. The ceremony is largely symbolic, as King Charles became monarch the moment his mother died last month.

The British monarchy is the last European monarchy to continue with the tradition of coronation.

The ceremony, which has remained largely the same for centuries, sees the monarch take the coronation oath to uphold the law and the church. King Charles III will then be anointed with holy oil and have the St. Edward's Crown—made of solid gold and dating from 1661—placed on his head.

The queen consort is crowned with the king, in a similar but simpler ceremony. That event will be held in Westminster Abbey, in central London, continuing a 900-year-long tradition.

This moment of royal celebration, which traditionally takes place several months after the death of the previous monarch to allow for planning and mourning, will be presided over by the Archbishop of Canterbury.

"The coronation will reflect the monarch's role today and look towards the future, while being rooted in longstanding traditions and pageantry," Buckingham Palace said.

Royal watchers expect the ceremony to be pared back both in length and scale. Queen Elizabeth II's coronation lasted around four hours. King Charles's could be significantly shorter.

The event is funded by British taxpayers, so the government gets to choose who attends.

Still, it will be another set-piece moment for the British royal family to gather and be the focus of the world's attention. After recent coronations the royal family have gathered at Buckingham Palace and greeted well-wishers from the balcony. Buckingham Palace said further details would be announced in due course.

Indonesian Soccer Fans Blame Officials for Deaths

By Dave Sebastian
and Fadiyah Alaidrus

MALANG, Indonesia—When the tear gas got to Hutriadi Hermanto and his friend Faris Brahanto in the stands of an Indonesian soccer stadium earlier this month, it hit them hard. It felt itchy and hot. Mr. Faris said he felt like he couldn't breathe.

A large crowd had gathered on the staircase that descended to the exit. There was pushing and shoving, and people were falling down. Some leapt over others, or stepped on arms, legs, chests to make it out alive.

"It was selfish," Mr. Faris said. "There was no other choice. There was no other way out."

The rush to flee Kanjuruhan Stadium on Oct. 1 became one of the worst disasters in the sport's history, leaving 131 people dead. Of all the things that went wrong, it was the firing of tear gas into the stands by Indonesian security forces that led to the tragedy, according to witness accounts.

The home team lost the game and crowds of fans entered the pitch. But police didn't restrict the use of tear gas to the pitch where the commotion was concentrated. They also targeted the stands, packed with thousands of people, spectators said.

FIFA, soccer's world governing body, says crowd-control gas shouldn't be used inside stadiums. That includes tear



Mourners gather to honor those killed in a melee after a soccer game.

gas, which causes painful stinging in the eyes, a burning feeling in the nose, nausea, and can make it difficult to breathe.

At the Indonesian soccer stadium, it caused fans to make a desperate dash to escape. But some exits were closed, forcing spectators to navigate the tear-gas-filled arena to find an alternative, they said.

"Why did police fire tear gas at the stands?" said 19-year-old Gezha Septavia. "If the chaos was happening in the field, why did they shoot it everywhere?"

A police spokesman said an investigation is continuing.

Three police officers and three organizers responsible for the game and its security

are facing charges related to negligence causing death. Two of the officers are suspected of giving orders to fire tear gas, and the third of not stopping them despite being aware of FIFA's guidelines.

The rivalry between Arema FC and its opponent in the Oct. 1 league game, Persebaya Surabaya, is fierce. To stave off physical clashes between fans, the two sides signed a pact more than 15 years ago preventing supporters of one team from attending games at the other's home stadium when they face off. Nearly all spectators that night were Arema fans.

Among them were high-school senior Viorenza Ardhana

and his girlfriend, Jesiska Febrianti. Shortly after the game ended, 3-2 in favor of the rival team, a few fans ran down to the pitch at about 10 p.m., Mr. Viorenza said. Before long, hundreds of spectators invaded the pitch.

Video shows objects being tossed around, including plastic bottles and shoes. Fans are seen swarming Arema's keeper, who was escorted away by police. Security officials are seen beating people with batons and trying to push them back.

Mr. Viorenza and Ms. Jesiska knew things were getting out of hand when three canisters of tear gas landed near them. As the gas spread Ms. Jesiska's eyes began to hurt.

"It's getting hard to breathe," she said. Mr. Viorenza removed his hoodie and put it on Ms. Jesiska. Then, they bolted.

Not far from them was Mr. Hutriadi, a longtime Arema fan. That night, he struck up conversations with those around him, including an acquaintance, 19-year-old Salsa Nur Laily.

They were at ground level, in a better spot to escape. Still, they got caught in a mass of fleeing people. Ms. Salsa became unconscious. Mr. Hutriadi carried her to safety.

Many who were stumbling through the gate were badly injured. Ms. Salsa, who regained consciousness, began administering first aid and lost track of Mr. Hutriadi.

Meanwhile, Mr. Viorenza and Ms. Jesiska were still scrambling to find a way out. They ran to exit 10, but the crowds looked overwhelming. They turned to exit 11, but someone said winds were carrying tear gas in that direction. The swarm at exit 12 was so big they didn't dare go close, approaching exit 13 instead. Closed.

Mr. Viorenza heard a friend say Gate 9 was open.

The gate was narrow and Mr. Viorenza could see bodies being thrown to the ground from the pressure behind them.

At about 11 p.m., more than an hour after the game ended, Mr. Viorenza and Ms. Jesiska finally made it to the bottom of the stairs. As they drove home, they saw large crowds outside Wawa Husada Hospital, bodies laid out in the parking lot in disarray.

Mr. Hutriadi's body was also at Wawa Husada.

Mr. Hutriadi became separated from his friend, Mr. Faris, inside the stadium at exit 12. After making it out, Mr. Faris stayed to help others. Then he saw his friend's body being passed forward along the crowd.

A group of Mr. Hutriadi's friends gathered at the hospital, including Ms. Salsa, whom he had helped escape. The two had exited the stadium together, and she doesn't know why Mr. Hutriadi went back or how he ended up in the crush a second time.

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Iranian Oil Workers Further Expand Protests

By David S. Cloud

Oil-industry strikes in Iran widened on Tuesday as workers at a major refinery south of Tehran joined employees at other facilities in announcing support for antigovernment protests, deepening the unrest in a critical sector of the economy.

Workers demonstrated outside the Abadan refinery in Khuzestan province, voicing support for the nationwide protests and jeering police, according to social-media posts.

"Now is the time for widespread protests. Get ready for backbreaking strikes," a committee representing contract oil workers said. "This is the beginning of the road and we continue our protests every day, together with people all over the country."

Abadan is Iran's largest refinery, an aging facility with a symbolic significance. Strikes by workers at the refinery in 1978 helped bring down the Shah of Iran, Mohammad Reza Pahlavi.

The current protest movement was ignited by the death on Sept. 16 of 22-year-old Mahsa Amini in custody of the morality police, after being detained for allegedly violating Iran's strict Islamic dress code.

Since then, protests have spread widely and morphed from calls to abolish mandatory veiling to the ouster of the Islamic Republic leadership, which



Employees block a road leading to the Asaluyeh Petrochemical Refinery in Iran's Bushehr province.

has been in power since 1979. Iranian officials have said the oil-industry unrest is related to a labor dispute with hundreds of daily workers. But the employees have sought to link their dispute to wider unrest, chanting antigovernment slogans and backing other protests.

On Monday, dozens of workers blocked roads and protested at a petrochemical complex in Assaluyeh in the oil-rich province of Bushehr on the Persian Gulf.

The committee representing oil workers said 11 of its workers in Assaluyeh had been arrested by government secu-

rity forces.

"Everything is heavily under the surveillance of the security forces," said the group, calling itself the council for organizing protests of oil contract workers. "Despite these arrests, our colleagues started a strike and rally at the Abadan refinery and will continue until the release of the detainees."

The demonstrations marked the first time the unrest that began last month has spread to Iran's oil-and-gas industry. Before this, it was mostly retail outlets and small businesses that shut their doors in support of the rights movement.

In northwest Iran, security forces continued their crackdown in Sanandaj, the capital of Iran's Kurdistan province, said a Kurdish rights group, the Hengaw Organization for Human Rights.

Videos posted by the group showed riot police on foot firing at homes early Tuesday.

The demonstrations erupted in Iran's Kurdish areas in September after the funeral of Ms. Amini, who was Kurdish. The government's crackdown on Kurds has been especially harsh, with missile strikes and artillery fire at Kurdish areas of neighboring Iraq.

WORLD NEWS

U.K. Spy Chief Warns Of China Tech Threat

By DUSTIN VOLZ

LONDON—Beijing's efforts to exert control over technology both internationally and within China's borders threaten future global security and freedom, the chief of the U.K.'s electronic intelligence agency said.

Jeremy Fleming, the director of Britain's Government Communications Headquarters, said Beijing was aiming to use an array of existing and emerging technological means, including digital currency and satellites, to control markets and people, extend surveillance and censorship and export its authoritarian system around the world.

Calling it "the national-security issue that will define our future," Mr. Fleming said Chinese Communist Party leadership has "deliberately and patiently set out to gain strategic advantage by shaping the world's technology ecosystems."

The sharp warning on Tuesday from the head of the U.K. equivalent of the National Security Agency came during a rare speech in London.

"The remarks of the British official have no factual basis at all," said Mao Ning, a spokeswoman for China's Foreign Ministry, at a briefing Tuesday. "China's technological development is aimed at making lives better for the Chinese

people. It does not target anyone, still less pose any threat."

Mr. Fleming said Beijing has effectively broadened the definition of national security such that technology was a battleground for control, values and influence. He said Beijing was seeking to create "client economies and governments" through exporting technologies.

Mr. Fleming didn't name specific companies, but Western officials have long warned that telecommunications gear from Chinese giant **Huawei Technologies Co.** could be used by Beijing to conduct digital espionage or other malicious cyber activity. Huawei and China have both denied the allegations.

Mr. Fleming said Beijing's efforts to build a central-bank digital currency could allow it to monitor transactions for oppressive means. A centralized virtual currency could also allow China in the future to evade international sanctions like the ones imposed on Russia over the Ukraine war, he added.

The intelligence chief said China's Beidou satellite system was intended as an alternative to the established Global Positioning System network, which is owned by the U.S., and Beijing is forcing Chinese citizens and businesses to adopt it. Beidou is part of a strategy that could allow China to deny other nations access to space in a conflict, Mr. Fleming said.



Jeremy Fleming said China aims to export its authoritarian system.

WORLD WATCH



South Korea's Defense Ministry said Pyongyang's nuclear program remains a grave threat. Above, North Korean leader Kim Jong Un visited a farm on Tuesday to mark the anniversary of the founding of the ruling Workers' Party.

CANADA

Hockey Leaders Resign in Scandal

The chief executive and the board of directors at Canada's governing body for hockey stepped down Tuesday, after some of Canada's biggest corporations severed financial relationships with the organization in response to its handling of sexual-assault allegations.

Hockey Canada said the resignations were in recognition of "the urgent need for new leadership and perspectives." The organization will hold votes for members to elect a new board no later than mid-December.

Hockey Canada establishes playing rules for amateur hockey in the country, and is responsible for organizing national teams to participate in international events.

Hockey Canada has faced criticism in recent months from politicians and its sponsors about how it handled allegations of sexual assault at a June 2018 party it organized for members of Canada's 2017-18 world-junior championship team. A woman

alleged she was sexually assaulted by eight members of that squad at a hotel in London, Ontario, following the gala. Police in London conducted an eight-month investigation and didn't file criminal charges.

Hockey Canada reached a settlement with the woman this year, weeks after she filed a lawsuit, with organization officials telling Canadian lawmakers they believed they had a "moral obligation to do so." Hockey Canada officials said they don't know what transpired at the party, nor do they know the identities of the players involved in the alleged assault.

London police have since reopened the criminal investigation.

—Paul Vieira

THAILAND

Daycare Massacre Victims Cremated

Hundreds of mourners and victims' families gathered Tuesday evening to watch flames burn from rows of makeshift furnaces at cremation ceremonies for the young children and

others who died in last week's mass killings at a daycare center in Thailand's rural northeast.

Families bid their final goodbyes at a Buddhist temple a short distance from the Young Children's Development Center in the town of Uthai Sawan, where a former police officer, who was fired from his job earlier this year for using drugs, barged in last Thursday and shot and stabbed children and their caregivers.

Panya Kamrap killed 36 people, 24 of them children, in this small farming community before taking his own life. It was the biggest mass killing by an individual in Thailand's history.

Joint ceremonies for most of the victims were held at three temples to spare families from having to wait long hours for successive cremations to be completed, Phra Kru Adisal Kijjanuwat, the abbot of the Rat Samakee temple, said.

On Tuesday morning, many of the young victims' bodies had been outfitted as doctors, soldiers or astronauts—what they wanted to be when they grew up—before their evening cremation.

—Associated Press

SOUTH KOREA

Seoul Says It Can Intercept Missiles

South Korea's military said Tuesday that it was capable of detecting and intercepting the variety of missiles North Korea launched in a barrage of recent simulated nuclear attacks on its rivals, though it maintains that the North's advancing nuclear program poses a grave security threat.

North Korea said Monday its two weeks of firing drills involved nuclear-capable ballistic missiles, warplanes and other assets to practice possible strikes on South Korean and U.S. targets. North Korea said the drills were meant as a warning to Seoul and Washington.

Moon Hong Sik, acting spokesman at the South Korean Defense Ministry, described North Korean nuclear threats as "very grave and serious." But he said the South Korean missile defense system was capable of detecting and intercepting the weapons systems that North Korea said it mobilized in its drills.

—Associated Press

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FROM PAGE ONE

Officials Are Awash In Stocks

Continued from Page One disclosure forms aren't available online or readily accessible. The review amounts to the most comprehensive analysis of investments held by executive-branch officials, who have wide but largely unseen influence over public policy.

Among the findings:

- While the government was ramping up scrutiny of big technology companies, more than 1,800 federal officials reported owning or trading at least one of four major tech stocks: Meta Platforms Inc.'s Facebook, Alphabet Inc.'s Google, Apple Inc. and Amazon.com Inc.
- More than five dozen officials at five agencies, including the Federal Trade Commission and the Justice Department, reported trading stock in companies shortly before their departments announced enforcement actions, such as charges and settlements, against those companies.
- More than 200 senior EPA officials, nearly one in three, reported investments in companies that were lobbying the agency. EPA employees and their family members collectively owned between \$400,000 and nearly \$2 million in shares of oil and gas companies on average each year between 2016 and 2021.

At the Defense Department, officials in the office of the secretary reported collectively owning between \$1.2 million and \$3.4 million of stock in aerospace and defense companies on average each year examined by the Journal. Some held stock in Chinese companies while the U.S. was considering blacklisting the companies.

About 70 federal officials reported using riskier financial techniques such as short selling and options trading, with some individual trades valued at between \$5 million and \$25 million. In all, the forms revealed more than 90,000 trades of stocks during the six-year period reviewed.

When financial holdings caused a conflict, the agencies sometimes simply waived the rules. In most instances identified by the Journal, ethics officials certified that the employees had complied with the rules, which have several exemptions that allow officials to hold stock that conflicts with their agency's work.

Federal agency officials, many unknown to the public, wield "immense power and influence over things that impact the day-to-day lives of everyday Americans, such as public health and food safety, diplomatic relations and regulating trade," said Don Fox, an ethics lawyer. He said many examples in the Journal analysis "clearly violate the spirit behind the law, which is to maintain the public's confidence in the integrity of the government."

Some federal officials use investment advisers who direct their stock trading, but such trades still can create conflicts under the law.

Journal reporting last year on federal judges, revealing that more than 130 jurists heard cases in which they had financial interests, led to a law requiring judges to promptly post online any stock trades. This article launches a Journal series on the financial holdings of senior executive-branch employees.

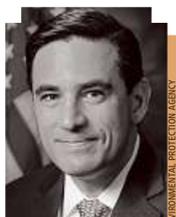
The rules

U.S. law prohibits federal officials from working on any matters that could affect their personal finances. Additional regulations direct them to avoid even an appearance of a conflict of interest. Those above a certain pay level file annual financial disclosures listing figures in a range.

Most officials' financial disclosures are public only upon request. The Journal obtained disclosure forms by filing written requests with each federal agency.

Some made it difficult to obtain the forms, and several agencies haven't turned over all of them.

Under federal regulations, investments of \$15,000 or less in individual stocks aren't con-



MICHAEL MOLINA

30
Energy and other EPA-regulated companies invested in by him and his spouse

mental issues, reviewed matters, the then-head of the agency, Andrew Wheeler, and was sometimes asked his opinions in meetings, according to records reviewed by the Journal and people familiar with the matter.

In about 2½ years at the EPA, Mr. Molina reported more than 100 trades in energy and mining companies including Duke Energy Corp., NextEra Energy Inc. and BP PLC. About 20 of the transactions were for between \$15,001 and \$50,000 each, according to Mr. Molina's disclosures. Those trades also were made for his husband by his financial adviser.

In the month he was promoted, his husband made several stock purchases through the adviser in Cheniere and Williams Cos., which builds and operates natural-gas pipelines. Two months later, Mr. Trump said the EPA would propose new rules to help the gas industry.

After online publication, Mr. Molina said in a written statement: "Neither I nor my husband knew about or directed any of these trades. Our financial advisor had complete discretion to trade in the account, and these one trades were made on behalf of a pool of several dozen clients—not for us individually."

Mr. Molina left the EPA in January 2021. An EPA spokeswoman said the agency's ethics office "counseled Mr. Molina on his ethics and financial disclosure obligations." EPA officials signed Mr. Molina's financial-disclosure statement in each year he was at the agency, an indication they believed he was in compliance with conflict-of-interest rules.

A spokeswoman for the EPA said its officials may invest in energy companies so long as they aren't working on policies that could affect their investments. Mr. Molina's boss told ethics officials that he had no influence over public policy matters.

Greg Zacharias was the chief scientist for the Defense Department's director of operational test and evaluation until last fall. He repeatedly bought stock in a defense contractor in the weeks before the Pentagon announced it would pay the company \$1 billion to deliver more F-35 combat jets, while his division was overseeing testing of those planes.

Mr. Zacharias made five purchases of Lockheed Martin Corp. stock, collectively worth \$20,700, in August and September 2021, according to figures he provided. On Sept. 24, 2021, the Defense Department said it was buying 16 F-35 jets for Lockheed for the Air Force and Marine Corps. Lockheed shares closed up 1.1% the next trading day. The stock made up a small part of Mr. Zacharias's portfolio.

Mr. Zacharias's office had been involved for years in overseeing testing of combat jets, and testing officials regularly met with the Pentagon's F-35 Joint Program Office and with Lockheed directly, according to former defense officials. Mr. Zacharias, who provided scientific and technical expertise on how to assess the effectiveness of weapons systems, didn't attend those meetings.

Mr. Zacharias said he wasn't involved in decisions on contracting and had no inside knowledge ahead of the contract, beyond the public information that the Pentagon remained committed to the F-35 program. He acknowledged that his role could have allowed him to access information about specific weapons

ensuring that their holdings don't conflict with their work, regardless of whether they use a financial adviser. The Journal's review shows that many federal officials tell their financial advisers to avoid investing in certain industries or shed specific stocks.

In an interview on Sept. 28, Mr. Molina indicated that he didn't know much about the energy trades. "I can say this on the record: I didn't even know what Cheniere was until 36 hours ago," he said.

In February 2019, Mr. Molina was promoted to EPA deputy chief of staff. He attended scores of meetings on environ-



GREG ZACHARIAS

5
Purchases in Lockheed stock before F-35 deal with the company



Above, a view of Washington, and below, the Pentagon. Thousands of federal officials owned stocks of companies that can be affected by decisions their agencies make.



systems. "That really wasn't an interest of mine," he said, adding that his focus was emerging technologies.

Mr. Zacharias said he wanted to buy stock in defense contractors, including Lockheed, because of their dominance of the defense market. He said he didn't pay much attention to the timing of trades, adding: "I'm just the pipe-smoking science guy."

The Lockheed investments were among more than 50 trades Mr. Zacharias reported in about a half-dozen defense contractors in 2020 and 2021.

"I apologize that things don't look good on the buy side," Mr. Zacharias added. Of the trades in defense contractors, he said: "I just decided that would be a good investment at the time."

No concerns

He said ethics officials didn't raise concerns about his trades in Lockheed or any of the other defense contractors he reported investments in, beyond periodically sending a letter reminding him not to take part in contract negotiations involving the companies. He said ethics rules could be "a little tighter."

A Pentagon spokeswoman said Mr. Zacharias "worked with his supervisor and ethics officials to implement appropriate disqualifications." She said the department requires supervisors to screen their employees' disclosures for conflicts in addition to the review conducted by ethics officials. Ethics officials certified that he complied with the law.

The FDA prohibits employees, their spouses and their minor children from investing in companies that are "significantly regulated" by the agency. The FDA maintains an online list of prohibited companies for officials to check.

An FDA official named Malcolm Bertoni disclosed that he and his wife owned stock in about 70 pharmaceutical, diagnostics, medical device and food companies regulated by the agency in 2018 and 2019. All were on the prohibited list.

Mr. Bertoni, a career executive, ran the FDA's planning office from 2008 to 2019, researching and analyzing programs. Most of the investments he reported were in the range of \$1,001 to \$15,000, but

his 2019 disclosure showed he and his wife owned between \$15,001 and \$50,000 in each of Allergan PLC, Sanofi SA, Takeda and Zoetis Inc.

Mr. Bertoni's lawyer, Charles Borden, said Mr. Bertoni and his wife held these stocks despite the bans because they got bad advice from the FDA ethics office.

The stocks were in accounts managed by professionals who had knowledge of Mr. Bertoni or his wife, the attorney said. He said that years ago, Mr. Bertoni asked the ethics office how he should treat the accounts and was told they fell into an exception to the rules for mutual funds.

They did not. The office discovered its error in early 2019, Mr. Borden said. "The FDA's Office of Ethics and Integrity took full responsibility for the inaccurate guidance given to Mr. Bertoni," the attorney said in an email.

After considering the tax and retirement-planning consequences of having to sell the

stocks, and other personal factors, Mr. Bertoni chose to retire instead, his lawyer said.

An FDA spokesman said Mr. Bertoni was recused from matters involving the companies once he reported the holdings. The spokesman declined to comment on the events leading up to his departure.

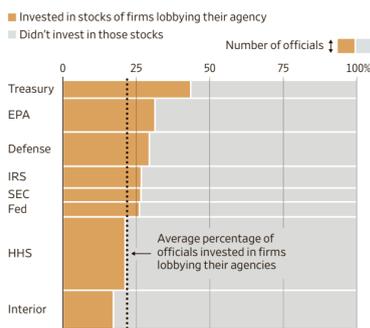
"The FDA takes seriously its obligation to help ensure that decisions made, and actions taken, by the agency and its employees, are not, nor appear to be, tainted by any question of conflict of interest," said the spokesman.

When federal officials are found to have violated conflicts rules, they often receive light punishment if any.

Valerie Hardy-Mahoney, a lawyer who runs the National Labor Relations Board's Oakland, Calif.-based regional office, held Tesla shares as her office pursued complaints against the firm and Chief Executive Elon Musk and considered whether to file more.

Members of the labor relations board, appointed by the

Federal officials who filed public financial disclosures, 2016-21*

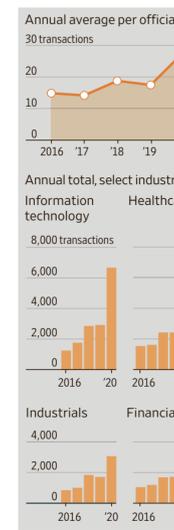


Number of federal officials who reported owning specific tech stocks, 2016-21*

Company	Number of officials
Apple	116
Amazon	81
Alphabet	76
Meta ¹	70
Total ¹	343
Defense	81
IRS	76
Labor	70
Treasury	66
Fed	59
SEC	40
FTC	12

*Select agencies shown. ¹Meta includes holdings listed for Facebook. ²The number of officials who owned at least one of the four companies. ³Excludes agencies that haven't provided reports for all years. Only includes officials who reported at least one stock transaction. Note: Holdings include those owned by officials or their immediate family members. Source: Disclosure forms analyzed by The Wall Street Journal

Stock transactions reported by federal officials¹



Rosie Ettenheim/THE WALL STREET JOURNAL



EPA headquarters in Washington

also declared that any breach by a CFTC employee of an investment rule set by the commission could be punishable by up to a \$500,000 fine and five years in prison. The CFTC's role doesn't include regulating stocks, but in 2002, the agency adopted a rule banning short selling by its employees and their families.

Still, a CFTC ethics official approved short selling by Ms. McPhail's husband, Joseph McPhail, a CFTC spokesman said, fearing the commission "could possibly be sued by the employee if we said no." The spokesman said the ethics office believed the regulatory provision exceeded the commission's statutory authority.

Mr. McPhail referred questions to the CFTC. The CFTC spokesman said he didn't speak for the McPhails. Ms. McPhail didn't respond to requests for comment.

At the CFTC, "employees are required...to adhere to strict ethical standards and to disclose personal investments to ensure that the work of the CFTC to oversee markets is free from any conflict of interest," said the agency spokesman. "In this instance, several years ago the employee sought advice regarding their spouse's investments and received approval from career ethics counsel."

Mr. McPhail was a senior policy analyst at the Federal Deposit Insurance Corp. until September 2021. It said: "The FDIC expects our employees, as public servants, to devote their time and efforts to our mission to maintain stability and public confidence in the nation's banking system."

The Defense Department was among the federal agencies with the most officials who invested in Chinese stocks, even as the Pentagon in recent years has shifted its focus to countering China.

Across the federal government, more than 400 officials owned or traded Chinese company stocks, including officials at the State Department and White House. Their investments amounted to between \$1.9 million and \$6.6 million on average a year.

Reed Werner, while deputy assistant secretary of defense for south and southeast Asia, in December 2020 reported a purchase of between \$15,001 and \$50,000 of stock in Alibaba Group Holding Ltd. At the time, discussions were under way at the Pentagon over whether to add the Chinese e-commerce giant to a list of companies in which Americans were barred from investing because of their alleged ties to the Chinese government.

Defense and State officials pushed to add the company to the blacklist, while the Treasury feared this would have wide capital-markets ramifications. Mr. Werner had been involved in some discussions about what companies to add to the blacklist, former defense officials said.

Nearly two weeks after the Alibaba purchase, the Treasury updated its list and didn't include Alibaba. The company's stock rose 4% that day. Three days later, Mr. Werner's disclosure form shows a sale of between \$15,001 and \$50,000 of Alibaba stock.

The sale came a day before a meeting where defense officials planned to press their case for adding Alibaba and two other companies to the blacklist. Then-Treasury Secretary Steven Mnuchin ultimately blocked the effort.

In an interview, Mr. Werner acknowledged he was involved in discussions about adding

Short sales

Lihong McPhail, an economist at the CFTC, reported the most trading reported by an official in the Journal's review. Her husband made more than 9,500 trades in 2020—an average of about 38 each trading day, according to her disclosure form and the CFTC. About one-third—2,994—involved shorting stocks, or betting on a fall in their price. The CFTC said all the short sales were made by her husband.

Over the years, to safeguard the CFTC's integrity, Congress imposed tighter restrictions than at other agencies on employees' investing. Congress



LIHONG MCPHAIL

2,994
short sales
Made by spouse; CFTC permitted despite an agency ban on short-selling

Alibaba to the list, saying he attended a meeting in late 2020 and was on an email chain about the matter. He said that he wasn't involved in blacklist discussions during the period the Alibaba trades were made, and that the trades resulted in a \$1,556.51 gain. He declined to answer further questions.

The Pentagon spokeswoman said that the officials who formally compiled and approved the blacklist didn't own stock in affected companies, and that supervisors and ethics officials review reports for holdings that could conflict with an employee's duties. Ethics officials certified that Mr. Werner complied with the law.

At least 15 other defense officials in the office of the secretary reported they or family



REED WERNER

2
Trades in Alibaba stock while Pentagon was discussing Alibaba ban

members owned or traded Alibaba between 2016 and 2021, including Jack Wilmer, who served as senior cybersecurity adviser at the White House and then as the Pentagon's top cybersecurity official.

Between 2018 and 2020, he reported at least six trades, which he said totaled around \$10,000, in the Chinese companies Alibaba, search-engine giant Baidu Inc. and China Petroleum & Chemical Corp.

Mr. Wilmer said a money manager handles his trades and he didn't direct any of the transactions. He said he wasn't involved in policy-making decisions that would have affected those stocks and said he didn't see a conflict between his job and investments. He left the government in July 2020, before Mr. Trump signed the executive order barring Americans from investing in certain Chinese companies.

When federal agencies, ethics officials generally don't consider their job to investigate whether employees are making stock trades based on information they glean from their government jobs. They usually don't know what employees are working on.

Light penalties

When they do see a potential violation, they can refer it to their agencies' inspectors general, who refer cases on to the Justice Department if they find evidence of wrongdoing. A Journal review of inspector general reports showed the officers rarely investigated financial conflicts. When findings are referred to the Justice Department, prosecutors in most cases have declined to open an investigation.

One matter at the Securities and Exchange Commission involved an official who failed to report or clear his and his spouse's financial holdings and trades for at least seven years.

When a U.S. attorney declined to prosecute, the SEC's inspector general reported the findings to SEC management. The unnamed official ultimately was suspended for seven days and gave up 16 hours of leave time.

The SEC declined to comment on individual cases but said: "We take all inspector general referrals seriously and bring charges when the facts and law support them, consistent with the principles of federal prosecution."

At the EPA, Mr. Molina's financial-disclosure reporting caught the attention of ethics officials.

Conflict-of-interest rules say executive-branch employees may not "participate personally and substantially" in matters that have a "direct and predictable effect" on their investments and those of family members.

When the ethics officials contacted Mr. Molina about energy stocks he reported on his forms, they were told he didn't have any influence over environmental policy.

His "duties are administrative in nature," his boss, the EPA's chief of staff at the time, told ethics officials. "He provides logistical support to the principal but does not participate personally and substantially in making any decisions, recommendations or advice that will have any direct or substantial effect" on his financial interests, the chief of staff said, according to Mr. Molina's financial disclosure.

In his time at the EPA, Mr. Molina clashed with ethics officials. Many of his financial disclosure reports were inaccurate and tardy, according to EPA emails reviewed by the Journal. At one point, he didn't file accurate monthly trading disclosures for 12 months, according to the EPA emails. Mr. Molina reported the stock trades on his annual financial reports, as required.

Ethics officials said they contacted Mr. Molina "scores of times" over his failure to file timely reports, according to the emails reviewed by the Journal.

In one email, a senior ethics official said his office had "provided you with at least 3-5 times more personal assistance than for any other agency employee, yet the required ethics reports were still late."

Mr. Molina told EPA officials that he initially didn't know he was supposed to complete regular stock-trading reports. He later struggled to keep up with the EPA's electronic-disclosure system, according to the emails reviewed by the Journal.

In September 2020, the EPA fined Mr. Molina \$3,200 for numerous failures to disclose stock trades to the agency on time. He refused to pay.

"We have never before had an employee refuse to pay the late fee," wrote one ethics officer in an email to Mr. Molina on Oct. 21, 2020, "so I will have to inquire about how to commence garnishment proceedings."

The next month, Mr. Molina accused ethics officials of discriminating against him. "I feel that I am being targeted and have been asked to report more than anyone else," he wrote in a Nov. 3, 2020, email.

"If the intent of these findings is to curb any corruption or misbehavior," Mr. Molina wrote, the EPA should open an investigation. "I believe that paying such an outrageous fine would be an admission that I have done something wrong in this regard."

Ethics officials didn't investigate Mr. Molina's trades or refer the matter to internal investigators.

On the evening of Jan. 19, 2021, Mr. Molina's final day working for the government, EPA ethics officials offered to end the matter if he paid a discounted fine of \$1,067.

Mr. Molina wrote out a personal check to "U.S. Treasury" and sent it to officials in the EPA's ethics office, including to Justina Fugh, an official with whom he had clashed.

In the memo line of his check, Mr. Molina wrote: "Justina tax."

—Coulter Jones contributed to this article.



VALERIE HARDY-MAHONEY

\$30,002 to \$100,000
Owned in Tesla stock as agency pursued complaints against company

president, review decisions made by agency administrative courts. Ms. Hardy-Mahoney acts as a prosecutor in those courts.

Her office filed complaints against Tesla in 2017 and 2018. She reported holding Tesla shares worth \$1,001 to \$15,000 in 2019 while those cases were ongoing. The next year, her disclosure form shows, she owned Tesla shares valued at between \$30,002 and \$100,000 in E*Trade accounts. She purchased two chunks of Tesla stock in August 2020, each valued at be-

tween \$1,001 and \$15,000, according to her disclosure form.

The NLRB ruled in March 2021 that Tesla had illegally fired an employee involved in union organizing and that Mr. Musk, in a tweet, had coerced employees by threatening them with the loss of stock options if they unionized. It ordered Tesla to reinstate the employee and Mr. Musk to delete the tweet. Tesla has disputed the findings and has appealed the decision to a federal appeals court.

Ms. Hardy-Mahoney's office has in other cases rejected

charges against Tesla filed by employees.

Last November, an NLRB ethics official declined to certify that Ms. Hardy-Mahoney was in compliance with ethics laws and regulations, according to her disclosure form.

The NLRB inspector general said in a report his office had substantiated an allegation of violating federal law by participating in a matter in which an employee had a financial interest. An NLRB spokeswoman confirmed that the report involved Ms. Hardy-Mahoney.

The report said the matter was referred to the local U.S. attorney's office, but federal prosecutors declined to take it. The report said the subject of the report received additional training regarding financial conflicts of interest and the case was closed.

Ms. Hardy-Mahoney declined to comment. She recused herself from Tesla cases last year and now is in compliance with conflict rules, the NLRB spokeswoman said.

In one instance, the Commodity Futures Trading Commission permitted short sales contrary to its own rule.

FROM PAGE ONE

Saudis Rejected Cut Delays

Continued from Page One impact of this shortsighted decision to the global economy.”

National Security Council spokesman John Kirby said on Tuesday that President Biden believes the U.S. should review the relationship with Saudi Arabia in light of the OPEC+ decision, “and take a look to see if that relationship is where it needs to be and that it is serving our national-security interests.” He said the president was willing to discuss the bilateral relationship with members of Congress.

In an interview with CNN broadcast Tuesday evening, Mr. Biden said that when Congress is in session “there’s going to be some consequences for what they’ve done, with Russia.”

On Tuesday, Prince Faisal bin Farhan, the Saudi foreign minister, said the OPEC+ decision was purely economic and had no political dimensions. The alliance seeks to stabilize energy markets and advance the interests of producers and consumers, he said in an interview with Saudi-owned Al Arabiya television.

Prince Faisal said relations with the U.S. are longstanding and strategic and that military cooperation between the two countries has contributed to regional peace and stability.

U.S. officials said the OPEC+ decision was unhelpful as inflation driven by high energy prices threatens global growth and represents an economic weapon against the West for President Vladimir Putin of Russia. It threatens to drive up U.S. gasoline prices ahead of the Nov. 8 midterms.



President Biden visited Saudi Arabia in July, meeting with Saudi Crown Prince Mohammed bin Salman, right, in a bid to mend ties.

The one-month delay requested by Washington would have meant a production cut made in the days before the election, too late to have much effect on consumers’ wallets ahead of the vote.

Since the OPEC+ decision, the White House vowed to fight OPEC’s control of the energy market. Lawmakers called on the U.S. to cut off arms sales to Saudi Arabia. And U.S. officials started looking for ways to punish Riyadh.

In one of its first responses, U.S. officials said, the Biden administration is weighing whether to withdraw from participation in Saudi Arabia’s flagship Future Investment Initiative investment forum this month. The U.S. has pulled out of a working-group meeting on regional defenses next week at the Gulf Cooperation Council, based in Saudi Arabia, people familiar with the matter said.

Mr. Biden’s visit to Saudi Arabia in July was meant to repair relations after the president entered office with a vow to treat the kingdom as a pariah over human rights, particularly the 2018 killing of Saudi journalist Jamal Khashoggi at the hands of Saudi agents. Images of the president’s fist bump with Crown Prince Mohammed bin Salman became a polarizing symbol of the trip.

But Mr. Biden’s July visit did little to change Prince Mohammed’s determination to chart a foreign policy independent of U.S. influence, in a break from almost 80 years of U.S.-Saudi partnership, people inside the Saudi government said.

If anything, the people inside the Saudi government said, the visit angered Prince Mohammed, who was upset that Mr. Biden went public with his private comments to the Saudi royal over Mr. Khashoggi’s

death, which prompted Saudi officials to publicly contradict Mr. Biden’s characterization of their interaction.

U.S. officials said they saw no indications in their talks with Saudi leaders in recent months that Mr. Biden’s comments about Mr. Khashoggi had been damaging to ties.

Prince Mohammed—who runs the kingdom day to day for his father, King Salman—has tried to maximize Saudi Arabia’s economic strength. With high energy prices, the kingdom’s economic growth this year is estimated by the IMF at more than 10%—making it one of the best performers globally.

Prince Mohammed has told advisers that he isn’t willing to sacrifice much for the Biden administration, the people inside the Saudi government said, citing its critical view of the Saudi war in Yemen, bid to close a nuclear deal with Iran that Riyadh

opposes and Mr. Biden’s own comments on the prince.

In August, the Saudis had planned to push OPEC+ to raise oil production by 500,000 barrels a day in an effort to please Mr. Biden, but Prince Mohammed ordered the increase lowered to a token 100,000 barrels a day after the Biden visit, the people inside the Saudi government said.

The U.S. State Department’s energy-security envoy, Amos Hochstein, sent the Saudi energy minister, Prince Abdulaziz bin Salman, an email that suggested he had broken his word promising a larger increase, people familiar with the matter said.

The email angered Prince Abdulaziz and strengthened his resolve to forge an oil policy independent of the U.S., the people said.

In September, Prince Abdulaziz engineered OPEC+’s first

production cut since the pandemic, erasing the 100,000-barrel-a-day increase from August.

Then, before the Oct. 5 OPEC+ meeting, Prince Abdulaziz called Persian Gulf oil chiefs and urged them to back a bigger cut, OPEC+ delegates said.

He cited a Western plan for an oil-price cap as a direct attack on crude producers, OPEC+ delegates said. “It’s us against them,” he told at least two Gulf oil ministers, the delegates said.

U.S. officials launched an intense lobbying campaign to persuade Saudi Arabia to delay its plans, people familiar with the matter said. White House officials held multiple calls with Prince Mohammed, the people said, and Treasury Secretary Janet Yellen spoke to the Saudi finance minister.

The United Arab Emirates, another significant OPEC producer, opposed the production cut and advocated privately for a one-month delay, in line with U.S. requests, people familiar with its position said.

Kuwait, Iraq and Bahrain also pushed back privately against the proposed cut, but ultimately went ahead with the decision in order to preserve unity within OPEC+, U.S. and regional officials said.

U.S. officials said they were blindsided by the size of the cut.

Russia had lobbied the Saudis to enact the production cut, OPEC+ delegates said.

U.S. officials warned that the Saudi move could imperil more than \$100 million in active foreign military sales Riyadh is seeking from the U.S. Lawmakers announced plans to reintroduce a bill to immediately suspend arms sales to Saudi Arabia.

Brent crude traded at \$93.60 on Tuesday, up 13% since hitting a low of \$82.86 on Sept. 26.

—Nancy A. Youssef, Timothy Puko and Michael Amon contributed to this article.

New Rule Proposed for Gig Workers

Continued from Page One

Any attempt to reclassify gig workers would likely lead to legal challenges from companies arguing they aren’t covered under the test. The rule also escalates a multiyear debate between Democrats and Republicans over the status of gig workers.

“There’s going to be a contentious fight over this in the courts and if there is a change in political power at the federal level there’s going to be a continuation of this ongoing instability,” said Peter Norlander, a professor at Loyola University Chicago who studies gig work.

The Labor Department plans to take public comment on the rule for 45 days. The administration likely won’t finalize the rule until next year.

The rule would put in place a “multifactor reality test” to determine whether workers are truly in business for them-

selves and control aspects of their employment such as whether they perform managerial duties, how they are supervised or whether they are able to set prices.

It would replace a Trump-era rule—finalized just days before the Biden administration took office—and return to an approach favored by the Obama administration. The Trump administration rule made it more difficult for a gig worker to be counted as an employee under federal law.

The Biden administration blocked the 2021 rule within months of taking office, but a federal judge later reinstated it. Gig-economy companies were among the most vocal proponents of the Trump-era rule.

The companies have also been active at the state level. In 2019, California passed a law classifying some gig workers as employees. The companies won passage of a ballot measure the following year that exempted many ride-sharing and delivery services from the state law, following the most expensive campaign for any ballot measure in state history.

At the time, Uber estimated it would need to spend millions of dollars to build a



Uber says drivers overwhelmingly prefer the flexibility that comes with working as an independent contractor.

framework to monitor drivers, including tracking their meals and rest breaks, and hire additional staff to oversee day-to-day operations. Those costs, Uber said then, would push prices for rides to increase between 20% and 120% in California.

On Tuesday, an Uber representative said drivers overwhelmingly prefer the flexibility that comes with being an independent contractor.

“In a time of deep economic

uncertainty, it is crucial that the Biden administration continues to hear from the more than 50 million people who have found an earning opportunity with companies such as ours,” said Uber’s head of federal affairs, CR Wooters. He said the company looks forward to continued talks with the administration.

Lyft, in a blog post, said the proposal is the first step in what is likely to be a longer process before any final rule

or determination is made.

“Lyft will continue to advocate for laws such as the one in Washington state which gives workers what they want: independence plus benefits and protections,” the post said.

Food-delivery company DoorDash said it didn’t anticipate the proposed rule causing changes to its business model or to its workers’ status as independent contractors.

In a worst-case scenario, Wedbush Securities analyst Dan Ives said, the federal-rule change could increase labor costs by 15% to 30% for gig-economy players such as Uber and Lyft. “It would be a major albatross that would turn their business models upside down,” he said, adding that the severity of the proposal was unexpected.

Veena Dubal, a professor at the University of California Hastings College of Law, said the administration’s rule leaves a lot of leeway in how it can be interpreted. “There’s just a lot of wiggle room,” she said. “This is kind of like the middle-of-the-road-back-to-how-things-were proposed rule,” she said.

Ms. Dubal, a critic of the gig economy business model,

said she was skeptical that big companies such as Uber and Lyft would change their practices in response to the rule. Instead, they would likely mount a legal challenge.

“They could take this all the way up to the Supreme Court,” she said. “They would really play hardball in that regard.”

The rule would have a greater impact on smaller businesses such as construction companies or nail salons, she said, “because they cannot withstand that kind of scrutiny and the financial risks and legal costs.”

Labor Department officials said the rule is part of their broader attempt to crack down on employers who classify workers as contractors when they should be considered employees eligible for minimum wage provisions and other benefits.

“Combating misclassification is a priority for the department because we have seen it deny a wide range of workers the lawful wages, disrupt businesses that are following the rules and hurt the broader economy,” said Seema Nanda, the department’s top lawyer.

—Sarah E. Needleman contributed to this article.

Dig This: Basements Get Huge

Continued from Page One

or skylights cut into the ground above.

“Down is the new up,” says Randy Correll, partner at Robert A.M. Stern Architects. “Twenty years ago, basements were the ‘B word.’”

Ms. McDavid says the excavation for her parent’s 4,000-square-foot Aspen basement added about a year to the renovation, since workers dug underneath the home and into a mountainside. The resulting basement has guest suites, a gym with white oak floors, a 12-person hot tub and an “absurdly large” steam room, she says. “You feel like you’re in a luxury cave.”

She says the prior owner had done little to maximize the basement, which was “absolutely heinous.” (“It had wine storage, not to be confused with a wine cellar,” she says.)

Still, some towns have cracked down on the chic crypts, worried about unsettled topography and truck-

loads of excavated dirt rolling through neighborhoods. In Aspen, a resident sued the city for permitting a neighbor’s two-story basement, alleging excessive noise and dust. Aspen now limits basements to one level. And the Beverly Hills Planning Commission is now mired in a basement brouhaha.

Nantucket, just 14 miles long and 3.5 miles wide, limits home sizes with more than 20 zoning districts. One solution? Go low. “The possibilities are endless,” says Stephen Cheney, owner of Cheney Custom Homes, who is currently constructing a roughly 16,000-square-foot home and guest home with a 5,600-square-foot “bunker” below for a bowling alley, 3-D golf simulator, and spa.

Basements can dwarf homes above. Designer Andrew Kotchen, a principal at Workshop/APD, is working on a 5,000-square-foot Nantucket abode that will have a 10,000-square-foot basement with a basketball court, garage, bedrooms and a wellness space.

In beach towns, architects are deploying extreme waterproofing measures.

For the 10,000-square-foot grotto, workers are using the same waterproofing technique as Boston’s Big Dig highway project, Mr. Kotchen says.



A 12-person hot tub and steam room occupy part of a large basement in a home in Aspen.

In Aspen, a 5,000-square-foot basement at the confluence of two rivers required “dewatering,” says Ryan Walterscheid, a partner at architecture firm Forum Phi. Workers drilled wells around the site and pumped out almost a billion gallons of water before pouring the foundation. (The water was poured back into the river.)

Architect Charles Cuniffe, who designed the McDavids’ remodel, also did a basement with a tennis court. “You can’t

hit big lob shots,” he says, “but you can play a decent game of tennis.”

Interior designer Bryan Graybill says a large basement at his home in East Hampton, N.Y., was the only way to fit all the amenities he and his husband desired in their 4,100-square-foot house. For frequent hosting, their 1,800-square-foot lower level has full guest quarters, three sets of washers and dryers, and a catering pantry with service for 48. “It’s like an instant party,”

he says.

Los Angeles residents are also keeping up, and down, with the neighbors.

Architect Paul McClean’s firm designed developer Nile Niami’s roughly 105,000-square-foot megamansion “The One,” where about half the home sat below grade. First listed at \$500 million, the property fetched \$126 million at auction this year. (A relative bargain-basement deal.)

Beverly Hills leaders passed

ordinances in response to what Craig Corman, former Planning Commission chairman, called a “pernicious” trend of wedding cake-style retaining walls and massive basements. “They can be quite offensive,” he said during a recent commission meeting. Now, owners in the Hillside area cannot remove more than 3,000 cubic yards of earth without special permits.

This has hampered real-estate investor David Taban, who is trying to build a 23,144-square-foot house, of which 9,829 would be a basement.

But a basement of that size required removing 5,346 cubic yards of dirt, which one city planner said would amount to 594 truckloads.

“Violence to the land,” Planning Commission Chair Myra Demeter dubbed it at an August meeting.

Mr. Taban’s team is set to return to the commission Thursday. As of late September, plans called for removing just 3,276 cubic yards of soil, according to attorney Ronald Richards, a representative for Mr. Taban, who also argued the proposal predates some restrictive rules.

“It’s not even that crazy of a project in our mind,” says Russell Linch, another Taban representative.



FROM TOP: ILLUSTRATION BY CAROLE HEMAF; CHRIS JACKSON/GETTY IMAGES

Making Sense of Coincidences

Surprising concurrent events help us make decisions, soothe grief and tighten connections



BONDS
ELIZABETH
BERNSTEIN

I recently received an email from my dad's old friend Ed. He'd learned that my father had died earlier this year and wrote to offer his condolences.

He included his address, and I was stunned to see where he lived. He'd recently moved to a town where I was planning to attend a conference the following week. I wrote back immediately and we made plans to have dinner.

What a coincidence!

People are looking to make meaning these days, after the profound upheaval of the past few years. And one way that some of us do this is by looking for guidance or comfort in coincidences, the unexpected concurrence of events.

Scholars disagree on the cause of coincidences. Some say they are random and due to probability. Others see God or spiritual forces at work. Still others say it's our subconscious making connections. No matter the cause, people who study coincidences say that paying attention to these moments may help us, especially in times of stress.

Coincidences can aid us in making decisions, soothe us in grief and help us feel more connected to



A rainbow appeared near Windsor Castle on the day that Queen Elizabeth II died last month. One also appeared at Buckingham Palace.

others and less alone, says Bernard Beitman, a psychiatrist who has a new book on the topic called "Meaningful Coincidences: How and Why Synchronicity and Serendipity Happen." And studies show that noticing coincidences may help boost both the effectiveness of psychotherapy and mental well-being.

Coincidences "can make the world feel like it makes good sense," says David B. Yaden, an assistant professor at the Johns Hopkins University School of Medicine's Center for Psychedelic & Consciousness Research. His research, published in the new book he co-wrote, "The Varieties of

Spiritual Experience," shows a correlation between coincidences and an increase in positive emotions, better personal relationships and a greater sense of meaning in life.

Psychologists caution that you don't have to find meaning in everything. Sometimes a cigar is really just a cigar.

Yet many people find coincidences meaningful. Some are relevant to just one or two individuals, like when a friend calls just when you're thinking of her. Others strike many as significant. Think of the rainbows that appeared over Windsor Castle and Buckingham Palace on the day that Queen Elizabeth II

died last month. Or how Yankee slugger Aaron Judge hit his 61st home run of the baseball season in September, tying Roger Maris's American League single-season home-run record of 61 made in 1961, which was 61 years ago.

While reporting this column, I heard from people who credited coincidences with helping them find jobs, friends and spouses, find strength when fighting an illness and make significant career decisions.

Many people say that coincidences help console them when they're grieving. Michael Schauch, 42, an investment-portfolio manager in Squamish, British Columbia, who is an avid mountaineer, lost his best friend last year. A few months later, Mr. Schauch climbed a mountain he and his friend often scaled together. At the summit, Mr. Schauch found hundreds of ladybugs. When he climbed a different mountain on the anniversary of his friend's death, he saw a ladybug as he started up each new section of the rock face.

"I knew at once that it was Brent, and that he was still there with me, as if to say: 'You've got this, Mike. Keep going,'" he says.

After Carla Kaufman Sloan lost her older son in an accident eight years ago, when he was 7, she began noticing heart shapes, often when she felt sad. It started the first time she took her younger

son back to a restaurant loved by both her boys. As she walked in, trying not to cry, she saw a heart-shaped leaf. "I showed it to my son, who declared it was from his brother," says Ms. Kaufman Sloan, 54, who is a TV producer and writer in Miami.

After that, she began noticing more heart shapes, in leaves, puddles, rocks and clouds. On a beach in Mexico, Ms. Kaufman Sloan looked down at a pile of seaweed and discovered a red plastic heart. Picking it up, she saw that it was from a toy similar to the one that had helped her son learn about shapes when he was a baby. She took the plastic heart home—and found it fits perfectly into a slot in her son's old toy.

"It helps to realize that there is more to our daily lives than the surface," says Ms. Kaufman Sloan.

Dr. Beitman, who founded a nonprofit called the Coincidence Project, to encourage people to share their stories, has identified four types of meaningful coincidences.

One is serendipity, which is a sort of happy accident, such as when you're looking for your keys and you find the earring you've been searching for. Another is synchronicity, a term introduced into psychotherapy by psychiatrist Carl Jung, which he described as events that seem meaningfully related but have no apparent causal connection. You're thinking of someone you miss and their favorite song comes on the radio, for example. Seriality is what happens when you see the same number or symbol over and over again. And simlupathy is a term Dr. Beitman coined to describe the experience of feeling a loved one's pain or distress from a distance.

If you'd like to boost your ability to notice coincidences, there are several strategies, says Lisa Miller, a clinical psychologist who is founder of the Spirituality Mind Body Institute at Teachers College, Columbia University: Be open to them. Write them down. Talk about them with others.

"We really need this deep inner wisdom," she says.

Before my dad's friend Ed wrote to me, I was on the fence about going on my business trip. The chance to see an old family friend and reminisce about my dad made me decide to go ahead and book my flight.

The conference was excellent. It was—coincidentally!—in Bloomington, Ind., where I went to college at Indiana University, so I had a fun visit with deans and students at the media school, too.

And I had a wonderful dinner with Ed. He'd made a reservation—coincidentally!—at the same restaurant my parents had taken me to after my graduation years ago, and we talked for hours. I told him how hard it had been to see my dad so sick for the past few years and to lose him, and he shared how he was struggling with his own grief. We also laughed about happy memories, and Ed told me some stories I'd never heard.

It was as close to my dad's presence as I'd felt in a long time. What a wonderful coincidence.

Pair of 1880s Jeans Fetches \$76,000

By JACOB GALLAGHER

On Oct. 1, in a remote RV park in northern New Mexico, a pair of excavated Levi's jeans from the 1880s sold at auction for \$76,000. The buyer? A 23-year-old from San Diego.

"I'm still kind of bewildered, just surprised in myself for even purchasing them," said Kyle Hauptert, who walked away with the jeans, during an interview a few days after the auction closed.

The bid makes the pair of vintage jeans one of the priciest ever sold. Mr. Hauptert, a vintage clothing dealer, put up 90 percent of the winning bid, while the remaining 10 was kicked in by Zip Stevenson, an elder statesman of the vintage market who has run the Los Angeles shop Denim Doctors since 1994. Including the buyer's premium, the pair paid \$87,400 total for the jeans.

The high-value Levi's are an extraordinarily rare pair of jeans from an era before planes, traffic lights and radios. They were found several years ago by Michael Harris, a self-described denim archaeologist, in an abandoned mineshaft in the American West.

Like a Pollock canvas, the pants legs are speckled in wax from the candles miners employed to light the way. Advanced age is evident in the cloth patch along the beltline, a

Critically, the jeans are almost entirely intact after all these years. "You could wear them to get a Starbucks," said Mr. Stevenson.

They were sold at auction by Brit Eaton, a vintage expert who has been selling collectible jeans since the 1990s and claimed in an interview to have "arguably the best collection of early denim in the world, outside the Levi's museum." He said he purchased these jeans from Mr. Harris about five years ago for \$23,000.

The auction of the jeans was the marquee event of the Durango Vintage Festivus, a four-day vintage clothing market put on by Mr. Eaton in the New Mexican plains. "I knew they'd be a big draw," said Mr. Eaton of the jeans. Indeed they were—and continue to be. Videos of the bidding have been viewed hundreds of thousands of times online.

The event was originally a way for Mr. Eaton to raise funds to build a 12,000-square-foot warehouse for housing his extensive collection of antique clothes, but it blossomed, with sellers from across the country arriving to hawk esoteric jeans and jackets.

Sotheby's this was not. Clothes were sold in heaps under pavilion tents at the sprawling Tico Time River Resort. During the auction, bid-



The jeans were pulled from a dusty, abandoned mineshaft in the American West.

ders sat around in plastic chairs while onlookers drank from cans of beer.

While he wasn't originally set on purchasing the 1880s Levi's, Mr. Hauptert came to see them as a sound investment based on their rarity. Buying the jeans was also a way to boost his profile in the vintage world. Since the auction, he's gained thousands of followers on Instagram.

He and Mr. Stevenson said that compared with other commodities like a Rolex or an expensive car, these jeans are far rarer. "If you want an expensive Ferrari, you can call five people and get that car," said Mr. Hauptert. "With these pants you're not going to find them anywhere." Indeed, Levi's of this age rarely

come up at auction. In 2018, a pair from 1893 sold for nearly \$100,000 through a private sale to a buyer in Asia.

Despite his young age, Mr. Hauptert said he has been selling aged clothing for six years, specializing in what's known as "true vintage," loosely defined as garments that date to at least roughly the 1970s. During the pandemic, he and his friends began sifting through old homes in the desert to find faded—and often highly profitable—decades-old chore jackets and jeans.

"We've pulled jeans out of trunks in an attic," said Mr. Hauptert, "We found jeans in the dirt that we sold for \$2,000."

In recent years, the market for true vintage has ballooned, particularly among younger people who seek out items far rarer than the T-shirts or not-too-old sweaters found at local thrift stores.

"There was a period where more hyped types like rap T-shirts were getting really popular and mainstream, and now it seems like this space is kind of shifting more towards true vintage," said Dylan Gins, the head of social-media marketing at Bidstitch, an online vintage marketplace.

The jeans are now housed at Mr. Stevenson's Los Angeles office. The duo has received several inquiries about them, but no firm offers yet. They believe the jeans could be worth as much as \$150,000, but are also open to working with a museum or gallery to display them.

"You really have to see them in person to see how insane these are," said Mr. Hauptert. "We're not in any rush to sell."

PERSONAL JOURNAL.

U.S. Travelers Get Best Foreign Deals In 25 Years

By Allison Pohle

American travelers have a once-in-a-generation chance to ride the strong dollar overseas. The euro, Japanese yen and British pound have recently fallen to multidecade lows against the dollar. The pound was off 15.2% against the dollar as of Monday from six months earlier, to \$1.11, according to FactSet. The yen and euro have also fallen in the past six months, down 14.7% and 10.8% respectively. For U.S. tourists, even those used to international travel on a budget, this means a license to spend in destinations where their dollars are going further.

"Right now is the best time we've probably had in 25 years to travel most destinations internationally, including Europe and Japan," says Angela Hughes, owner of Winter Garden, Fla.-based Trips and Ships Luxury Travel, of the exchange rates.

Travel advisers say U.S. travelers can get a reprieve from domestic inflation, as the dollar's strength has helped offset rising costs in other countries.

For the 14 days after Labor Day, in-person Bank of America credit- and debit-card spending in foreign countries was up 29% compared with the same period in 2019, according to a Bank of America Institute consumer report released this month. Travelers are splurging in Europe, especially on clothing and luxury goods, according to the report.

Mary Elizabeth Nesser and her husband, Mark Nesser, recently traveled to London to watch the Minnesota Vikings play the New Orleans Saints in a special regular-season National Football League game. Ms. Nesser says she expected high prices in the U.K., af-

ter spending about \$11,000 in July for two business-class tickets from Toronto to London.

She was surprised when the pair's nightly dinner bill at high-end restaurants was just over \$100, including appetizers, two entrees and two to three drinks.

"We spend more than that here," says Ms. Nesser, who, with her husband, owns two salons and lives in the Rochester, N.Y., area.

Japan opened to individual international travelers on Tuesday. Previously, travelers had to be part of organized tour groups.

International airfare remains high, in part because of fuel prices and limited routes. A round-trip economy flight from New York to



Tokyo costs an average of \$1,656 for travel between Oct. 11 and Oct. 31, according to data from the travel search engine Kayak. This is a 72% price increase over the same travel period in 2019, the company says. But U.S. travelers who embark on long-awaited trips to Japan will find a favorable exchange rate for attractions and activities, Ms. Hughes says.

Previously, couples and retired travelers were her main clients, but Ms. Hughes says she has seen more



Travelers to popular spots such as Tokyo, above, and London see favorable rates on attractions.

millennials and families book trips to Japan because of pent-up demand and relative affordability. She does expect prices to increase and then stabilize in the next eight months, depending on market conditions and demand.

The strong U.S. dollar is having widespread effects on the global economy. Industry professionals caution that some foreign hospitality companies might raise prices in the coming months as Europe navigates an energy crisis and operational costs increase.

"I don't think we've ever seen an environment like this one before, with the war in Ukraine, what's happening in the oil markets, what's happening with the

different central banks, how different countries react," says Nicolas Graf, associate dean of New York University's Tisch Center of Hospitality. He says European hotels and restaurants will likely raise prices as the cost to operate goes up.

The strength of the U.S. dollar is helping trans-Atlantic travel recovery, says Olivier Ponti, vice president of insights for travel-analytics firm ForwardKeys. As of Sept. 30, fourth-quarter flight bookings from the U.S. to the U.K. are 9% behind 2019 levels.

U.S. travelers typically book vacations for the following year during the fall, says Rob Russell, chief executive of the London-based travel company, AC Group. In the past four weeks, as the pound has fluctuated and England marked Queen Elizabeth II's death, the company and its partners have seen U.S. travelers book trips to the U.K. for as little as three weeks out.

Emily Hilleren and Janet Fraser first set their sights on Palm Springs, Calif., for a warm early December vacation. But after Ms. Hilleren saw a social-media post

about the plummeting value of the pound, the friends started re-searching travel to London.

Dr. Fraser, a 35-year-old professor at West Virginia University, says she bought a nonstop, basic economy fare from Pittsburgh to London on British Airways for \$725, only slightly more than the domestic flight would have cost. Because she has never been to London, she calls this "the opportunity of a lifetime."

If the exchange rate holds, they will make an itinerary of higher-end activities, including theater shows and some fine dining. They have already booked a train trip to Brussels. "I've been joking that this time I don't have to just live on takeaway curry, although I might anyway," says Ms. Hilleren, a 38-year-old student-services manager at the Chicago School of Professional Psychology.

After Dr. Fraser booked her London trip, she says she told her co-worker, who has traveled to London many times, about her plans. He booked his plane ticket on the spot, and plans to travel in March.

Why You May Sour on Gummies

Doctors, dentists pan popular chewable vitamins for adults

By Alex Janin

Are you stressed out? There's a gummy for that—and for just about any ailment you can think of.

Sweet gummy worms blended with vitamin D and saffron purport to "deliver a delightful dose of cheer." Marketing for strawberry-flavored spheres with B12 and a supplement called citicoline says the gummy "powers your focus."

Adult gummy vitamins, those glutinous, brightly colored chewables, are taking up ever more space on drugstore shelves. Booming global sales are expected to total between \$7.4 billion and \$7.6 billion this year and reach \$13.5 billion by 2027, according to research firm MarketsandMarkets.

You can buy gummies that suggest they will help you feel more beautiful or more energized, help your hair and nails, or that provide a daily dose of vitamins.

Gummies can be helpful for tablet-averse children and adults who have trouble swallowing pills. But otherwise, doctors and dietitians caution that many gummies pack little nutritional benefit, contain too much sugar and are bad for your teeth. The products don't receive the same level of regulatory attention as medications do.

"A lot of them are glorified candy," says Caroline Susie, a registered dietitian and spokeswoman for the Academy of Nutrition and Dietetics.

Gummy vitamins average between 2 to 8 grams of sugar per serving, typically one or two pieces, says Neha Vyas, a family medicine phy-

sician at Cleveland Clinic. One piece of Sour Patch Kids original candy contains about 2 grams of sugar. Women should consume no more than 25 grams of sugar a day and men shouldn't exceed more than 36 grams, according to the American Heart Association.

Gummies are an increasingly popular format for a range of ingredients, including CBD.

Ellyse Bendillo, 26 years old, says multivitamin gummies taste even better than gummy candy.

While tasty, gummy vitamins are more likely to have quality issues than tablets and caplets, says Tod Cooperman, president of ConsumerLab.com, a watchdog company that tests supplement brands for quality.

Overconsumption of gummies that contain sugar substitutes such as xylitol or sorbitol can cause diarrhea, bloating, nausea or vomiting. Fat-soluble vitamins such as A, D, E and K, as well as iron and zinc, can be toxic when consumed in excess, which consumers and doctors say is



Gummy vitamins average between 2 and 8 grams of sugar per serving.

Ms. Bendillo, who works in metals manufacturing in Philadelphia, takes about three to five gummy multivitamins and two melatonin gummies a day but says she used to take more. She says she hasn't consulted the recommended dosage on the multivitamin label. She has Crohn's disease and prefers ingesting the extra vitamins she needs in the form of a little treat rather than just another pill.

"I like that you can savor them a little bit," she says.

The Food and Drug Administration regulates supplements in the category of food rather than drugs. The FDA doesn't approve supplements and doesn't usually review them until after they enter the marketplace.

easier to do when they are delivered in a sugary vehicle.

Dentists frown on gummies. Taking daily sugary gummy vitamins is akin to "eating Halloween candy 365 days a year," says Ada Cooper, a dentist and spokeswoman for the American Dental Association.

Many people might be better off skipping vitamins and supplements altogether, doctors say.

It is a good idea to talk to your primary care provider and see where you can round out your diet before diving into supplements, says Cleveland Clinic's Dr. Vyas.

"Normal healthy people should be getting that stuff from their food," says Dr. Vyas.

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ARTS IN REVIEW

TELEVISION REVIEW | JOHN ANDERSON

An Opportunity for Jazz Lovers

One of the great things about “Let My Children Hear Mingus” is that it’s on television at all, never mind that it opens with about 10 solid minutes of blistering jazz and limits the usual documentary gas-baggery to people who know what they are talking about. What has often been called American classical music is the focus of what is mostly a performance special, a celebration of the centenary of Charles Mingus—bassist, composer, band leader; seminal figure in bebop, hard-bop, post-bop, free jazz and Third Stream music;

This PBS special honors Mingus with interviews and performances by colleagues and acolytes.

someone who was politically aware and complicated. That he was an irascible character comes through. So does the compositional glory of several of his pieces.

Although there is no “officializing” at the Kennedy Center—no master of ceremonies, no recognition from the stage of why anyone is there on that particular date (April 8; Mingus’s 100th birthday was April 22), there is a smattering of tributes from musicians who knew Mingus and played with him. The saxophonist Charles McPherson



Clockwise from above: Mingus Big Band with Sue Mingus (2008); Charles McPherson; Charles Mingus (1960)

son appears and performs; the flautist James Newton talks about Mingus the man. Included, too, are some musical acolytes, among them jazz evangelist and bassist Christian McBride, and the key-

boardists Jason Moran, Robert Glasper and Georgia Anne Muldrow who, with Mr. Moran, contributes a version of the classic “Goodbye Pork Pie Hat” (a tribute to tenor saxophonist Lester Young)

replete with synthesizer and vocalese. If nothing else, the moment indicates how ripe for reinterpretation the Mingus catalog might be. It also feels like an effort to make Mingus “relevant,” and nothing could be more unnecessary.

Purists won’t be disappointed; they might even feel nostalgic. The first number by the Mingus Big Band, which occupies the Kennedy Center stage virtually throughout, is “Boogie Stop Shuffle,” a scorcher off the landmark “Mingus Ah Um” of 1959. Likewise, “Fables of Faubus,” which appeared on that same album but without—at the insistence of Columbia Records—the lyrics that excoriated Orval Faubus, the segregationist governor of Arkansas. They appeared on a later version and are delivered in the special. In an early 2000s interview on NPR, Sue Mingus (who died Sept. 24) said her husband often attached random titles to works—some of which sounded political but weren’t, necessarily. “Faubus” is not one of those.

It would be nice to know who is doing what—the French horn player, for instance, who delivers the Mingus poetry as well as an exuberant solo. Who is playing the double bass, on which Mingus was



a virtuoso? Who are the various soloists on “Peggy’s Blue Skylight” or “So Long Eric,” which Mingus wrote for the multi-instrumentalist Eric Dolphy? Not making an effort to say who he or (in one case) she is among the players feels blasé, if not downright disrespectful—not just to them, but to us. The music gets so little respect from television that perhaps jazz lovers should be happy with what they are given. But that certainly isn’t something Mingus would have put up with.

Next at the Kennedy Center: Let My Children Hear Mingus Friday, 9 p.m., PBS.



FROM TOP: PBS (2); DON HUNSTEIN/BETTMAN/GETTY IMAGES

MUSIC REVIEW

Eliane Elias’s Beachy Bossa Nova

By MARC MYERS

AT THE BOSSA NOVA’S start in the late 1950s, the music was composed largely by male Brazilian sensualists. They sang their love songs at clubs along Rio de Janeiro’s Copacabana Beach in a whispered style, accompanied by just an acoustic guitar or spare notes on a piano and brushes on drums. Vocals were backed by a surfy rhythm, and the sophisticated melodies had a way of making listeners feel both elated and melancholy.

Not surprisingly, as the bossa nova caught on, it was popularized on Brazilian albums and TV by a growing number of female vocalists. Elizete Cardoso recorded “Canção do Amor Demais,” widely considered the first bossa nova album, in 1958. A string of Brazilian female singers followed in the early 1960s, including Sylvia Telles, Nara Leão and Elis Regina. But it was Astrud Gilberto’s single of “The Girl From Ipanema,” released in 1964, that transformed the bossa nova into a global sensation.

Now Eliane Elias continues the tradition with the release of “Quietude” (Candid), her 31st leadership album (due Oct. 14), which rivals the collaborative beauty and poetic minimalism of the iconic 1964 LP “Getz/Gilberto.” A three-time Grammy-winning Brazilian jazz pianist and singer, Ms. Elias has recorded bossa nova albums in the past, but this one is the first designed to recapture the intimacy and authenticity of Rio’s original beach music.

Ten of the 11 songs on “Quietude” were recorded between 2019 and 2020 in São Paulo, Bra-

zil, where Ms. Elias was raised. All of the tracks are melodically captivating and sung in Portuguese. In addition to writing the arrangements, she often embellishes her vocals on piano.

ferent Brazilian drummers and percussionists.

The album’s spare instrumentation places the emphasis on Ms. Elias’s seductive singing voice and the accompanying guitars. Her deep, warm tone imbues songs with a hushed yearning and traces of nostalgia.

Most remarkable is that Ms. Elias sings without vocal affectation. Notes aren’t drawn out or fortified with vibrato. Instead, they simply are sung and swung like notes played on a piano without the sustaining pedal, perfectly

and Laurindo Almeida, among others, resonated in Brazil with future bossa nova singer-songwriters.

“Você e Eu” (“You and I”), written by Carlos Lyra and Vinícius de Moraes in 1960, opens “Quietude.” The spirited nesting song expresses the desire to be alone with a lover rather than out and about at parties. The rich quality of Ms. Elias’s voice and her chord voicings on piano immediately grab the ear, and her mid-song solo sweeps in like a wave.

Ms. Elias then sings Dorival Caymmi’s 1947 ballad “Marina,”



Eliane Elias at the piano

More prominently featured are the three acoustic guitarists: Marcus Teixeira, Lula Galvão and Oscar Castro-Neves, who plays only on “Tim-Tim Por Tim-Tim,” a 2013 recording Ms. Elias shelved following Mr. Castro-Neves’s death later that year. Also accompanying Ms. Elias is her partner, jazz bassist Marc Johnson, and several dif-

ferent Brazilian drummers and percussionists.

Her more than 35 years of jazz experience is significant here, since the bossa nova’s inspiration came not only from the Brazilian samba but also American West Coast jazz of the mid-1950s. The dry, harmony-rich style on albums by Chet Baker, Gerry Mulligan, Bud Shank

and Laurindo Almeida, among others, resonated in Brazil with future bossa nova singer-songwriters.

On Antônio Carlos Jobim and Aloysio de Oliveira’s percussive “Só Tinha De Ser Com Você” (“This

Love That I’ve Found”), Ms. Elias’s voice and feel are as intimate as a secret. She winds down the 1964 song with a spectacular soul-bossa piano solo that exhibits her commanding jazz technique and Brazilian swing.

The full impact of Ms. Elias is felt on two songs where she’s accompanied only by an acoustic guitar: Roberto Carlos and Erasmo Carlos’s ballad “Olha” (“Look”) and a Caymmi medley with midtempo samba rhythms—“Saudade da Bahia” (“How I Miss Bahia”) and “Você Já Foi à Bahia?” (“Have You Been to Bahia?”). On these, she navigates challenging melodies with an impressive range.

“Eu Sambo Mesmo” (“I Really Samba”) was written by Janet de Almeida and first recorded in 1946. Ms. Elias adds a coy shimmy feel and sings the syncopated, pizzicato vocal as if dancing gingerly between beach blankets on hot sand.

Jobim and De Moraes’s “Brigas Nunca Mais” (“No More Fighting”) was first popularized on João Gilberto’s seminal 1959 album “Chega de Saudade.” The make-up song opens dramatically with taunting chords but quickly relaxes under the spell of Ms. Elias’s lilting vocal and her superb extended jazz solo in the second half.

The album closes with “Saveiros,” a ballad by Dori Caymmi and Nelson Motta and sung as an impassioned duet by Ms. Elias and Mr. Caymmi, the 79-year-old son of legendary composer Dorival Caymmi.

Too often, bossa nova albums lean heavily on the music’s infectious beats, with vocals matter-of-factly delivered. Or vocals fail to navigate the Brazilian melodies’ hairpin curves and nuanced notes. Ms. Elias on “Quietude” proves that the bossa nova is most about deep passion and music that’s lighter than air.

Mr. Myers is the author of “Why Jazz Happened” and the forthcoming “Anatomy of 55 More Songs” (Grove Press).

SPORTS

USC Vaults Back Into the Top 10

The Trojans hired Lincoln Riley away from Oklahoma and reloaded the roster with transfers

By LAINE HIGGINS

When Lincoln Riley took the top job at Southern California last November, he knew he was saying yes to a rebuild. What he didn't realize was how many parts would be required to restore the Trojans to the elite status they once knew.

Long one of the glitziest programs in college football, USC's shine dulled considerably over the last decade. After Clay Helton was fired two games into the 2021 season, 54 players on the roster left via graduation, the NFL draft, the transfer portal or retiring from football.

USC hired Riley to immediately replicate the success he had at Oklahoma, where the Sooners won four consecutive Big 12 titles and thrice earned College Football Playoff berths—though they never managed to win a semifinal game. There was no way around it: if the Trojans were going to make it to college football's biggest stage in year one of the Riley era, the formula was going to be a little unconventional.

"I saw there were a lot of players that really wanted to be a part of this thing getting back to being a successful program again," Riley said in an interview. "Then we went out and tried to find people on the outside that could add to the talent of our roster and...recognize the opportunity of, 'Man, how cool would it be to play at USC and try to get this program back to where it used to be in terms of national dominance?'"

Riley raided the transfer portal, adding 26 players alongside an incoming class of 14 freshmen. He leaned heavily on the returning USC players to establish expectations for the newcomers.

The experiment appears to be working so far. USC's 6-0 start is the program's best since 2006. The Trojans are ranked No. 7 in a top 10 that appears to be wide open. The offense, led by second-year quarterback Caleb Williams—who came with Riley from Oklahoma—is bursting with playmakers. An athletic defense leads the country in turnover margin, intercepting 12 passes and recovering three fumbles.

All of the ingredients for a dream season—which seemed to come year after year in the early aughts under coach Pete Carroll—are there. All that's left to prove is whether this team, assembled from so many different places, can find under a common identity, Riley says.



USC coach Lincoln Riley, left, raided the transfer portal, adding quarterback Caleb Williams, above, from Oklahoma.

"Anytime you bring anybody in, specifically as a transfer, you want to upgrade," defensive coordinator and Riley's longtime deputy Alex Grinch said. "In this first year, some of it was just strictly based on need. That's not a good situation to be in."

Many of the Trojans' transfers were the stars of major programs elsewhere. Riley lured Williams—the quarterback he recruited to Oklahoma, who had won the starting job as a true freshman in 2021—as well as his top young wide receiver, Mario Williams, to join him out west. Then came the lead running backs from Stanford (Austin Jones) and Oregon (Travis Dye), a promising linebacker from Arizona State (Eric Gentry) and the nation's top wide receiver from Pitt (Jordan Addison).

There were a lot of new faces in the locker room all at once, to say nothing of the new coaching staff that included just one holdover from Helton's tenure, former interim head coach Donte Williams. Riley understood that the spring and summer would be nearly as crucial in determining his team's fortunes as the Saturdays when they suited up in the fall. "He really challenged the dudes

that were already here to kind of bring them on board and just show them what it was like in terms of the culture that we were trying to build," Vorhees said. "I think the dudes that were already here did a really good job, because you've seen a seamless transition and integration of these transfers from all over the country."

A big reason the extreme roster makeover worked was because of how badly the returning football players wanted to win after a dismal 4-8 season in 2021. They got daily reminders of USC's iconic past whenever they walked onto the outdoor practice field—the walls list the number of Rose Bowl victories (25), Heisman Trophy winners (six), conference championships (37) and national titles (11).

On Saturday, USC visits No. 20 Utah. Later is a date in the Rose Bowl against crosstown rival No. 11 UCLA, where electric senior quarterback Dorian Thompson Robinson has the Bruins off to a hot 6-0 start.

The football renaissance in the City of Angels comes just after USC and UCLA announced they plan to leave for the Big Ten in 2024.

Riley will have one more season after this to re-establish the Trojans as what he calls the "bell cow" of the Pac-12 before he has to vie for that status against Big Ten powers like Ohio State and Michigan. "This program could be successful in any league, any time, anywhere," Riley said. "It's still really really really hard to do, but this program has the capability."



Paulson stepped down as Thorns CEO.

Thorns CEO Paulson Resigns

By LOUISE RADNOFSKY

PORTLAND THORNS and Timbers owner Merritt Paulson resigned Tuesday as chief executive officer of the two teams, after an unsparing report of abuse in women's professional soccer included him among the leaders in the sport who had failed to check predatory coaches.

Paulson did not address the future of his ownership of the Thorns, one of the most successful teams in the National Women's Soccer League, or the Timbers, who play in Major League Soccer.

His departure statement included his most unflinching apology yet for the findings of an independent investigation by former Deputy Attorney General Sally Q. Yates.

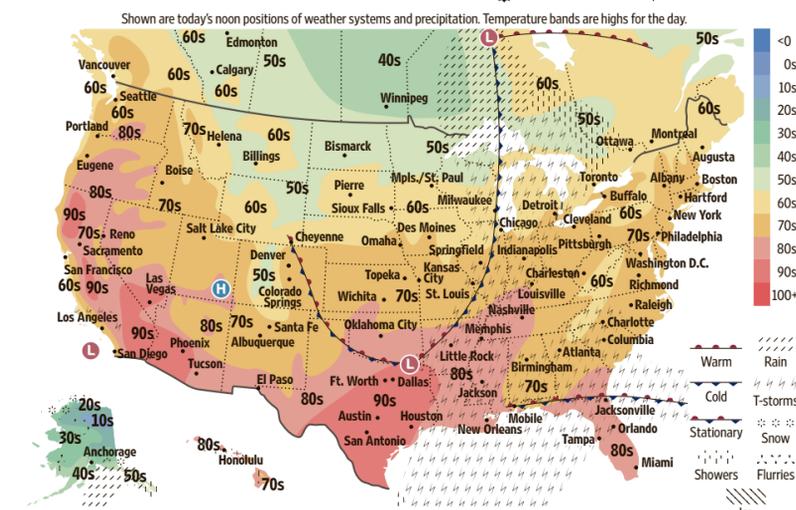
"It is devastating to me that my goal of creating the shining example of what a women's sports team could be, has now become synonymous with abhorrent and predatory behavior. Part of me holding myself accountable is recognizing that someone else needs to take the reins of the organization and operational decision-making," he said.

In the wake of the report, Paulson had previously announced he and two executives would step away from all decisions relating to the Thorns, until the conclusion of a second investigation conducted jointly by the NWSL and its players association. Then he fired the other two executives. It wasn't enough to quell the fury of fans, players and sponsors.

The Thorns are hosting a play-off game on Oct. 23, raising the prospect of fan protests there. Sophia Smith, a Thorns player who is also a member of the U.S. Women's National Team, told reporters that she hoped that fans would still come to support the players.

The Chicago Red Stars board of directors voted last week to remove owner, Armim Whisler, as chairman, after he was also criticized throughout the Yates report, and players called Monday for him to sell.

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U.S. Forecasts

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

Table with 3 columns: City, Today (Hi, Lo, W), Tomorrow (Hi, Lo, W). Lists major US cities and their weather forecasts.

International

Table with 3 columns: City, Today (Hi, Lo, W), Tomorrow (Hi, Lo, W). Lists international cities and their weather forecasts.

The WSJ Daily Crossword | Edited by Mike Shenk

A crossword puzzle grid with numbers indicating starting positions for words.

PLAYING A ROUND | By Gary Larson & Amy Ensz

- Across: 1 Seriously wounded, 5 Combative Olympian, 9 Calculus calculations, 14 To boot, 15 Ernie's foil, 16 Permission, 17 Fuddy-duddy on the golf course?, 19 1961 Oscar winner in an Italian-language role, 20 It's made up of hydrogen and oxygen, 21 "Death, be not proud" poet, 23 Gasteyer of "Suburgatory", 24 Mortal's counterpart, 27 Insult on the golf course?, 29 Blotto, 31 Titter, 32 Damp and chilly, 33 Shortness, sentences, say, 36 Come clean, with "up", 37 Mild expletive on the golf course?, 52 Joker on the golf course?, 55 Main lines, 56 Patriarch on HBO's "The Righteous Gemstones", 57 Plants in an Athol Fugard play title, 59 Writer Rand, 60 Comes across as, 62 Liquid courage on a golf course?, 66 Bears up?, 67 Site with a "Daily Deals" link, 68 China setting, 69 Indonesian dish on a skewer, 70 Newcastle's river, 71 Invitation letters

- Down: 1 Yoga need, 2 Guinness, for one, 3 "That makes it all clear", 4 Piece work, 5 "Aladdin" monkey, 6 Get between the covers?, 7 Embarrassment for an outfielder, 8 Dictation taker, 9 Assert without prof, 10 Maxwell competitor, 11 Otalgia, 12 17 of the 40 spaces on a Monopoly board, 13 Governing bodies, 18 Penn, e.g., 22 One might be bolted down, 24 Device owned by many a Blockbuster patron, 25 No. for an ace, 26 Mother of Helen of Troy, 28 Bulk, 30 Business slumps, 34 "For shame!", 35 Manifest, 37 Reusable bag, 38 Dept. of Labor arm, 39 Grant, Hayes or Garfield, 40 Greek city where Saint Paul preached, 41 Disease in a Gabriel Garcia Márquez title, 42 Like the Great Mosque of Mecca, of all Islamic shrines, 44 Suitability, 45 Caffeine source, 46 Visitors who traveled light-yrs., 48 "The Plough and the Stars" playwright, 49 Seasoning, in Santiago, 51 Crate-opening aid, 53 Man of many words, 54 Epsom Downs event, 58 007 portrayer before Roger, 61 Kid's cry, 63 Hieroglyph symbol, 64 Tyler of "Armageddon", 65 Saloon spout

Previous Puzzle's Solution

A grid showing the solution to a previous crossword puzzle, with words filled in.

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

OPINION

Stop the Hurricane Climate Babble



BUSINESS WORLD
By William W. Jenkins, Jr.

Florida is one of America's fastest-growing states, with four million people moving in since 2005. I pick the starting date for a reason: 2005 was the year Hurricane Katrina showed a global audience what happens when a powerful storm lands directly on a large U.S. population center.

And yet four million people moved to Florida.

Any hurricane that doesn't directly hit Jacksonville, Miami or Tampa is a good outcome for Florida. Ian landed on Fort Myers and Naples, also booming but not as densely settled. So far, 120 people are known to have died, mostly from drowning. Ian is both Florida's deadliest storm in decades and also a demonstration of how much better Florida has become at surviving hurricanes. Example: The Category 4 storm that landed on Miami in September 1926 killed 372 at a time when Dade County's population was barely 100,000. Since then, the sea off the Miami coast has risen 10 inches, the CO2 component of the atmosphere has increased by 50%—and Miami-Dade County's population has grown 27-fold.

This suggests something: The declining menace to life and safety from hurricanes is a major factor explaining

Florida's population growth despite the known risk of tropical cyclones as well as the widely heard forecast that such storms will become more deadly because of climate change.

People are wealthier and better able to manage even a growing risk. Building standards are better. Emergency services are better. Most crucially, information is better. Anyone with a smartphone can now know with great precision when the moment has come to gather up the kids, dog and family photos and head for higher ground.

For comparison's sake, Texas reports 246 died from its 2021 winter blackout, with private estimates as high as 700 based on excess mortality figures. Grid failures, unlike hurricanes, are not (yet) assumed by the public to be a routine, seasonal threat, though this is changing as signaled by the proliferation of private generators (whose emissions are left out of state utility accounting).

Grid failures can't (yet) be predicted by looking at a weather app but outages increasingly are a focus of TV news weather reporting.

Inordinately, climate change intrudes in the media discussion of hurricanes but not grid failures that arise partly due to climate-driven energy policies. Think about it: The role of climate in creating Hurricane Ian is speculative and impossible to determine. For the record, both

the United Nations climate panel and the U.S. government say no clear signal is yet visible in storm frequency and severity. In contrast, the decision by Texas and other states to prioritize renewables over grid resiliency is a human decision—as shown again last week by a New York grid operator report warning of a shrinking margin of safety because of the state's mandated phase-out of conventional energy sources.

Global warming may not influence storm severity but definitely affects grid reliability.

Let's have a moment of realism. Weather is always a product of climate: If we had a different climate we'd have different hurricanes, but we'd still have hurricanes. Even if less CO2 were in the atmosphere, the chances of a storm landing on you would be basically unchanged from today and still remain beyond anyone's control.

The least random, most controllable factor, on the other hand, is the adaptation and learning of human beings in the face of predictable risks, making it possible for 21 million now to enjoy Florida's low taxes, strong business climate and readily available healthcare as well as the presence of many relocated friends and neighbors

from elsewhere despite the well-advertised tropical cyclone danger.

Before and after Ian, a cornucopia of news stories correctly dwelled on the huge increase in Florida's population and mostly harrumphed aimlessly about it. Few bothered to notice the one unambiguously perverse government role, namely the provision of taxpayer-subsidized flood insurance and generous rebuilding aid to encourage more people to put themselves in harm's way than would do so otherwise.

A Washington Post contribution to the genre, in its first sentence, chose to frame Florida's development boom against the "existential" threat of climate change. This is a word, Oxford tells us, "relating to existence" or "theories of existentialism." None of these meanings seem to fit the Post's usage, which implies that climate change poses a threat to humanity's continued existence without actually saying so, because then the paper would have to produce evidence.

The rather more obvious truth is that climate processes, even when influenced by greenhouse gases released by human beings, operate on much longer time-scales than do human adaptation and innovation. With so many people and their wealth arriving in their state, Floridians will be well-supplied with the means and incentive to adapt to the risks that come from living in hurricane alley.

BOOKSHELF | By Matthew Hutson

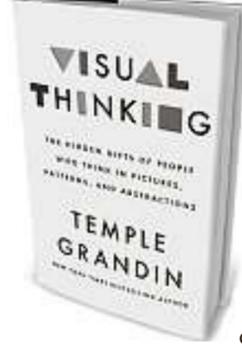
Do You See What I'm Saying?

Visual Thinking

By Temple Grandin
(Riverhead, 340 pages, \$28)

In 2019 the animal behaviorist Temple Grandin was admiring the gleaming new equipment at an American meat-processing plant when she discovered the intricate metal structure had been sent from the Netherlands in more than a hundred containers. "I stood on an overhead catwalk and looked at all the complicated conveyors and exclaimed to no one, 'We don't make it anymore!'" Ms. Grandin recalls in "Visual Thinking: The Hidden Gifts of People Who Think in Pictures, Patterns, and Abstractions." The "it" in her exclamation refers to various kinds of engineered products. The realization partly inspired her to write this book.

In other hands, a book of this title might have comprised cutesy pop-psych pronouncements on how to tap into the hidden powers of mental imagery, in yourself and others. That's certainly an element here, but Ms. Grandin has also written an indictment of America for its witting or unwitting dismissal of those hidden gifts.



"The first step toward understanding that people think in different ways," Ms. Grandin writes, "is understanding that different ways of thinking exist." She distinguishes between those who think primarily verbally and those who think visually. Verbal thinkers proceed sequentially, while visual thinkers form webs of graphic associations. Drawing on the work of the neuroscientist Maria Kozhevnikov, Ms. Grandin divides visual thinkers into spatial

and object visualizers. The former think in abstract patterns, the latter in photorealistic images. These three types define not strict cognitive categories but a continuum.

Ms. Grandin laments the loss of hands-on school activities that develop and reward visual thinking. Growing up, she enjoyed woodshop, embroidery and theater-set building. Today, preparation for standardized tests has replaced not only such experiences but many extracurriculars and field trips. But big standardized exams may not predict professional success as well as we think: In one study, performance on a standardized high-school math test had no correlation with performance on a complex real-world quantitative task.

Among the curricular offenders, Ms. Grandin aims her ire at algebra. She's a visual-object thinker—she flips through thoughts as though scrolling through Instagram—and enjoyed trigonometry but couldn't manipulate algebraic x 's and y 's. Problems with math kept her out of certain disciplines. "Now I teach veterinarians," she writes, "but I couldn't get into veterinary school. The reason? I got screened out."

Challenges continue as students enter the work world. In looking at our country's manufacturing dilemma, Ms. Grandin acknowledges "a conflagration of complex political and economic forces," but focuses on "something more tangible—the loss of essential technical skills." She cites a 2021 report from the Associated General Contractors of America that said that 61% of contractors have too few qualified workers. At a cultural level, we have "a certain snobbery about the trades," Ms. Grandin writes, and "a cherished belief in unlimited potential" that channels students toward four-year colleges, where they are assumed to have the time to explore their options.

For decades, we've seen a decline in vocational schools and apprenticeship opportunities. Until those conditions change, Ms. Grandin urges employers to expand their scopes and consider workers with nontraditional backgrounds or characteristics. Many visual thinkers, including Ms. Grandin, are on the autistic spectrum. A U.K. guide for employers, "Untapped Talent," points to the strengths often found among those on the spectrum, including reliability, memory and attention to detail, and recommends accommodations such as quiet spaces and clear instructions. Ms. Grandin suggests to neurodivergent workers that they improve basic skills like manners and forgo resumes for work portfolios—what she calls her "thirty-second wow" technique.

Not everybody thinks verbally. Spatial thinkers think in abstract patterns, while object visualizers see photorealistic images.

Teams often benefit from collaboration between thinkers of different types. The industrial designers who conceptualize products are often visual-object thinkers, while the engineers who figure out how to build them are often visual-spatial thinkers. "When you're a visual thinker, shoddy work screams out at you," Ms. Grandin writes. "It's like a sentence full of typos and bad grammar for a verbal thinker." In one study, pairs consisting of one visual-object thinker and one visual-spatial thinker performed better on a maze task than did unmixed pairs, who spent a lot of time in useless conversations. "Anyone who's been caught in one of those endless company meetings that don't resolve anything knows the frustrating feeling," Ms. Grandin writes.

Excellence at one type of thinking, of course, often means a shortfall elsewhere. In one study, dyslexic children outperformed others on a creativity test. History presents numerous examples of people successful in object-visual or spatial-visual thinking who showed autistic-like traits, at least when young, including Michelangelo, Albert Einstein and Elon Musk. Notably, we sometimes explain their visual genius in the context of some other deficit, highlighting the privileged place of verbal thinking in our society. "We would never say of a great writer," Ms. Grandin observes, "that his or her literary gift compensates for poor visual or mathematical skills."

At times, the book overreaches. Ms. Grandin declares that "most geniuses" appear to be "visual thinkers." Describing a technical issue with the James Webb Space Telescope, she writes, "A good object visualizer in the shop could have addressed this problem"—which seems a bit facile. She tends to cast "suits" as villains, accenting a through-line of grievance. Sure, they've misconstrued visual thinkers like her in the past, but maybe the bias is bilateral.

Nevertheless, Ms. Grandin crafts a strong depiction of visual thinking, assembling personal history, historical anecdotes, scientific studies and societal trends. At stake is more than manufacturing, but a vivid recognition of the full breadth of human ingenuity.

Mr. Hutson is the author of "The 7 Laws of Magical Thinking: How Irrational Beliefs Keep Us Happy, Healthy, and Sane."

Yet Another Populist Conservative Surprise



POLITICS & IDEAS
By William A. Galston

President Jair Bolsonaro's strong showing last week in the first round of Brazil's election added to the recent run of conservative populist successes. Like the Brexit vote and both of Donald Trump's presidential runs, it defied the predictions of respected polls.

Days before the election, most Brazilian surveys gave leftist Luiz Inácio Lula da Silva a double-digit lead over Mr. Bolsonaro. Mr. da Silva was seemingly well positioned to win a majority—and the presidency—in the first round. Instead, Lula, as the former president is known, received 48% of the vote to the incumbent's 43%, keeping Mr. Bolsonaro within striking distance in the contest, which culminates in the runoff on Oct. 30.

The surprise extended well beyond the president. Mr. Bolsonaro's Liberal Party won 99 seats in the lower house of Brazil's National Congress, up from 77 seats. Together with other right-leaning parties, the pro-Bolsonaro forces now control half the chamber. In the Senate, Mr. Bolsonaro's allies won nearly half of the seats at stake. Candidates from the Liberal Party and its allies won the governorships of eight of Brazil's 26 states in the first round and are positioned to win as many as

eight more in the runoff. Whatever happens to Mr. Bolsonaro in the presidential runoff, "Bolsonarism" has become firmly entrenched in Brazilian politics and will make it harder for Mr. da Silva to govern effectively if he wins the presidency.

There are sound reasons why this result seemed improbable to many. After calling Covid-19 "a little flu," Mr. Bolsonaro presided over the deaths of more than 680,000 of his fellow citizens, second only to the U.S. in the official count. He encouraged massive deforestation in the Amazon and failed to end the long economic stagnation that has left the average Brazilian 10% poorer than a decade ago. What explains his success?

Brazilians had grown weary of widespread political corruption under socialist rule, a crime for which Mr. da Silva was sent to prison after his presidency ended. (His conviction was overturned on procedural grounds after he had served 19 months.) Mr. Bolsonaro's campaign in 2018 against elite corruption hit a nerve in the electorate.

But deeper trends have been at work. As Latin America expert Brian Winter has noted, over the past four decades, evangelical Christianity in Brazil has tripled, from 10% of the population to as much as one-third today. This surge has reinforced the social conservatism of Brazil's voters, 70% of whom oppose legalizing abortion and drugs and many of whom favor tradi-

tional sex roles and religious instruction in schools.

In addition to social conservatism, Mr. Bolsonaro has benefited from economic policies that have strengthened his support in small towns and rural areas. Most Brazilians favor the agribusiness boom that the unchecked exploitation of the Amazon region has enabled, and, in a classic populist move, the government disbursed direct payments to working-class and poor voters as the election neared.

Bolsonaro's strong performance shows polls can't measure politicians like him.

Mirroring the pattern set by former President Trump, Mr. Bolsonaro gained strength from the attacks against him. His supporters admire his critique of political correctness and his unflinching defense of policies that Brazilian elites scorn.

What explains the failure of polls to predict the level of support for Mr. Bolsonaro? Technical factors explain part of the gap. Because Brazil's census has been delayed, no one knows for sure how Brazil's demography has changed over the past decade. Pollsters seem to have overestimated the number of poor people, most of whom support Mr. da Silva, and underestimated the

number of evangelical Christians, most of whom support the incumbent.

What pollsters call "social desirability bias" probably deterred some social conservatives from revealing their preferences to people administering the surveys. And citizens who mistrust official institutions were probably the least inclined to answer pollsters' questions at all.

These polling problems aren't confined to Brazil. In 2016 they helped explain the defeat of the Remainers in the Brexit vote—and Donald Trump's stunning victory over Hillary Clinton. In 2020 they turned an anticipated Biden sweep into a narrow Biden victory that a shift of a little more than 40,000 votes in three states would have reversed.

The immediate question is whether the same forces will be at work when populist leaders aren't on the ballot. Mr. Trump inserted himself forcefully into the 2022 Republican primaries, and his endorsement was decisive for at least three Senate candidates who are now locked in close general-election contests. If Mehmet Oz, Herschel Walker, and Blake Masters prevail despite trailing in the polls, it will be further proof that pollsters' tendency to underestimate support for populist conservatives extends beyond national leaders.

If these candidates lose, however, it will be Mr. Trump who will have some explaining to do.

Censorship Is a Consumer Harm

By Michael Faulkender
And Stephen Miran

The litmus test for government antitrust actions has traditionally been the consumer-welfare standard developed by Robert Bork: If consolidated market power doesn't lead to higher prices, consumers haven't been harmed, and there's no justification for government to act. By this view, Big Tech is off the hook. Its prices are low, sometimes free.

This view is too narrow. For one thing, digital networks with monopoly power can charge higher prices for advertisements, ultimately passed on to consumers.

Tech firms further abuse market power by censoring content, thereby reducing the quality of the product. To claim people aren't made worse off by constrained opportunities is to embrace paternalistic assumptions antithetical to both American

freedom and economic modeling, which takes consumer preferences as given rather than as prescribed by a social planner.

Social-media platforms like Facebook and Twitter censored stories about the origins of the Covid-19 virus that discussed the possibility it leaked from a laboratory in China.

It reduces the quality of tech companies' services—effectively increasing prices.

For months, users were unable to share or read these stories on those platforms. Unquestionably, the quality of the platform was diminished while users were unable to read articles discussing scientific theories about the most important social and medical development of recent years.

Economists understand that improvements in quality reduce effective prices: This is the notion of "hedonic adjustment" in inflation calculations. The consumer price index, for instance, treats television prices as having declined for decades, because sets today are so much better than those in 1982, the benchmark year.

Conversely, tech platforms effectively raise prices through censorship, acting as a classic monopolist and reducing consumer welfare. This is analogous to the quality-adjusted price of a cable plan going up as the provider removes channels.

Nor are actions to limit consumer choice confined to censorship. Operating systems are often inseparable from hardware. Apps must be installed from approved sources, and developers' options and revenues are severely constrained by the profit motives of the app store operator. If a consumer goes around the

manufacturer's myriad restrictions, it often voids the warranty.

Big Tech's avatars among lobbyists and academics claim there's no sense in which consumers are harmed by the concentrated economic power amassed by these companies, as they attempt to narrow the scope of what consumers can expect from their purchases. Yet a deeper dive into what consumers actually do with tech products reveals real harm, and provides classical economic justification for government to intervene in Big Tech as they would with any other monopoly.

Mr. Faulkender is a professor of finance at the University of Maryland. Mr. Miran is co-founder of Amberwave Partners. They served, respectively, as assistant Treasury secretary for economic policy (2019-21) and as senior adviser for economic policy at Treasury (2020-21).

OPINION

REVIEW & OUTLOOK

Biden Goes After Gig Workers

The labor market is cooling while more Americans are using side hustles like driving for Uber to cope with rising prices. Yet now the Biden Administration is declaring war on the so-called gig economy and countless companies that utilize freelancers.

The Labor Department on Tuesday proposed a rule that aims to reclassify millions of independent contractors as employees. About 20 million Americans work as independent contractors, which have more autonomy than employees and can set their own hours and work for multiple companies at the same time.

But progressives view these flexible arrangements as a burden, not a benefit. Independent contractors can't unionize and aren't covered by Labor's wage and overtime mandates. Unions want to force businesses to reclassify contractors as employees, which is essentially what the proposed rule would do.

The Fair Labor Standards Act defines an employee as "any individual employed by an employer." But the Supreme Court in a series of cases starting in the 1940s laid out a multi-prong "economic reality" test that instructs courts and businesses to weigh many factors when determining whether workers are employees or contractors.

These include the degree of a company's right to control the manner in which work is done; a worker's opportunity for profit or loss depending on skill; a worker's investment in equipment or materials; whether the service requires a special skill; the working relationship's permanence; and the extent to which a service is integral to a company's business.

You can see how a job can swing both ways.

A new Labor rule would reclassify millions of independent contractors.

Uber drivers perform work that is integral to the app's business. But drivers transport passengers in their own cars and can make more or less depending on when, where, and how long they work. Is driving a special skill? Depends on whom you ask.

Different federal courts have placed different emphasis on different factors, which has resulted in confusion for companies, especially those that operate nationwide. The growth over the last decade of apps that offer flexible work arrangements, including in white-collar fields such as document translation and consulting, has compounded the confusion.

The Trump Administration tried to clear up the mess with a rule that told courts and companies to weigh foremost the nature and degree of a worker's control and the opportunity for profit. This test enabled most independent contractors to remain so. The Biden proposal replaces the Trump rule with a "totality-of-the-circumstances" analysis that focuses on whether workers are "economically dependent upon an employer for work."

Under this standard, gig workers would probably have to be reclassified as payroll employees. This would reduce worker flexibility and disrupt business models, which explains Tuesday's selloff in Uber (-10.4%) and Lyft (-12%) shares. The proposed rule has the potential to sweep broadly and could cover most corners of the economy.

Newspaper columnists, truck drivers, real estate agents, barbers, consultants and many other freelancers could be ensnared. The Administration is proving it's an equal-opportunity jobs killer.

The Student Loan Bill Comes Due

Remember when the White House suggested, only weeks ago, that President Biden's student-loan cancellation wouldn't add much to the federal budget deficit this year? That turns out to be false. The Congressional Budget Office made that clear Tuesday in reporting that the write-off would cost some \$426 billion and push the federal deficit to \$1.4 trillion for all of fiscal 2022 that ended on Sept. 30.

As recently as May CBO said the deficit would come in at \$1 trillion or so. Tax receipts have since come in \$60 billion more than estimated. But outlays soared by \$401 billion more. The budget gnomes note in their deathless prose that the increase "primarily stems from \$426 billion in costs estimated and recorded by the Administration in September 2022 to reflect the long-term costs of certain forms of student debt relief."

CBO is obliged to account for the present value of the cancellation costs under the Federal Credit Reform Act. But it adds that the \$426 billion doesn't cover the costs of Mr. Biden's new income-driven replacement plans that haven't been finalized. You can probably add at least a couple hundred billion more from those forgiveness plans.

The total deficit fell sharply from fiscal 2021 as many pandemic-era programs finally lapsed. But it should have been much lower because taxpayers sent a remarkable \$850 billion more

to Washington than in 2021.

Individual income taxes rose 29%, or \$593 billion in fiscal 2022; payroll taxes by 13%, and corporate income taxes rose \$53 billion, or 14%. Overall federal tax receipts rose 21% for the year to reach \$4.9 trillion, by far the biggest tax haul ever. Nancy Pelosi thanks you, or at least she ought to.

The fiscal problem is that spending didn't fall nearly as fast as revenues rose. Outlays were down only 8% in the year to \$6.3 trillion. Medicaid spending in particular keeps climbing despite the economic recovery, rising 14% to \$593 billion.

CBO notes that enrollment in that program that used to be for the poor "has risen largely because" states can't pare back their rolls even for able-bodied adults who aren't normally eligible until the pandemic emergency is over. Which is why Mr. Biden won't officially declare that it's over, though he said recently on CBS's "60 Minutes" that "the pandemic is over."

In a sign of deficits to come, CBO says interest payments on the federal debt held by the public rose 29%, or \$121 billion, in 2022. As interest rates rise, so will these payments.

We were amused this week to read the assertion in a prominent progressive newspaper that, while Mr. Biden often says things that are false, they usually concern small matters. Does nearly half a trillion dollars in misstated deficit math qualify as small? Asking for a taxpayer friend.

The \$426 billion write-off pushes the 2022 deficit to \$1.4 trillion.

California to Doctors: Agree or Shut Up

California Gov. Gavin Newsom made a splash this summer by running ads in Florida that claimed "freedom is under attack in your state." The ads should have aired in his own state, which is the land of lockdowns and mask mandates. And under a new state law, doctors may even be punished for disputing the government's public-health orthodoxy.

These experts are often wrong and loath to admit it, as we learned with pandemic government lockdowns. Yet California Democrats last month enacted legislation that empowers the state medical board to discipline doctors licensed in the state who "disseminate misinformation or disinformation" that contradicts the "contemporary scientific consensus."

The law grants the board broad discretion to define the scientific consensus and misinformation. Yet seven of the board's 15 members, who are appointed by the Governor and state lawmakers, aren't even physicians. The president is an environmental attorney. Another runs a life coaching company.

As an example of misinformation, a legislative analysis offers the hypothetical of a doctor advising patients to inject themselves with bleach to treat Covid. A doctor who did this could be sanctioned for "gross negligence" and sued for malpractice. But such egregious examples are rare and don't need a new law to discipline.

The law's real purpose is to silence doctors who disagree with the public-health establishment on controversial subjects on which there is substantial disagreement. One example is Covid vaccines for children, which most public-health officials recommend but the science is far from certain.

Florida Surgeon General Joseph Ladapo on Friday advised that young men not get mRNA

vaccines after a state analysis found they experienced an 84% increase in cardiac-related deaths within 28 days of vaccination. He has also recommended against vaccinating healthy children because they are at low risk for severe illness, and the benefits don't clearly exceed the uncertain risks.

Under California's new law, a pediatrician who advises children against vaccination could have his license yanked. Ditto a gynecologist who tells a new mother that trace amounts of the mRNA vaccine have been found in breast milk. The latter is true, but the board might determine that it contradicts the consensus that vaccines are safe.

The expert consensus has often shifted during the pandemic. The law appears partly aimed at doctors who prescribe such drugs as ivermectin that haven't been authorized by the Food and Drug Administration for Covid, but off-label prescribing is permitted under federal law.

A lawsuit filed last week by two doctors makes a strong argument that California's law violates their First Amendment speech rights and is unconstitutionally vague under the Fourteenth Amendment. Even Mr. Newsom seemed to concede this by attaching a statement to his signature on the bill directing the board to punish only "those egregious instances in which a licensee is acting with malicious intent or clearly deviating from the required standard of care while interacting directly with a patient under their care."

Yet the law isn't narrowly tailored, and doctors have no way of knowing what will land them in the dock. It will chill discussions between patients and physicians. Doctors who want to be free to practice medicine can follow Dr. Ladapo to Florida.

The state empowers a medical board to punish 'misinformation.'

LETTERS TO THE EDITOR

Protecting Babies Born Alive Is the First Step

Regarding Marjorie Dannenfelser's "The Political Case for Federal Abortion Limits" (op-ed, Oct. 7): Ms. Dannenfelser, my longtime friend, joined me 20 years ago in supporting the most modest first step legislating on abortion, the bill to protect children who survive abortions. The Supreme Court never endorsed a right to kill the born-alive survivor, but neither did it make clear that such a right was beyond the holding in *Roe v. Wade*. Former President Obama has insisted that it isn't. The killings took place, as they have to this day.

Twenty years ago, a reluctant, complaining Democratic Party voted for the Born-Alive Infants Protection Act. But the situation was transformed when the bill was moved to restore the serious penalties, civil and criminal, that had been stripped from that earlier act. In 2015 and 2018, the Democratic Party voted almost unanimously in the House to oppose the

strengthened bill to protect the child born alive. The Susan B. Anthony List made the new bill part of its top legislative priority. It will come back if the Republicans regain control of the House, and surely this must remain the hardest and most embarrassing position for the Democrats to defend.

Surely the most critical political challenge to Democratic candidates would be this: Would you join the Democratic caucus in opposing this bill to protect the child born alive? And if the Democrat argues that the federal government shouldn't legislate on this matter: Would you pledge, then, not to support the Women's Health Protection Act, the new summoning measure for the Democrats, a bill that would sweep away the restrictions on abortion in the pro-life states?

HADLEY ARKES

Director, James Wilson Institute
Washington

Judge Silberman Was a Memorable Professor

Regarding your editorial, "Laurence H. Silberman, 1935-2022" (Oct. 3): Judge Silberman wore many hats and wore them all well. His legion of colleagues and law clerks remember him for his influential role in government service and beyond and for his intellect and good humor. He was confirmed to six federal positions with the advice and consent of the U.S. Senate.

He was also an effective and memorable teacher. He taught using the Socratic method because he didn't feel lawyers, especially litigators, learn properly without being subject to tough back-and-forth dialogue. After a tough Socratic dialogue during the first labor law class of the semester, our class size dropped by half and he offered to hold class in his chambers moving forward. He taught with good humor and wit. Once a classmate advanced a controversial position in class, and

Judge Silberman jokingly asked: "Who wants to respond to the class fascist?" And while he was not given to leniency in grading or exams—he seemed proud that the best answer to his exam question often would be only half-right—he made up for it with his storytelling.

Between and before classes, he regaled his students. On one occasion, he relayed that when he was undersecretary of labor in the early 1970s, hearing examiners at administrative agencies would call to complain that they found it hard to make dinner reservations with their title. In 1972 the Civil Service Commission came around and replaced that title with "Administrative Law Judge."

Judge Silberman will be missed by all who knew him and were fortunate to learn from him. May he rest in peace.

SYED HAMZA MANNAN
San Francisco

Climate Activists Refuse to Make Their Case

I wasn't surprised by your editorial, "The Climate Censorship Campaign" (Oct. 6). Try finding someone to argue the affirmative on this resolution: "Climate science compels us to make large and rapid reductions in greenhouse gas emissions." Given all the climate "experts" advocating for net-zero emissions and warning of imminent climate catastrophe, you would expect this to be an easy task. But, in fact,

Humiliation Might Drive Vladimir Putin to Extremes

Walter Russell Mead's column headline asks, "Would We Risk New York to Keep Odessa Free?" (Global View, Oct. 7). But we should turn the question around. A better one might be, "Is Russia so intent on keeping Odessa that it would risk losing Moscow?"

DAVID ALAN COIA
Arlington, Va.

Given his egotistical and homicidal behavior, Vladimir Putin will never allow others to think that he has failed in his military action. Ukraine won't negotiate, Mr. Putin can't retreat, and his tactics to weaken Western support have failed.

He may believe he has no choice but to use nukes. While his tactical threat to use them may have limited America's military aid to Ukraine, it won't compel negotiation or settlement.

History has proven that Mr. Putin won't hesitate to go to extremes when he feels that his status has been questioned, let alone threatened. Mr. Mead believes that "Deterring Russia doesn't mean humiliating it," but Mr. Putin may view any successful deterrence as a humiliation deserving of an unrestrained response.

TERRY TAKASH
Western Springs, Ill.

Teacher's Frightening Lesson

I'm not sure what I found most frightening about "Notable & Quotable: 'Thoughtful Politics'" (Oct. 7), that a teacher would inject partisan politics into a Shakespeare class; that the teacher, apparently unable to find a flaw in a student's argument, would resort to an ad hominem attack (if, in fact, the comment was intended as the student interpreted it rather than as a compliment); or that the student would learn from this experience that the ad hominem attack is a valid form of argument that we should apply as we evaluate an idea.

PHILLIP MARTIN
Scarsdale, N.Y.

the opposite is true. Steamboat Institute is hosting three debates on college campuses in late October on that resolution. Steven Koonin has agreed to argue the negative in all three debates, but finding opponents willing to argue the positive was massively difficult, but we finally succeeded. Some of the responses we received from well-known climate scientists and academics stated that we are "wildly irresponsible" for giving Mr. Koonin a platform, that there is "no room for debate on these issues," and my favorite, from a well-known climatologist who is on Reuters's "Hot List" of the world's top climate scientists: "I don't debate climate science. It's a poor way to get at the truth."

We can't maintain our democratic republic without citizens and leaders capable of civilized debate and critical thinking. We applaud those who are willing to engage in robust civil debate and continue to give both sides a fair and balanced platform to make their case.

JENNIFER SCHUBERT-AKIN
CEO, Steamboat Institute
Steamboat Springs, Colo.

MLB Never Forgave Roger Maris for Beating Babe Ruth

As a Yankee fan for 70 years, I applaud Bob Greene's "Cheer on Judge but Don't Forget Maris" (op-ed, Oct. 7).

I was 14 years old and an eye witness to the duel in 1961 between Mickey Mantle and Roger Maris for Babe Ruth's 60-dinger record from 1927. It was one of the most exciting events I have ever witnessed. In the end Maris prevailed and hit No. 61 on the last day of the season. Baseball seemed offended that someone dared to beat Ruth's unparalleled feat.

Maris was one of only seven MLB players to win back-to-back American League Most Valuable Player Awards. Why isn't he in the Hall of Fame? Baseball never got over it. Maybe it should.

JOHN MILLER
Lighthouse Point, Fla.

Pepper ... And Salt

THE WALL STREET JOURNAL



"I'm not one to wear my heart on my sleeve, but here's my respiration, blood pressure and pulse on my wrist."

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

OPINION

The Not-So-Invisible Hand: Central Banks

By Judy Shelton

Politicians may debate whether big-government socialism or free-market capitalism leads to better economic outcomes. Their constituents may worry about rising prices and declining prospects for retirement. But neither group has the power to create money with no questions asked, manipulate the cost of capital, or counteract movements in financial markets. The central bankers are in charge—and perhaps that should change.

Since when do unelected monetary officials have the authority to tell political leaders what to do?

Even if duly elected leaders try to make good on campaign promises, they face hurdles if monetary authorities, domestic and global, disagree. What happened in Britain is a cautionary tale for nations that have relinquished to central banks the keys to economic performance. British Prime Minister Liz Truss, together with her finance minister, Kwasi Kwarteng, last month announced plans to spur investment and economic expansion by cutting taxes for individuals and businesses. Days later, they were verbally lashed by Mark Carney, a former governor of the Bank of England, for “working at some cross-purposes” with the nation’s central bank.

Mr. Carney, who is now United Nations special envoy on climate action and finance, lamented that the new U.K. government was trying to stimulate short-term growth just as the Bank of England was trying to restrain it to control inflation. While the approach championed by Ms. Truss and Mr. Kwarteng aims to expand economic output by providing incentives to increase supply, the Bank of England is committed to fighting inflation by reducing de-



CHAD CROWIE

mand—which requires raising interest rates to choke off growth. When the budgetary plans were poorly received by market investors, the central bank had to buy long-term government bonds to rescue the pound in foreign-exchange markets—causing interest rates to fall.

Then there’s the audacity of the International Monetary Fund, which publicly rebuked the U.K. government’s budget and urged it to “re-evaluate the tax measures, especially those that benefit high income earners.”

Since when did unelected monetary officials gain the authority to tell political leaders what to do? It’s unseemly, but perhaps not surprising: When government organizations are imbued with breathtaking powers to determine financial conditions, it magnifies their clout—and elevates their status.

The coterie of major central banks that manage the global economy are leery of spurring demand through excessive fiscal stimulus. But there is a difference between government overspending, which borrows from the future to pay for current consumption, and tax-cutting incentives now to spur more production down the road. Government borrowing to finance socialist redistribution isn’t the same as government borrowing to invest in entrepreneurial capitalism.

But central banks, led by the U.S. Federal Reserve, have embraced the notion that curbing demand is the road to monetary redemption. That same Fed not long ago failed to anticipate the pervasive inflationary pressures unleashed through the extraordinary fiscal and monetary measures to mitigate the economic conse-

quences of the Covid-19 shutdown.

Fed Chairman Jerome Powell insists that “price stability is the responsibility of the Federal Reserve,” but this is posturing rather than accountability. The central bank doesn’t compensate Americans for expropriating some of their wealth by diminishing the dollar’s purchasing power. And the 58% of Americans invested in the stock market won’t be comforted by former New York Fed President William Dudley’s warning this year that the Fed will “have to inflict more losses on stock and bond investors” to contract economic activity through tightened financial conditions. Citizens harmed by such moves have little recourse.

While Mr. Powell championed “supportive” monetary policy to foster economic growth and “as strong a labor market as possible for the benefit of all Americans” in an-

nouncing the Fed’s revised monetary policy framework in August 2020, he now seeks to raise interest rates to “restrictive” levels and believes “we need to have softer labor market conditions.” So much for maximizing employment.

Beyond the Fed’s dual mandate, our central bank is responsible for providing a stable monetary and financial system. But for all its powers to set interest rates, it’s not clear that supply-and-demand forces wouldn’t have set rates more appropriately and achieved better results. Is credit allocated more efficiently through central planning or free-market price signaling?

The hair-trigger reaction of financial markets to the latest utterances of monetary authorities is unsettling. Government bond yields and currency values are vulnerable to the interplay of derivative financial instruments structured on underlying assets that world-wide total about \$600 trillion, according to the Switzerland-based Bank for International Settlements. Contracts based on interest rates or foreign-exchange instruments account for 96% of that total.

It is time to question whether central banks have become too powerful, too prominent and too political. In the name of preserving central bank independence, lawmakers have ceded huge swaths of their own responsibility for ensuring the welfare of citizens through sound economic policies. By doing so, elected representatives have granted influence to unelected officials that is inconsistent with democratic norms and limited powers.

It will require a Copernican revolution to shift the field of monetary theory from an understanding of economic performance that doesn’t put central banks at its core. But it’s a change that must be made if we are to prevent further demoralization of free markets and free people.

Ms. Shelton, a monetary economist, is a senior fellow at the Independent Institute and author of “Money Meltdown.”

Biden’s Marijuana Pardon Won’t Release a Single Inmate



UPWARD MOBILITY
By Jason L. Riley

Even Democrats who sympathize with President Biden’s decision to pardon thousands of people convicted of marijuana possession under federal law might question his timing.

Republican candidates across the country have made crime control a major issue in this year’s midterm elections, and Mr. Biden’s order could inadvertently help the GOP advance a narrative that Democrats are preoccupied with coddling criminals.

What trumps that concern for the White House, however, is that Democrats have their own narrative to push, which is that the war on drugs has led to the mass incarceration of people who are disproportionately black and is therefore racist. Following the White House announcement, an NAACP official told National Public Radio, “We’ve seen since the 1970s that marijuana policy was intentionally and malevolently constructed to target the African-American community.” President Obama made a similar claim in

2015. “Over the last few decades, we’ve also locked up more and more nonviolent drug offenders than ever before, for longer than ever before,” he said. “And that is the real reason our prison population is so high.”

What civil-rights activists often conveniently omit from this history is the role that black community leaders and the black press played a half-century ago in getting tougher drug laws passed. They also leave out the key role of black lawmakers in advancing legislation that created sentencing disparities for drug offenses. The fight in Congress in the 1980s and ’90s was led by black liberal Democrats, including Harlem’s Rep. Charles Rangel and Brooklyn’s Rep. Major Owens. A majority of the Congressional Black Caucus voted in favor of the law that created much harsher penalties for crack-cocaine offenses than for powder-cocaine offenses.

Whatever you think of the wisdom of this approach in hindsight, the claim that the initial war on drugs and subsequent escalations were motivated by racial animus toward blacks is nonsense.

There are strong libertarian argu-

ments that the drug war, much like alcohol prohibition in the past, has on balance been a failure and that it’s time to cut our losses. Given that polls now show a majority of Americans, including about half of Republican voters, favor decriminalizing pot, the White House announcement might resonate with people in both

Incarceration rates are driven by violent crime, not drug crime. Democrats don’t like that story.

parties. But if the goal is to address mass incarceration and racial imbalance in the prison system, then focusing on drug offenders is the wrong approach.

Even Mr. Biden had to concede that no one is in federal prison for simple marijuana possession. What he didn’t say is that even among those housed in state prisons—which hold about 90% of the country’s incarcerated population—a relatively small percentage is there

on drug offenses, and almost all of those were convicted of trafficking, not for being caught with small amounts of drugs for personal use. “As a percentage of our nation’s incarcerated population, those possessing small amounts of marijuana barely register,” writes Yale law professor and former District of Columbia public defender James Forman in his book, “Locking Up Our Own.” “For every ten thousand people behind bars in America, only six are there because of marijuana possession.”

The reality is that what drives incarceration rates is violent crimes, not drug crimes. According to the Justice Department, as of 2019 some 58% of people imprisoned by states had been sentenced for violent offenses, 15% for property offenses, 14% for drug offenses and only 4% for drug possession. Put another way, drug offenders are less than a quarter of the violent offenders, and more than 85% of the prison population is there for something other than a drug offense. The U.S. regularly tops the list of advanced countries with the largest prison population, but if we sent home every incarcerated

drug offender tomorrow, we’d still top the list.

Nor would releasing drug offenders do much of anything to address the racial imbalance among inmates, which results primarily from the fact that blacks are about 13% of the U.S. population yet are responsible for almost two-thirds of the nation’s violent crime. So long as this racial gap in violent offenses persists, so will the racial gap in incarceration rates. “The racial disparities in prison populations would barely budge if all the people serving time for drug crimes were immediately released,” writes John Pfaff, a professor of criminal law at Fordham University, in his book, “Locked In.” And “it seems likely that scaling back the drug war would not on its own necessarily alter offending or enforcement patterns enough to bring about real change.”

Messrs. Forman and Pfaff are not indifferent to the problems of mass incarceration and racial inequality. What distinguishes both scholars is a desire to have an honest debate about what’s driving the phenomenon and, as important, what isn’t. Which is more than can be said about the Biden administration.

Israel Falls for Lebanon’s Treaty Bait-and-Switch

By David Schenker

I visited Beirut in 2020 while serving as assistant secretary of state for Near East affairs to restart the maritime border negotiations between Israel and Lebanon that had been stalled for nearly a decade. A Lebanese journalist expressed concern that Jerusalem would outnegotiate Beirut in the impending talks. “You are the Phoenicians,” I assured him—the venerated ancient merchant Mediterranean civilization that became modern-day Lebanon. “I am confident you will hold your own.”

My quip turned out to be prescient. Two years later, the states

have reached an agreement on their offshore exclusive economic zone boundary that heavily favors Lebanon. During negotiations, mediated by the Biden administration, Israel conceded the entirety of its claims to the 330-square-mile zone to Lebanon in return for a 3-mile internationally recognized buffer zone adjacent to the shoreline. The remainder of the zone goes to Lebanon, which will also have the right to exploit a natural gas field known as Qana, which extends south of the frontier, and an obligation to remunerate Israel for the extracted gas there.

The contours of the proposed deal are stunning. When I kicked off

negotiations in October 2020, Israel was claiming a line running northwest from the border at Naqoura; Lebanon claimed a line running southwest from the same point. The lines outlining this disputed area—resembling a slice of pie roughly 70 nautical miles long, with the crust abutting the end of Cyprus’s exclusive economic zone—are known respectively as the “1” and “23” lines, filed long ago with the United Nations. As per the new agreement, Lebanon will attain virtually 100% of its initial negotiating position.

It’s a remarkable turn of events, especially given Beirut’s profound lack of leverage. The talks took place amid Lebanon’s deepening financial crisis, a man-made disaster that has since seen a more than 95% devaluation in the lira, a 20% decline of gross domestic product, and the impoverishment of 85% of the population. A maritime deal that could potentially generate substantial revenue for a failing state should have created a sense of urgency in Beirut for an agreement.

Despite their weak hand, however, Lebanese negotiators won the day by employing a time-tested bait-and-switch negotiating tactic. Immediately after talks commenced, Lebanon changed its position, demanding an even larger exclusive economic zone. Beirut’s shift further south, to the “29” line, encompassed 550 square miles—a maximalist demand that led to a breakdown in the talks in the

waning days of the Trump administration. When negotiations resumed during the Biden administration, the new Israeli government of Prime Minister Yair Lapid saw Lebanon’s readiness to return to the 23 line in return for the buffer zone as a significant concession.

Jerusalem gave away almost everything in maritime talks after Beirut demanded even more.

Hezbollah, the Iran-backed Lebanese terrorist organization, also played an important if indirect role in the talks. The organization has threatened to attack the Energean floating production system rig in Israel’s Karish field, south of the 23 line, if the ship started to extract gas prior to reaching an agreement on the maritime border. Before Hezbollah’s warning, Israel announced that pumping would start in September. In the absence of a deal, extraction didn’t commence.

Notwithstanding the concessions, the Lapid government and many in Israel believe the agreement is beneficial. Most important, the Israel Defense Forces say it will de-escalate tensions with Hezbollah. Not only would a maritime settlement remove one point of friction with the group;

it would create a mutuality of interests between Lebanon and Israel that might make another war less likely. An agreement would also effectively make Hezbollah and its Lebanese Christian allies—who blessed the deal—Israel’s business partners, breaking a taboo on future engagement.

But the proposition that the maritime deal makes Israel safer or promotes prospects for normalization with yet another Arab State is dubious. An agreement may temporarily lower the temperature along the frontier, but with Iran upgrading its proxy’s arsenal of missiles and Hezbollah digging in along the border, another war appears inevitable. It’s difficult to imagine that Hezbollah won’t emerge from these negotiations emboldened by Israel’s decision to delay extraction, perhaps demonstrating undue flexibility to avoid another conflagration.

The agreement is a mixed bag. The compromises Israel made demonstrate how far it will go to make peace with its Arab neighbors. It is an unprecedented positive step with Lebanon. Unfortunately, as long as Beirut remains a satrapy of Iran and dominated by its proxy, it’s unclear how any agreement—no matter how beneficial to Lebanon—will prevent the next Israel-Hezbollah war.

Mr. Schenker is director of the Program on Arab Politics at the Washington Institute for Near East Policy.

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Nasdaq Hits Second Bear Market of Year

By WILL HORNER AND CORRIE DRIEBUSCH

The S&P 500 and the Nasdaq Composite fell Tuesday in volatile trading, upended by Bank of England Gov. Andrew Bailey's remark that the U.K. central bank's plan to rescue pension funds hit by interest-rate increases will end as scheduled on Friday. The Nasdaq Composite slipped into a bear market, its

second of the year. The S&P 500 and the Dow were already in bear markets, defined in Wall Street parlance as a decline of 20% or more from a recent peak. Among the poor performers on Nasdaq Tuesday were **Netflix Inc.**, down \$15.69, or 6.8%, to \$214.29, and **Qualcomm Inc.**, off \$4.57, or 4%, to \$110.03. Stocks had opened lower, with investors weighing how

higher interest rates and soaring inflation will affect the upcoming earnings season. Stocks turned higher at midday, then reversed course in the final hour of trading after Mr. Bailey's comments. The S&P 500 fell 23.55 points, or 0.7%, to 3588.84. The Nasdaq fell 115.91 points, or 1.1%, to 10426.19. The Dow Jones Industrial Average edged up 36.31 points, or 0.1%, to 29239.19, aided by

big gains in **Amgen Inc.** The biotech stock jumped \$13.29, or 5.7%, to \$245.44, making it the best performer in the Dow on Tuesday. Mr. Bailey's comments were taken as negative on Wall Street because they raise the prospect of further asset sales by U.K. pension funds amid large interest-rate increases. The program of bond purchases launched Sept. 28 had been intended to give the funds

a "window of opportunity" to sell assets in an orderly fashion, but Mr. Bailey said that opportunity would end on Oct. 14. "You've got three days left," Mr. Bailey said in remarks addressed to pension funds. "You've got to get this done." Some traders said that the earlier midday bounce higher wasn't so much a sign of strength, but rather a sign of short covering. Some traders make money

by betting that stocks are headed lower. To do so, they borrow shares and sell them, hoping to profit by buying these shares back at a lower price later. When stocks start to climb, those gains can be accelerated by short sellers covering their bets by buying shares. But Mr. Bailey's comments scared off many buyers. "No one wants to hold a po- Please turn to page B12

Airlines Proclaim Greenness, Fight Emissions Curbs

By JEAN EAGLESHAM AND SHANE SHIFFLETT

"Wanna offset carbon?" Southwest Airlines Co. asks its passengers. The low-fare carrier invites customers to buy carbon credits to "show our shared planet love."

Southwest shares in the credits by using them to offset its own emissions, according to its website. British Airways did the same in 2021, according to a spokeswoman.

Frontier Group Holdings Inc. calls itself "Mother Earth's preferred airline" because it uses less fuel per mile, per seat than any other major U.S. carrier, the airline says. Yet Frontier doesn't report or appear even to measure its carbon emissions, which form its carbon footprint.

The airline industry is a significant producer of the greenhouse gases that cause climate change. Yet airlines tout green credentials that hardly mitigate their emissions.

At the same time, industry groups are fighting rules on emissions. Last week they succeeded in watering down a United Nations-sponsored effort to offset emissions, saving the industry billions of dollars.

Southwest says its program is beneficial because it gives

customers loyalty points and matches their purchases of carbon credits. A spokeswoman for British Airways, a unit of **International Consolidated Airlines Group SA**, said the use of customer-bought offsets to reduce its reported net emissions in 2021 was an error. The airline won't use that approach going forward, the spokeswoman added.

Frontier says it is the greenest U.S. carrier because its aircraft are fuel efficient, it discourages baggage and it fits more passengers onto planes.

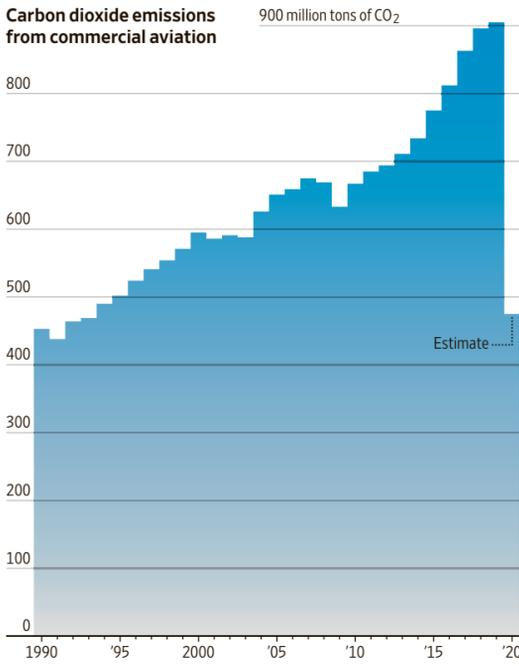
Global industry trade group International Air Transport Association has lobbied for years against climate rules. It warned that European proposals to make airlines pay more for emissions would "mark the end of low-cost air travel" on that continent. IATA fought against strengthening the U.N. emissions program at a global aviation assembly held last week in Montreal.

"Airlines have trade associations doing their dirty work," said Jo Dardenne, aviation director at Transport & Environment, a green campaign group. "The airlines commit to net-zero publicly and then lobby behind closed doors."

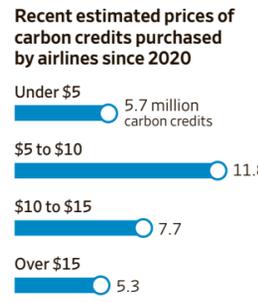
An IATA spokesman said the industry is committed to meeting the goal of net-zero Please turn to page B2



British Airways says it won't use customer-bought offsets to lower its emissions in the future.



Sources: Air Transport Action Group (carbon dioxide emissions); International Air Transport Association (airline CO2 emissions); Wall Street Journal analysis of AlliedOffsets data (estimated prices of carbon credits)



BNY Mellon to Hold Clients' Crypto Assets

By JUSTIN BAER

Bank of New York Mellon Corp., the nation's oldest bank, said it would begin receiving clients' cryptocurrencies on Tuesday, becoming

the first large U.S. bank to safeguard digital assets alongside traditional investments on the same platform.

BNY Mellon won the approval of New York's finan-

cial regulator earlier this fall to begin receiving select customers' bitcoin and ether starting this week.

The bank will store the keys required to access and transfer those assets and

provide the same bookkeeping services on those digital currencies that it offers to fund managers for their portfolios of stocks, bonds, commodities and other assets.

The move marks an important milestone for traditional banks and their growing acceptance of digital assets as a legitimate market and a source of new busi- Please turn to page B12

Peloton Ex-CEO Faced Margin Calls

John Foley, the co-founder and former chief executive of **Peloton Interactive Inc.**, faced repeated margin calls on money he borrowed against his Peloton holdings before he left the fitness company's board last month, according to people familiar with the situation. As Peloton's shares slumped over the past year, **Goldman Sachs Group Inc.** asked Mr. Foley several times to provide fresh funds or additional collateral for personal loans the bank had extended to him, the people said. The company's share price has fallen nearly 95% from its \$160 peak in December 2020. Resigning from the board gave Mr. Foley flexibility to sell or pledge more Peloton shares, though he said the margin calls weren't the reason he left the company. "I didn't resign from the board because I was underwater," he said. "To the extent that I took on debt through Goldman, it was because I am bullish on Peloton and still am. It was and is a great company." The former chairman and CEO had pledged as collateral about 3.5 million Peloton shares as of the end of September 2021, or about 20% of his stake at the time, securities filings show. The pledged shares were worth more than \$300 million a year ago. At current prices, they are worth roughly \$30 million. Please turn to page B12

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Nike Cracks Down on Sneaker-Buying Bots

By INTI PACHECO

Nike Inc. wants to keep a closer eye on resellers.

In an update to its rules for U.S. shoppers this month, the sneaker maker said it could cancel orders placed with automated ordering software or technology on its website or apps.

The company also said it could charge restocking fees, decline to issue refunds or suspend the accounts of people it determines are buying its shoes, apparel or other items with the intent to resell them. Orders that exceed product purchase limits—which Nike can implement on highly coveted items—could be rejected, according to the revised rules posted on Nike's website.

Nike's terms of sale govern the rights of consumers as well as the company in purchase transactions.

Nike previously prohibited the purchase of products for resale, but the rules update expands the company's response if it identifies such activity taking place. Its rules

had also banned purchases deemed to be fraudulent but didn't explicitly mention the use of specialized software, known as bots.

A Nike representative didn't respond to a request for comment.

For years, some large retailers have canceled orders for high-demand items such as videogame consoles they believe are purchased by bots, in line with their terms of service. Walmart Inc., the country's largest retailer by revenue, uses software and other means to try to prevent bot purchases and will sometimes cancel orders if it believes that is the case, said a spokeswoman.

Sneaker enthusiasts helped increase the popularity of botting, or the use of bots to secure purchases, years ago as programmers developed software that automatically scans digital shops to secure goods—often at larger quantities than typical purchases—while evading security measures employed by retailers. The use of bots has expanded Please turn to page B5



The industry leader in artificial intelligence software.

RANK	COMPANY	2021 AI REVENUE
No. 1	Palantir	\$1,392M
No. 2	Microsoft	\$1,252M
No. 3	IBM	\$776M
No. 4	AWS	\$688M
No. 5	Google	\$536M

Source: IDC, Worldwide Artificial Intelligence Platforms Software Market Shares, 2021: AI Is Being Used In More Unique Ways Than Ever (2022)

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The information presented in the table above has been compiled and analyzed by IDC using their methodology described in the Worldwide Artificial Intelligence Platforms Software Market Shares, 2021: AI Is Being Used In More Unique Ways Than Ever (2022) report contained on IDC's website (www.idc.com). We have not independently verified, and make no representations as to, the accuracy or completeness of the data contained in this report.

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Flexjet Reaches Deal To Merge With SPAC

By WILL FEUER

Subscription-based jet company Flexjet Inc. said it has struck a deal to go public through a merger with a special-purpose acquisition company that would value the combined entity at about \$2.6 billion.

The Cleveland-based company said it would merge with Horizon Acquisition Corp. II, a SPAC led by billionaire investor Todd Boehly, one of the new owners of soccer club Chelsea FC and a part owner of the Los Angeles Dodgers.

Flexjet plans to use proceeds from the deal to invest in its infrastructure and eye potential acquisitions, Flexjet Chairman Kenn Ricci said, adding that the company has a backlog of customers waiting to join. He said he isn't concerned about an economic slowdown weighing on growth prospects.

"You don't drop out of the country club because the economy gets bad," he said.

Flexjet offers a range of private-flying services, including fractional jet ownership and leasing, and on-demand charters. It caters to ultra-high-net-worth individuals, who pay a fee for joining the service, in addition to a monthly membership fee and a small fee when they actually use the service to fly, Mr. Ricci said. Since the pandemic started, he said, the company has gained younger customers who frequently travel to and from major cities.

After the deal's closing, which is expected in the second quarter of 2023, Flexjet will take Horizon's spot on the New York Stock Exchange and trade under the ticker FXJ.

Mr. Boehly, chief executive and chairman of Horizon, has held a stake in Flexjet since 2014 through his investment firm Eldridge Industries LLC, Mr. Ricci said. Mr. Boehly will roll over the stake, worth about a third of Flexjet, into the combined company, according to Mr. Ricci. Existing shareholders are expected to hold on to about 89% of shares in the combined company.

The deal comes amid a slowdown in SPACs and as rivals, including Wheels Up Experience Inc. and Blade Air Mobility Inc., struggle in markets after themselves merging with SPACs. Shares of Wheels Up are 75% lower so far this year and Blade stock has dropped 57% in the same period.



Todd Boehly leads the SPAC.

Delta Invests in Flying-Taxi Maker

By ALISON SIDER

Delta is betting on flying-taxi rides to and from airports, announcing a \$60 million investment in Joby Aviation Inc. and plans to offer service in New York and Los Angeles.

Delta Air Lines Inc.'s investment will give it a 2% stake in Joby, which also has been backed by Uber Technologies Inc. and went public last year. Delta said its investment could grow to \$200 million if certain milestones in the development and delivery of the service are reached.

Delta Chief Executive Ed Bastian said: "I'm optimistic that there are better ways, and certainly more sustainable ways, of getting to the airport than sitting in one to two hour traffic jams on the way to JFK or LaGuardia or LAX." He added that there could be more markets "down the road."

Electric aircraft that take off and land vertically, such as

helicopters, have attracted growing interest from airlines and aircraft-leasing companies. Carriers including United Airlines Holdings Inc. and American Airlines Group Inc. hope to use the small, quiet vehicles to whisk passengers over traffic jams and crowded city streets and deliver them to and from airports.

United in the past month announced a \$15 million investment in Eve Air Mobility and struck a preliminary agreement to buy 200 of its four-passenger aircraft. It also recently put down a \$10 million deposit on 100 flying taxis being developed by Archer Aviation Inc. American has invested \$25 million in Vertical Aerospace and secured delivery spots for 50 of the flying taxis Vertical is developing—part of a larger order it made last year.

Air-taxi manufacturers raised more than \$7 billion from investors over the past two years. However, shares in

companies including Joby have fallen sharply as investors grew concerned about potential delays in entering revenue service. Joby is valued at around \$2.4 billion, more than halving over the past year.

Air taxis aren't allowed to fly paying passengers now in the U.S., or elsewhere. Companies involved in the nascent industry have been working to obtain certification for their aircraft and how those vehicles are flown, among other permissions, executives and air-safety officials have said.

Earlier this year, the Federal Aviation Administration said it would require air-taxi pilots to have what is called a powered-lift rating, given how the proposed vehicles are expected to vertically take off and land.

Delta's strategy is slightly different from its rivals. It isn't planning to buy Joby's electric vehicles or use its own pilots to fly them but will outsource and offer the service as an add-on that its customers

would be able to book through Delta's website or app.

While Joby and Delta haven't detailed when exactly they plan to launch the offering, Joby has said previously that it expects to offer commercial service by 2024.

The companies are still determining how much the rides will cost. Mr. Bastian said he envisioned the service as part of Delta's premium offering. But that won't necessarily mean the price tag will be prohibitive, Joby CEO JoeBen Bevirt said. United has said it expects pricing for its electric flying-taxi service to be comparable to a ride in an Uber Black car.

Building out a network of places where the aircraft will take off and land will also be part of the challenge to launching the new service. The FAA this past month released new design standards for vertiports.

—Doug Cameron contributed to this article.



An aircraft built by Joby Aviation, in which Delta Air Lines is investing, is parked outside the New York Stock Exchange.

American Airlines Sees Revenue Above Guidance

By WILL FEUER

American Airlines Group Inc. projected third-quarter revenue above its prior guidance, even as it trimmed the number of flights offered to travelers.

The Fort Worth, Texas-based airline on Tuesday said in a filing on its preliminary results that it cut its flight schedule by nearly 10% in the period and made more money than it expected per mile flown.

The results come as vacationers continue to step up air

travel, despite a period in which the aviation industry struggled to keep up with a deluge of travelers. Airlines have both extended passenger caps and cut flight schedules to help ease some of the problems.

The resurgent demand has allowed airlines to charge higher fares to cover some of the rising costs tied to fuel and labor.

While major U.S. airlines have indicated in recent weeks that leisure travel has come back, they are still awaiting the full return of business travelers.

American Airlines said it expects to post third-quarter revenue of \$13.46 billion, up 13% compared with the same quarter in 2019, before the Covid-19 pandemic disrupted global travel.

In July, American Airlines guided for quarterly revenue to come in 10% to 12% higher than 2019 levels.

The company said it flew 68.6 billion available seat miles for the quarter, 9.6% lower than it did during the same period in 2019. The company had guided for capacity to be between 8%

and 10% lower than in 2019. Total revenue per available seat mile for the quarter is expected to be up about 25% compared with 2019 levels, above prior guidance of an increase of between 20% and 24%.

The company also said it expects costs per available seat mile to be about 14% above 2019 levels, within its prior guidance range of 12% to 14% above 2019 levels.

Delta is scheduled to report third-quarter results on Thursday.

Emissions Curbs Opposed

Continued from page B1 emissions by 2050 but wants to get there via the best route. "We know this is going to be expensive," the spokesman said. "We just want to spend our money in the wisest way."

The airline industry's carbon emissions doubled between 1990 and 2019, data from industry organization Air Transport Action Group show. The group forecasts passenger numbers will more than double to 10 billion a year by 2050.

The airline industry's greenhouse-gas emissions are expected to rise from 3% of the global total to 22% by 2050 as other industries reduce emissions, according to accounting firm Deloitte, unless an alternative to using fossil fuels for flying emerges.

There isn't much to be done. Low-carbon or renewable jet fuels are scarce and expensive. Batteries that will allow cars and trucks to run on renewable electricity are too heavy for most aircraft. Other fuels such as hydrogen are still unproved.

Airlines and regulators are largely focused in the short term on getting carriers to buy carbon credits to offset their emissions. The money

typically funds projects such as renewable energy that reduce greenhouse-gas emissions or the preservation of forests that absorb carbon dioxide. IATA predicts that airlines will rely on carbon offsets for 97% of their carbon-emissions reductions in 2025, and the number will still be 77.5% in 2035.

The industry's main vehicle for carbon credits is a U.N. program that it helped develop called the Carbon Offsetting and Reduction Scheme for International Aviation, or Corsia. The program, created in 2016, requires airlines to buy carbon offsets or use lower-carbon fuel to cover future emissions that go over a certain level.

Corsia was the result of a series of compromises that reduced its potential effectiveness. "Corsia is unlikely to materially alter the direct climate impact associated with air travel," the European Commission, the executive arm of the European Union, concluded in a 2020 report.

Some of the biggest polluters such as China and India aren't due to be covered until 2027. Domestic flights, most private jets and noncarbon greenhouse gases aren't included.

A spokesman for the U.N. agency helping to implement the program, the International Civil Aviation Organization, said Corsia is only one part of a carbon-reduction strategy for international aviation and isn't designed to cover domestic flights.

Another weakness of the program is the quality of the carbon credits it allows airlines to use to offset their emissions. When Corsia was being created, trade groups such as Airlines for America, which represents 10 of the largest U.S. carriers, lobbied for a range of credits "to ensure there is a sufficient volume of eligible emissions units."

The projects that generate carbon credits vary widely in their effectiveness at mitigating carbon emissions. Each credit is supposed to offset one ton of carbon emissions, and their cost ranges from a few dollars to around \$20. Cheaper credits typically come

97%

IATA's forecast of reliance on carbon offsets in 2025

from projects that are seen as having little or no environmental impact.

Most of the credits purchased by airlines in the Corsia program are cheap, according to a Wall Street Journal review of pricing data from carbon market analytics firm AlliedOffsets. The recent estimated cost of 30.4 million credits bought since 2020 by the 30 airlines ranged from \$2.60 to \$17.78, averaging about \$9.40 a credit. Programs such as Corsia of-

ten exclude credits deemed to be poor quality. Corsia excluded just a small portion of credits.

"The way Corsia decided eligibility was a bit of a blunt tool," said Donna Lee, co-founder of Calyx Global, which rates the quality of carbon credits. The group's analysis was superficial, she said. "You need to go deeper to separate the wheat from the chaff," she added.

Corsia isn't comparable to other programs because it "is the only market-based measure covering an entire sector of industry worldwide," the spokesman for the U.N. agency said.

The latest effort by the airline industry to water down the Corsia rules is tied to the level of emissions that must be hit before airlines are required to buy offsets. The program originally required them to buy offsets if emissions rose above the average level for 2019 and 2020. The pandemic decimated flying in 2020, sharply lowering the average of those years.

Airline trade body IATA argued that averaging the 2019 and 2020 emissions levels would set the baseline so low, some countries might pull out of the program because of its high costs. That baseline would force the industry to spend an estimated \$42 billion from 2024 through the 2035 end of the program, IATA said.

Corsia already had allowed the use of 2019 only numbers through 2024.

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BUSINESS NEWS

GM Plans a New Energy Business

By Mike Colias

General Motors Co. is starting an energy business to sell power-storage units and services to homeowners and commercial clients, an offshoot of the auto maker's battery-development work for electric vehicles.

GM said the new division, called GM Energy, will help customers transfer electricity from an EV or battery-storage box to a home or building as a way to protect against power outages and transfer electricity to the grid during off-peak times.

For instance, for customers who have bought EVs, GM will offer a special charger to enable the vehicle to power the

The division will help customers transfer electricity from an EV to a building.

home during an outage. It also will sell large standalone batteries to commercial customers to store and manage power.

Travis Hester, head of GM's EV growth initiatives, said the company sees a chance to generate revenue from its investment in battery technology beyond the sale of EVs. He declined to offer a revenue target but said executives may outline goals to investors at some point.

Other auto makers also have moved to leverage their experience developing battery-powered cars to delve into the energy space. **Tesla Inc.** operates an energy-storage business, which generated \$866 million

in revenue during the second quarter. **Toyota Motor Corp.** in June began sales in Japan of a battery-storage system for residential use.

As car companies race to put out EVs and digitize more functions of automobiles, those efforts also are creating opportunities to push into new lines of business, executives say.

GM last year created its BrightDrop division, which sells electric vans and software services to commercial customers. Car companies also are working to monetize the growing amount of data flowing from connected vehicles.

Mr. Hester said GM has been developing the energy business for about two years and several large companies have signed on as customers.

GM will offer a software tool that will help commercial customers manage the charging of their electric trucks and vans, for example. The energy business also will allow customers to sell energy from an EV or a GM-provided battery storage unit to the utility during times of high electricity use, he said.

Mr. Hester said the use of EVs as mobile generators has the potential to improve the resilience of the power grid. California's **PG&E Corp.** and other utility companies have said they support the use of EVs as a way to improve grid reliability. GM and PG&E have been running a pilot program that allows customers to use their EVs to power the home during outages, GM said.

Watch a Video



Scan this code for a video on the production of batteries for electric vehicles.

Westinghouse Electric to Be Sold

By Kathryn Hardison

Cameco Corp. and **Brookfield Renewable Partners** said they will buy **Westinghouse Electric Co.** in a deal that will boost nuclear power, an energy resource reinvigorated by the need to reduce the use of carbon-based fuels.

The Canada-based companies said Tuesday that they are forming a strategic partnership to acquire the nuclear services business. Brookfield Renewable, with its institutional partners, would own a 51% interest in Westinghouse and Cameco

would own 49%, they said. The total enterprise value for Westinghouse is roughly \$7.88 billion, the companies said, which includes an estimated \$4.5 billion in equity and the rest in debt.

The consortium will buy Westinghouse from Brookfield Business Partners, an entity that Brookfield Asset Management uses to operate the business services and industrial operations of its private-equity group. The acquisition is expected to close in the second half of next year.

The deal is expected to cre-

ate an opportunity for strategic growth across the nuclear sector, the companies said. Westinghouse services about half of the nuclear power reactors in the world. Cameco is the world's largest publicly traded uranium company, based in Saskatoon, Saskatchewan.

Brookfield Renewable Partners owns and operates renewable power assets and is 60% owned by Brookfield Asset Management.

Cameco said it has enough liquidity to finance its share of the deal. It plans a bought deal offering to sell \$650 million

worth of stock, priced at \$21.95 a share, according to a statement released Tuesday afternoon. Cameco shares dropped 12% to \$22.70 in after-hours trading. Shares of Brookfield Business Partners gained 13% to \$21 in after-hours trading.

Westinghouse fell into bankruptcy in 2017 because of bad bets building nuclear power plants.

Brookfield Business Partners bought the company in 2018 from Toshiba Corp. for \$4.6 billion, marking Brookfield's entry into the nuclear power business.

Lego Owner Kirkbi to Purchase Brainpop

By Trefor Moss

Lego owner **Kirkbi AS** is buying U.S. video-learning firm **Brainpop** for \$875 million, according to the companies, as the family behind the world's largest toy maker expands into the education business.

The Danish company said the purchase of Brainpop, which produces short animations used in schools to help children learn everything from math to music, was part of a plan to build a new business pillar. Kirkbi is acquiring Brainpop's owner, **FWD Media Inc.**

"We are definitely on the path to establishing the Lego idea of learning through play in the formal education space," said Jørgen Vig Knudstorp, executive chairman of the Lego Brand Group, the Kirkbi entity that oversees the toy brand.

Kirkbi owns 75% of Lego AS, whose colorful plastic toy bricks are used by millions of children around the world. It also operates Lego Education, a unit that produces Lego brick sets designed for use in classrooms.

Mr. Knudstorp said the deal for Brainpop wouldn't give rise to Lego-related videos, with the company set to remain separate from the toy business.

News of the deal comes after Lego last month reported



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The purchase will help Denmark's Kirkbi in its efforts to expand beyond its well-known Lego bricks.

double-digit revenue growth for the first half of the year, brushing aside economic worries to cement its industry sales lead over U.S. rivals Hasbro Inc. and Mattel Inc.

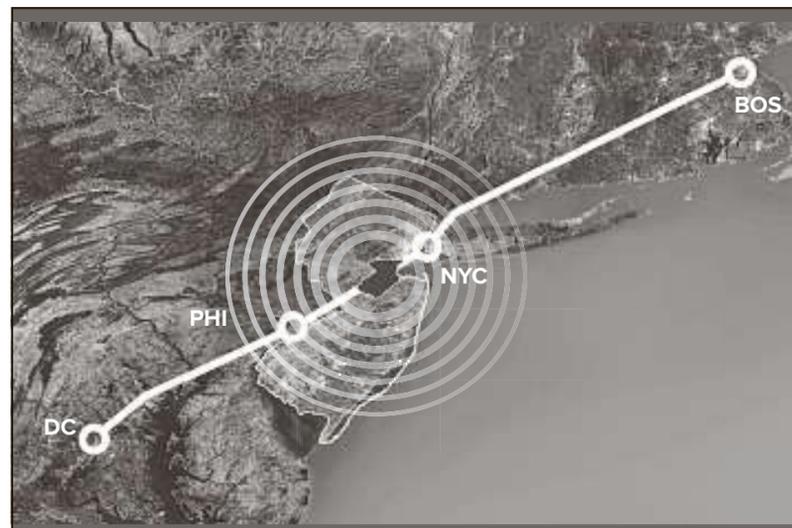
In recent years, Kirkbi has sought to expand beyond Lego bricks. In 2019 it was part of a consortium that agreed to buy the operator of Madame Tussauds wax museums and Lego-land theme parks. And earlier this year it paid \$1 billion for a

minority stake in "Fortnite" maker **Epic Games Inc.** with a view to jointly developing a child-friendly version of the metaverse.

When it comes to the business of learning, Kirkbi has made roughly 15 minority investments in education-technology companies over the past five years as it started to explore the market, Mr. Knudstorp said. He was then challenged by Kirkbi's owners, the

Kirk Kristiansen family, to move beyond the venture-capital model and find a more mature company to invest in or buy, he said.

New York-based Brainpop, also family-owned and with a sizable user base, emerged as a good fit, Mr. Knudstorp said. "This is a company that has substance: It has real know-how to engage children and make them curious and interested," he said.



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TECHNOLOGY

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Meta Sees Headset as PC Replacement

By Salvador Rodriguez

Facebook parent **Meta Platforms** Inc. stated its ambition to go after the professional computing market on Tuesday with the announcement of its most advanced virtual reality headset to date, the Quest Pro, saying it could be a better way to work than a personal computer.

Along with the new device, which costs around \$1,500, Meta also announced partnerships with **Microsoft Corp.** and **Zoom Video Communications Inc.** that are expected to make the company's VR headsets more useful in hybrid-work scenarios.

"For virtual reality to really reach its full potential, we need to get to the point where the 200 million people who buy new PCs each year for work can do some or all of their work even better in the metaverse," CEO Mark Zuckerberg said during Connect, the company's annual metaverse event.

The Quest Pro represents Meta's efforts to build a high-end device geared toward professionals who are willing to pay top dollar for the most cutting-edge VR technology. The device features a thinner, more ergonomic design with an improved display and more



The Quest Pro represents Meta's efforts to build a device geared toward professionals in need of the most cutting-edge VR technology.

sensors to track users' motions and facial expressions. The headset runs on a new Snapdragon XR2+ processor built by Qualcomm Inc. that is optimized for VR, Mr. Zuckerberg said.

The company's metaverse pivot to the enterprise market

makes sense, said Daniel Newman of Futurum Research, an advisory business that focuses on digital technology.

"While video meetings haven't stopped people from gathering live, there are plenty of meetings that could take place in a highly engaging and

collaborative setting like the one Meta is trying to build," Mr. Newman said.

Preorders for the headset start Tuesday, and it will begin shipping on Oct. 25, Mr. Zuckerberg said.

Meta stock fell 3.9% on Tuesday.

The Quest Pro comes a year after the company changed its name from Facebook to Meta to reflect its ambitions in virtual and augmented reality. At the time, the company committed \$10 billion toward the endeavor.

The company hasn't dis-

closed sales of its VR headsets, but through the first half of 2022, revenue for the company's Reality Labs division, which includes the Quest 2, came in at \$1.1 billion, up nearly 37% compared with the year-earlier period, according to the company's second-quarter report.

Meta also announced a partnership with Microsoft to bring Windows 365 and Teams to the company's VR headsets next year.

"We think that VR can be very powerful for social connection, and with the Quest Pro, we want to bring more of that into the work context as well where Microsoft already has some incredibly successful products in the market," Mr. Zuckerberg said.

This will include the ability for people wearing Meta's face computer to join meetings in Microsoft's Teams business-communications platform as virtual avatars. The integrations are scheduled to become available next year.

Besides Teams meetings, Meta also said that Quest users will be able to join Zoom calls using Horizon Workrooms in early 2023. This will allow users to appear in Zoom meetings as their virtual avatars.

Intel to Further Separate Chip Design, Production

By Asa Fitch

Intel Corp. plans to create greater decision-making separation between its chip designers and chip-making factories as part of Chief Executive Pat Gelsinger's bid to revamp the company and boost returns.

The new structure, which Mr. Gelsinger disclosed in a letter to staff on Tuesday, is designed to let Intel's network of factories operate like a contract chip-making enterprise, taking orders from both Intel engineers and external chip companies on an equal footing.

Intel has historically used

its factories almost exclusively to make its own chips, something Mr. Gelsinger changed when he launched a contract chip-making arm last year.

The latest adjustment "will allow us to identify and address structural inefficiencies that exist in our current model by driving accountability and costs back to decision makers in real time," Mr. Gelsinger said.

Analysts have said the close link between Intel's chip design and production operations at times led to choices that made financial sense for one but not the other part of

the company, weighing on overall returns.

Intel is one of the few companies to both design and produce chips in-house. The company's main chip rivals, including **Nvidia Corp.** and **Advanced Micro Devices Inc.**, rely on other companies to produce their chips. AMD more than a decade ago spun off its chip-making factories.

Mr. Gelsinger has been trying to fast-track Intel's chip-making effort since he became CEO last year.

He has laid out significant investment plans to expand existing chip making, including

new factories in the U.S. and Europe.

The company also is counting on government help to defray some costs. Political leaders in the U.S. and Europe have signaled eagerness to build up chip making locally and counter the industry's shift toward Asia, where manufacturing has typically been less costly.

President Biden over the summer signed legislation allocating more than \$50 billion for domestic chip manufacturing and research.

"We've invested in the capacity required to meet the in-

dustry's demand for semiconductors, bringing much-needed balance to the global supply chain," Mr. Gelsinger said.

The move aims to let Intel's network work like a contract chip-making operation.

Intel also has struck a partnership with **Brookfield Asset Management Inc.** to help finance its factory-expansion

ambitions.

The Intel boss has set out the ambition to return the American semiconductor icon to a leadership position in chip production after having fallen behind Asian rivals. He has said the company remains on track to achieving that objective.

The turnaround effort has come with challenges, though. Intel in July said one of the company's newest families of chips was delayed. The company also has been hit by the sharp slowdown in PC shipments this year, a major market for Intel.

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BUSINESS NEWS

DOJ Rebuffed In Case Against Booz Allen

By Dave Michaels

A federal judge in Maryland on Tuesday declined to halt Booz Allen Hamilton Holding Corp.'s purchase of a competing cybersecurity firm, turning back the Justice Department's effort to block the deal on antitrust grounds.

Booz Allen in March moved to acquire EverWatch, a company it had been competing against to win a five-year contract to support the National Security Agency's mission of collecting foreign communications. The Justice Department sued in June, alleging the acquisition would drive up prices for the U.S. government and create a monopoly supplier for a critical national-security service.

The decision is the latest in a string of merger-lawsuit losses for the Justice Department's Antitrust Division. In September, a federal judge in Delaware turned back the DOJ's challenge of U.S. Sugar's planned purchase of rival Imperial Sugar.

In the Booz Allen case, U.S. District Judge Catherine C. Blake denied the government's request for an injunction that would prevent the deal from closing while the Justice Department litigated the merits of its case. The judge's order didn't explain the basis for her decision but ordered the two sides to report back on the next steps for the case.

A spokeswoman for the Justice Department didn't respond to a message seeking comment. A spokeswoman for Booz Allen said the company appreciates the judge's "careful consideration of the evidence in this matter."

Based in Reston, Va., EverWatch builds systems to defend against national cyber threats.

The Justice Department had said both companies spent years building teams of more than 20 subcontractors each in advance of the NSA's request for proposals for the contract. Booz Allen moved to acquire EverWatch shortly before the bidding document was released, authorities said.

FTC Clears Tractor Supply Deal For Rival

By Sarah Nassauer

Tractor Supply Co. said a federal regulator has approved its purchase of Orscheln Farm & Home, a smaller rival in the rural-lifestyle retail business, after a year and a half of negotiations and lobbying by state attorneys general.

Tractor Supply said Tuesday it will pay \$320 million for the 166 stores, the largest acquisition in the company's history. However, it will only keep 81 stores as part of an agreement with the Federal Trade Commission, which includes the sale of 12 locations to Buchheits, a small home-improvement and farm-and-ranch retailer, and 73 locations to Bomgaars, another small retailer in the category, said Hal Lawton, chief executive of Tractor Supply, in an interview.

Tractor Supply will receive \$72 million for the sale of those stores, he said.

The FTC's approval comes on the final day the regulatory body could block the purchase under an antitrust review, according to a Tractor Supply spokeswoman. Tractor Supply plans to close the deal Wednesday. The FTC said Tuesday it approved the deal, including the divestitures, as well as a monitor to oversee compliance with the purchase agreement, among other measures.

Tractor Supply announced the purchase last year. The company was interested in the deal because Orscheln's mostly Midwestern store base complements Tractor Supply's 2,000 store locations.

Tourists Drive LVMH Sales Surge

By Nick Kostov

PARIS—LVMH Moët Hennessy Louis Vuitton SE said Tuesday its third-quarter revenue rose 27% as U.S. tourists spent freely in Paris and other European capitals and Covid-19-related disruptions eased in China.

LVMH posted revenue of €19.76 billion (\$19.26 billion), beating expectations. The conglomerate's fashion and leather-goods division—which accounts for almost half of its revenue—posted a 27% increase in sales to €9.69 billion for the three months ended in September.

LVMH said it was confident in the continuation of its current sales growth, despite what it described as an uncertain geopolitical and economic backdrop. The company said it would maintain its cost controls and be selective with investments.

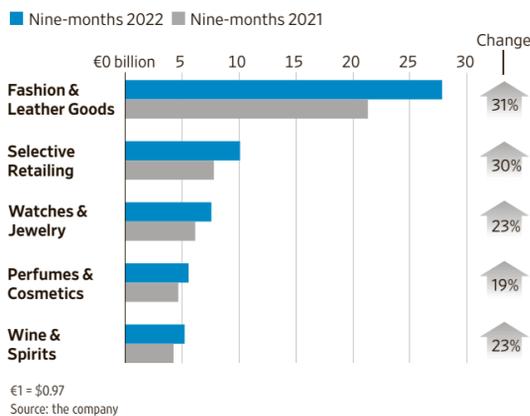
The company's overall organic-revenue growth, which strips out the effects of currency, came in at 19%. LVMH doesn't publish quarterly profit figures.

Luxury companies, and LVMH in particular, are riding a postpandemic boom that so far has shown little sign of easing despite various challenges to the global econ-

Spending by the wealthy stays strong even as others feel inflation's squeeze.

omy, such as rising inflation, supply-chain issues and the war in Ukraine. While these problems are causing headaches for mainstream retailers whose customers are feeling the squeeze, the wealthy consumer base to

LVMH revenue by segment



The Dior and Louis Vuitton parent saw sales in Europe shoot up 36%, leading an overall 27% rise for the quarter. A store in Paris.

which luxury brands cater has so far continued to spend freely.

LVMH, whose brand stable includes Christian Dior, Louis Vuitton and Tiffany, reported a double-digit-percentage rise in sales at all its divisions for the third quarter on an organic basis. Its divisions include watches and jewelry, perfumes and cosmetics, wines and spirits, and selective retailing.

Overall sales in Europe rose 36% on an organic basis, while U.S. revenue rose 11%, slower than previous quarters, the company said. However, Jean Jacques Guiony, LVMH's chief financial officer, said business had shifted to Europe from the U.S. in recent

months because Americans were taking advantage of the strong dollar to splurge in Europe.

Asia grew 6% on an organic basis, an improvement

on the two previous quarters when sales were pressured by strict lockdowns in Shanghai and other cities in China—the world's largest luxury-goods market.

LVMH is the first luxury group to report results for the third quarter. Hermès International and Gucci owner Kering SA will report sales for the period on Oct. 20.

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Nike Takes Aim at Resellers

Continued from page B1

beyond sneakers to hard-to-get items in the Covid-19 pandemic like Sony PlayStation 5 consoles, among other goods.

"It's very much a cat-and-mouse game," said Patrick Sullivan, chief technology officer at Akamai Technologies Inc., a software company that develops antibot protection tools. Companies have teams of engineers working to stop bots, but protecting a website from botting is a daily thing

for retailers and it keeps evolving, he said.

He said retailers might be able to connect the dots and figure out who uses bots by looking at similar shipping addresses for multiple orders or they might start tying orders to identity verification in the future.

Nike's move is significant because of its relationship with the resale market. It has benefited from the brand awareness fueled by entrepreneurs and sneaker enthusiasts from limited-edition products. On social media, resellers share their success of using bots to acquire limited-edition sneakers through digital platforms such as Nike's SNKRS app.

—Sarah Nassauer contributed to this article



Sneaker enthusiasts helped increase botting's popularity.

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THE PROPERTY REPORT

Florida Couple Stole Mansions From the Rich

Mortgage-fraud scheme used to take over the properties of Venezuelan elite

By KONRAD PUTZIER
AND WILL PARKER

Carlos Castañeda and Genesis Martusciello fled Venezuela during the previous decade, arriving in Miami with little money and few prospects but in search of a better life. Within a few years, the young couple had access to millions of dollars.

They achieved their sudden wealth through what Florida real-estate attorneys call one of the boldest real-estate frauds the U.S. has ever seen.

With the help of fake passports, Mr. Castañeda, now 35 years old, and Ms. Martusciello, 29, and their associates impersonated four owners of Miami-area mansions and penthouses. They fooled lenders into providing nearly \$10 million in mortgages on those homes in 2019 and 2020. They borrowed money against the homes and had the money wired to bank accounts they controlled.

They lived in the homes of their victims and spent their fortune buying jewelry and watches, including a \$180,000 watch. They stole some of their victims' luxury cars, including a Ferrari, Bentley and Rolls-Royce.

The couple and six co-conspirators are now in prison, facing sentences ranging from 28 months to 6½ years after pleading guilty to identity theft and bank and wire fraud. More arrests are possible, according to people familiar with the matter, who said law-enforcement officials are investigating people believed to have ties to the scheme.

The operation was one example of a new wave of property fraud washing over South Flor-

ida, in which criminals impersonate homeowners to sell or mortgage properties without the real owner's knowledge.

For property thieves, Florida is an ideal hunting ground. Many high-end homes are owned by foreigners and stand empty for much of the year. Lightly regulated brokers and lenders often close loans quickly without too many questions or much paperwork. Unlike conventional residential real-estate agents, brokers who handle hard-money loans aren't required to hold professional licenses under Florida law.

The fraud investigator for the Broward County Property Appraiser's Office said residential property thefts in South Florida are "out of control." The county last year began alerting homeowners when someone transfers the deed on their property.

"This is happening constantly," said David Haber, a South Florida attorney who represents property owners who believe they were defrauded. "And when I go to the authorities, the answer is always the same: We don't have enough resources for this stuff."

This report is based on a Wall Street Journal review of court and U.S. Secret Service documents, police reports and emails, and interviews with dozens of people with knowledge of the operation, including law-enforcement officials. Ms. Martusciello initially agreed to discuss the matter from prison, but later didn't respond to requests for an interview or comment. Mr. Castañeda didn't respond to requests for comment.

Mr. Castañeda and Ms. Martusciello were part of an exodus of Venezuelans who fled during the country's economic crisis in the previous decade. Many ended up in South Florida.

Ms. Martusciello grew up in a middle-class family in the city of Barquisimeto, according to



FROM TOP: MARCO BELLO FOR THE WALL STREET JOURNAL; CAROLINA CABRAL/BLOOMBERG NEWS



Above, the TD Bank where one person tried to transfer money with a fake passport. Left, Barquisimeto, Venezuela.

court documents and her sister. She and her husband left in 2016. In the U.S., she made a living driving a car and working as a bartender. During a bar shift, she met Mr. Castañeda, who recently fled Venezuela. She and Mr. Castañeda fell in love and moved together, according to court documents.

In early 2019, Mr. Castañeda told her about an idea for a scheme he said he discussed with friends. They would target Miami-area mansions and

penthouses owned by Venezuela's elite. The Trump administration sanctioned or indicted top Venezuelan government officials and their associates. Some owned property in Florida, public property records showed. If these people could no longer travel to the U.S. or watch over their mansions and cars, Mr. Castañeda reasoned, they were there for the taking, according to attorneys representing members of the group.

It didn't hurt that Ms. Martusciello and Mr. Castañeda resented the Venezuelan regime, which they considered corrupt, according to some of their friends and an attorney representing one of their associates. Stealing from the government's cronies felt like payback to them, these people said.

"There is a saying that the thief who steals from a thief has 100 years of forgiveness," Jonnathan Gonzalez, who pleaded guilty to participating in the scheme, told the Journal in a message from prison.

Their first target was Luis Carlos de Leon-Perez, a former Venezuelan state oil executive who was indicted in 2017 on corruption charges in the U.S. and pleaded guilty the next year. They recruited two Venezuelan immigrants to impersonate his wife and mother-in-law and took out \$4.5 million in loans against two Bal Harbour luxury apartments registered in their names.

The thieves exploited an opaque, lightly regulated niche of the real-estate market called "hard-money lending." A driver's license or a passport with a name matching the one on the property deed is sometimes all the identifying information buyers need to get a loan.

Mr. Castañeda and Ms. Martusciello turned their attention to Venezuelan businessman Samark Lopez Bello. In 2017, the Treasury Department accused Mr. Lopez Bello of being

involved in a narcotics trafficking and money-laundering scheme involving a former vice president of Venezuela. The U.S. sanctioned Mr. Lopez Bello and froze his U.S. assets, and Immigration and Customs Enforcement added his name to the most-wanted list. Mr. Lopez Bello has said the accusations aren't true.

His Pinecrest mansion, owned by a limited-liability company registered to his daughter, wasn't on the public list of his frozen assets. That meant it could be mortgaged. The sanctions prevented him from paying the electric bill, his attorney said. As a result, the security system was down.

Mr. Gonzalez joined the scheme, doing landscaping work on the property to make sure it looked good for appraisers, Messrs. Gonzalez and Castañeda

The thieves exploited a real-estate market niche called 'hard-money lending.'

told investigators. One day, Mr. Lopez Bello's housekeeper spotted Mr. Gonzalez and called the police. But the cops let him go after he insisted he was hired by the real owner's property manager to do landscaping work.

Days later, the group took out a \$1.95 million mortgage on the home. Mr. Gonzalez's girlfriend, the Venezuelan immigrant Katherine Hansen, impersonated Mr. Lopez Bello's daughter at the closing. They refinanced the loan with a \$3 million mortgage.

Both couples now led the same sort of lives as the Venezuelan elite they despised. The four took a trip to Las Vegas, where they gambled a good portion of their new money. They spent much of the rest

on luxuries, including a Lamborghini Urus SUV and an \$8,000 Blue Merle Pomeranian dog, court documents show.

Some in the group stayed in the homes. Mr. Castañeda and a friend in 2019 briefly squatted in an apartment owned by Mr. Lopez Bello at the Four Seasons Residences in Brickell. One day the police showed up after a complaint but found the door barricaded, according to a police report. So they left.

Mr. Gonzalez and Ms. Hansen later started squatting in a mansion owned by a man who acted as a frontman for the stepchildren of Venezuelan President Nicolás Maduro, according to Secret Service documents. The couple wrote up a fake rental contract to reassure nosy neighbors and got their mail delivered there. Attorneys representing the government of Venezuela declined to comment.

Law-enforcement officials said the operation began to unravel with help from a tipster. In March 2020, Ms. Hansen was arrested at a TD Bank branch in Miami while trying to transfer money using a fake Venezuelan passport. Two months later, Mr. Castañeda and Ms. Martusciello were arrested in a sting operation set up by the Secret Service and the Aventura Police Department, where an undercover agent impersonated a notary during a staged loan closing.

But a big share of the money remains missing. Associates said Mr. Castañeda stashed hundreds of thousands of dollars of watches in the Dominican Republic, where his mother lives and beyond the reach of U.S. authorities.

Mr. Gonzalez is still serving his prison sentence, while Ms. Hansen, who pleaded guilty to bank and wire fraud, was released this year. She declined to comment through her attorney.

Mr. Lopez Bello continues to fight the U.S. government's narcotics trafficking charges. An entity tied to Mr. Lopez Bello remains the legal owner of the mansion, and he remains under U.S. sanctions. In a statement, he expressed his disappointment with the U.S. property system.

"When I decided to invest in real estate in the United States, I believed the States was the safest place in the world," Mr. Lopez Bello said. "However, the lack of security and safety that allowed these criminals to invade my privacy, steal my vehicles, burglar my property, mortgage my properties and steal my daughter's identity, have proved me wrong."

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Venezuelan businessman Samark Lopez Bello's mansion in Pinecrest, Fla., was targeted.

MARCO BELLO FOR THE WALL STREET JOURNAL

THE PROPERTY REPORT

Mall Spotlights Regional Retail Woes

By KATE KING

NORTH ATTLEBOROUGH, Mass.—The only mall in this former manufacturing town recently sold for a fraction of its value only a decade earlier, another sign that regional malls are sitting out a broader recovery in retail real estate.

The previous owner of Emerald Square Mall, which comprises 1 million square feet and features stores such as Victoria's Secret and Macy's, defaulted on \$94.5 million of debt in mid-2020. That marked the largest loss recorded on a loan securitized in the last dozen years, according to Moody's Investors Service.

Kohan Retail Investment Group, a shopping-mall investment company that owns more than five dozen malls across the U.S., recently acquired Emerald Square for \$29 million. The property was valued at \$167 million in 2012, according to real-estate data provider Trepp.

Once a bustling shopping hub, the three-level Emerald Square Mall is now about 65% occupied, with long stretches of vacant storefronts. Sears, which operated as one of the mall's anchors for more than three decades, closed last year and its space remains empty.

Mike Kohan, the firm's chief executive, said he would give priority to filling the empty space at Emerald Square, including with nonretail tenants such as call centers, medical offices and fitness.

"Tenants that bring more traffic into the mall," he said.

After grappling for years with the fallout from overbuilding and online shopping, U.S. retail real estate overall is emerging from the Covid-19 pandemic in a surprisingly strong position. But certain areas remain acutely challenged, particularly older, low-end malls.

The total number of U.S. malls has declined to about



The Emerald Square Mall in North Attleborough, Mass., was once a bustling shopping hub.

700 today from an estimated 2,500 in the 1980s, according to Nick Egelanian, president of retail advisory firm SiteWorks, which tracks U.S. mall performance. Many were turned into open-air retail, an expensive and difficult undertaking that often takes decades. Some were demolished. Others remain standing, but aren't operating and stand as vacant "ghost towns."

Mr. Egelanian expects the number of malls to continue to decline over the next 10 years to an estimated 150 nationwide. The survivors will be top-tier properties, with updated infrastructure and the best fashion and luxury retailers as well as dining and entertainment, he said.

Many malls are struggling because their anchor tenants, department stores, have seen declining market share since the 1980s due to the rise of more convenient and lower-cost discount stores, Mr. Egelanian said. In more recent years, online shopping has further depressed foot traffic to malls.

Built in 1989, Emerald Square Mall sits at the intersection of two major highways, less than 20 miles from Providence, R.I., and about an

hour's drive from Boston. Its slow decline frustrates town officials who count on the mall as the city's largest property taxpayer.

"We want it to grow up and become what it's going to be next," said North Attleborough's town manager, Michael Borg.

Mr. Borg suggested knocking down the former Sears and building affordable housing, updating the food court, woo-

The mall, valued at \$167 million in 2012, was recently bought for \$29 million.

ing a minor-league hockey team and marketing the third floor as space for life sciences, light manufacturing and other nonretail uses.

Some regional malls elsewhere are undergoing significant overhauls. In Orange County, Calif., developer William Shopoff, president and chief executive of Shopoff Realty Investments LP, recently closed a nearly \$100 million deal for two of the Westmin-

ster Mall's anchor properties and is planning to build 2,000 apartment units, a hotel and new retail.

But numerous legal and financial hurdles make it difficult to save or redevelop failing malls, Mr. Egelanian said.

Most properties have multiple owners, with one group controlling the mall's core and the anchor properties owned by other entities or the retailers themselves. Many of these properties back securitized loans that are coming due and cannot be refinanced because the value of the malls has fallen below the balance of the loans.

"When these malls were built, it was thought they would never die," Mr. Egelanian said. "It's just a very tedious, long-term process."

The loan backed by Emerald Square was transferred to a special servicer and liquidated earlier this year at a 76.7% loss on the \$94.5 million unpaid principal balance, according to Moody's Investors Service. The transaction marked the largest loss on a commercial mortgage-backed securities liquidation since underwriting and leverage for these loans changed following the 2008 financial crisis, Moody's said.

Warehouses Add Perks To Attract Employees

By LIZ YOUNG

Retailers and distributors are looking for their newest warehouses to do more than store goods these days.

Companies including outdoor goods retailer **Recreational Equipment Inc.** and drug distributor **McKesson Corp.** are adding features such as natural light, automation aimed at easing work burdens and fitness centers and outdoor work areas to make the industrial sites more inviting as they compete to recruit and retain workers in a tight job market.

The upgrades are a departure from the often-grim industrial facilities at the heart of a warehouse business that has been booming in recent years even as getting workers has grown more difficult. Developers say the working environment in a warehouse, long considered simply utilitarian, is a growing consideration as firms talk about new sites.

"It's something that even we're thinking about as we build these buildings," said Dominic DeRose, director at real-estate investment firm **Cresset Partners LLC**. "How do we make them attractive to not only the users but the people the users are going to hire, the employees?"

Warehousing and transportation has been one of the fastest-growing jobs sectors in the country in recent years, as booming e-commerce demand driven by Covid-19 pandemic lockdowns pushed companies to fill up distribution space to get goods closer to consumers.

Warehousing and storage companies added nearly 100,000 jobs over the past year, according to the Bureau of Labor Statistics, and employment in the sector has doubled since 2016, reaching nearly 1.8 million workers in September 2022, according to BLS.

The newest warehouses are still built to fit their industrial jobs, but operators are hoping that upgrades inside and around the buildings help soften the work environment to get new workers in the door and reduce employee turnover.

"You think of distribution centers, typically it's just these ugly concrete boxes, and they're not anymore," said Ammie McAsey, senior vice president of distribution operations for the U.S. pharmaceutical business at McKesson. "A lot of different things that typically you might see in an office environment, we're bringing that into our distribution centers."

REI is building a distribution center in Lebanon, Tenn., with skylights, a fitness center, bike storage and a trail outside for employees to use on breaks. A mural of the nearby Smoky Mountains on the 400,000-square-foot building's exterior is aimed at making the site more attractive from the outside.

The company is also trying to minimize the noise that comes along with the constant collecting and stacking of goods. That includes an enclosed automated storage and retrieval system and the use of padded pouches rather than hard bins for orders being fulfilled.

"This is one of the quietest warehouses that you will actually be in," said Ruchi Christensen, divisional vice president of supply-chain operations at the Seattle-based company.

In Jeffersonville, Ohio, McKesson installed big windows to bring natural light to the floor and break room at its new 475,000-square-foot warehouse, said Ms. McAsey.

The drug distributor says automation at the site, including robotic pickers, also is aimed at relieving human workers of the most strenuous activities.

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Agriculture Futures table with columns for Open, Contract, High, Low, Settle, Chg, and Open interest. Includes Corn, Oats, Soybeans, Soybean Meal, Soybean Oil, Wheat, and Cattle-Feeder.

Currency Futures table with columns for Open, Contract, High, Low, Settle, Chg, and Open interest. Includes Japanese Yen, Canadian Dollar, British Pound, Swiss Franc, Australian Dollar, Mexican Peso, and Euro.

Index Futures table with columns for Open, Contract, High, Low, Settle, Chg, and Open interest. Includes Mini DJ Industrial Average, Mini S&P 500, Mini S&P Midcap 400, Mini Nasdaq 100, and Mini Russell 2000.

Bonds | wsj.com/market-data/bonds/benchmarks

Tracking Bond Benchmarks

Tracking Bond Benchmarks table showing return on investment and spreads over Treasuries and yields paid to investors compared with 52-week highs and lows for different types of bonds. Includes Broad Market, U.S. Corporate Indexes, Mortgage-Backed, U.S. Agency, and Global Government.

Global Government Bonds: Mapping Yields

Global Government Bonds: Mapping Yields table showing yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds in selected other countries.

Corporate Debt

Corporate Debt table showing prices of firms' bonds reflect factors including investors' economic, sectoral and company-specific expectations. Includes International Business Machines, Wells Fargo, Southern Company, Volkswagen Group of America Finance, Credit Suisse, Nomura Holdings, Societe Generale, and Federation des caisses Desjardins du Quebec.

...And spreads that widened the most

...And spreads that widened the most table showing bond price as % of face value and spread changes for various issuers like Credit Suisse, General Motors, Wells Fargo, HSBC Holdings, Morgan Stanley, JPMorgan Chase, Goldman Sachs, and MetLife.

High-yield issues with the biggest price increases...

High-yield issues with the biggest price increases... table showing bond price as % of face value and spread changes for Transocean, Ford Motor Credit, and Sprint.

...And with the biggest price decreases

...And with the biggest price decreases table showing bond price as % of face value and spread changes for Lumen Technologies, Prime Service Services Borrower, Venture Global Calcasieu Pass, Howmet Aerospace, Telecom Italia Capital, Ford Motor, OneMain Finance, and Sensata Technologies.

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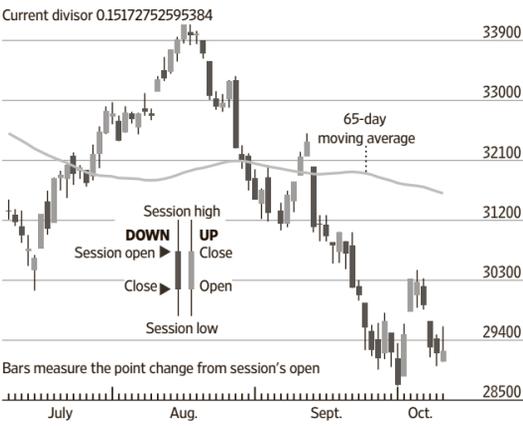
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EQUITIES

Dow Jones Industrial Average

29239.19 ▲ 36.31, or 0.12%
 High, low, open and close for each trading day of the past three months.

Last Year ago
 Trailing P/E ratio 17.23 23.35
 P/E estimate * 15.91 18.88
 Dividend yield 2.42 1.86
 All-time high 36799.65, 01/04/22

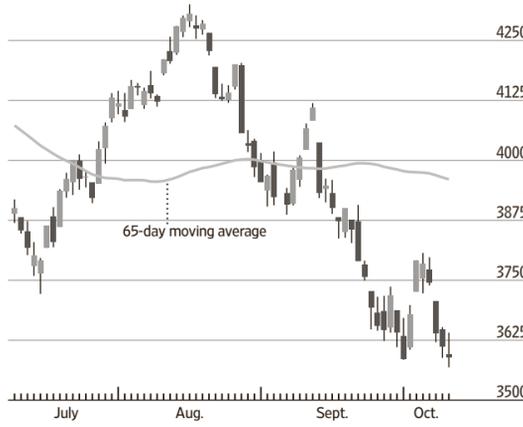


*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc. †Based on Nasdaq-100 Index

S&P 500 Index

3588.84 ▼ 23.55, or 0.65%
 High, low, open and close for each trading day of the past three months.

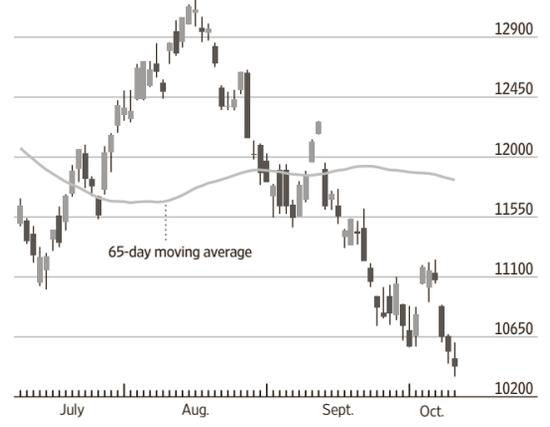
Last Year ago
 Trailing P/E ratio * 18.05 30.72
 P/E estimate * 16.30 21.52
 Dividend yield * 1.79 1.36
 All-time high 4796.56, 01/03/22



Nasdaq Composite Index

10426.19 ▼ 115.91, or 1.10%
 High, low, open and close for each trading day of the past three months.

Last Year ago
 Trailing P/E ratio * 23.99 34.47
 P/E estimate * 20.79 27.98
 Dividend yield * 0.99 0.71
 All-time high: 16057.44, 11/19/21



Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	Low	% chg	52-Week High	Low	% chg	YTD	3-yr. ann.
Dow Jones													
Industrial Average	29608.42	29074.23	29239.19	36.31	0.12	36799.65	28725.51	-14.9	-19.5	2.9			
Transportation Avg	12692.21	12409.19	12539.79	4.22	0.03	17039.38	11999.40	-14.8	-23.9	6.8			
Utility Average	877.27	860.02	866.66	0.40	0.05	1071.75	863.43	-1.4	-11.6	unch.			
Total Stock Market	36701.07	35912.50	36175.86	-226.98	-0.62	48929.18	36097.99	-20.0	-25.6	6.0			
Barron's 400	878.79	856.27	865.94	-4.55	-0.52	1127.20	825.73	-15.2	-21.7	8.6			
Nasdaq Stock Market													
Nasdaq Composite	10608.84	10351.98	10426.19	-115.91	-1.10	16057.44	10426.19	-27.9	-33.4	9.0			
Nasdaq-100	10981.91	10716.33	10791.35	-135.62	-1.24	16573.34	10791.35	-26.4	-33.9	11.2			
S&P													
500 Index	3640.66	3568.45	3588.84	-23.55	-0.65	4796.56	3585.62	-17.5	-24.7	6.5			
MidCap 400	2293.71	2234.43	2265.61	3.96	0.18	2910.70	2200.75	-15.8	-20.3	5.7			
SmallCap 600	1108.02	1080.12	1096.38	2.77	0.25	1466.02	1064.45	-19.0	-21.8	5.4			
Other Indexes													
Russell 2000	1713.74	1664.91	1692.92	1.00	0.06	2442.74	1649.84	-24.2	-24.6	3.8			
NYSE Composite	13788.14	13518.55	13608.09	-85.49	-0.62	17353.76	13472.18	-17.2	-20.7	1.7			
Value Line	506.91	494.49	499.92	-2.26	-0.45	696.40	491.56	-23.9	-25.6	-0.9			
NYSE Arca Biotech	4623.09	4485.35	4547.25	9.54	0.21	5815.27	4208.43	-18.8	-17.6	2.6			
NYSE Arca Pharma	759.77	743.12	752.60	7.94	1.07	887.27	734.70	2.4	-9.0	8.9			
KBW Bank	96.64	94.41	94.79	-1.99	-2.06	147.56	94.79	-29.5	-28.3	-1.3			
PHLX ^S Gold/Silver	104.04	100.58	101.08	-0.81	-0.79	167.76	91.40	-19.3	-23.7	4.4			
PHLX ^S Oil Service	68.23	65.92	66.88	-0.83	-1.23	88.37	49.14	7.3	26.9	0.8			
PHLX ^S Semiconductor	2262.25	2188.94	2218.49	-56.85	-2.50	4039.51	2218.49	-30.2	-43.8	11.7			
Cboe Volatility	34.43	32.45	33.63	1.18	3.64	36.45	15.01	69.4	95.3	29.2			

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Sources: FactSet; Dow Jones Market Data

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	5,875.9	358.44	0.70	0.20	379.52	357.59
Terminix	TMX	5,404.0	37.70	-0.17	-0.45	37.98	37.69
Lantheus Holdings	LNTH	4,347.3	67.30	0.26	0.39	69.10	67.04
Verizon Communications	VZ	3,884.5	35.99	0.05	0.14	36.05	35.90
US Steel	X	3,867.2	19.47	0.02	0.10	19.48	19.22
iShares MSCI ACWI ETF	ACWI	3,307.7	77.72	-0.01	-0.01	77.73	77.71
Invesco QQQ Trust I	QQQ	3,295.0	263.48	0.73	0.28	263.79	262.32
Comcast CI A	CMCSA	2,718.3	28.65	-0.03	-0.12	28.72	28.60

Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
El Pollo Loco Holdings	LOCO	123.8	10.30	1.20	13.19	11.05	9.10
Ezopen Parent	ETWO	1,006.2	6.08	0.33	5.74	6.08	5.47
Global-E Online	GLBE	56.6	25.60	1.21	4.96	25.60	23.50
Regions Financial	RF	161.5	20.80	0.91	4.58	20.80	19.50
TPG RE Finance Trust	TRTX	185.2	7.55	0.33	4.57	7.55	7.22

...And losers

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Cameco	CCJ	669.9	23.00	-2.82	-10.92	26.00	22.53
Synovus Financial	SNV	62.7	37.01	-2.84	-7.13	39.85	37.01
Doximity	DOCS	71.2	28.00	-1.33	-4.53	29.33	28.00
Chegg Inc.	CHGG	81.3	20.01	-0.91	-4.35	21.39	19.95
scPharmaceuticals	SCPH	96.5	5.36	-0.24	-4.29	5.75	5.21

Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE Amer.
Total volume*	1,089,027,780	10,541,748
Adv. volume*	466,245,184	3,155,358
Decl. volume*	610,303,141	7,032,409
Issues traded	3,379	296
Advances	1,392	84
Declines	1,827	196
Unchanged	160	16
New highs	14	0
New lows	580	29
Closing Arms*	1.20	1.41
Block trades*	5,292	109

	Nasdaq	NYSE Arca
Total volume*	4,738,843,638	349,723,921
Adv. volume*	1,666,998,224	99,750,160
Decl. volume*	3,025,454,951	248,608,707
Issues traded	4,958	1,755
Advances	1,856	483
Declines	2,801	1,258
Unchanged	301	14
New highs	40	21
New lows	819	470
Closing Arms*	1.20	0.79
Block trades*	22,221	1,642

*Primary market NYSE/NYSE American/NYSE Arca only. †(TRIN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

International Stock Indexes

Region/Country	Index	Close	Net chg	Latest % chg	YTD % chg
World					
	MSCI ACWI	552.10	-5.41	-0.97	-26.9
	MSCI ACWI ex-USA	245.40	-3.50	-1.41	-28.7
	MSCI World	2376.29	-19.32	-0.81	-26.5
	MSCI Emerging Markets	864.66	-20.15	-2.28	-29.8
Americas					
	MSCI AC Americas	1367.48	-10.85	-0.79	-25.2
Canada	S&P/TSX Comp	18216.68	-366.45	-1.97	-14.2
Latin Amer.	MSCI EM Latin America	2182.53	-14.90	-0.68	2.5
Brazil	BOVESPA	114827.12	-1113.52	-0.96	9.5
Chile	S&P IPSA	3053.50	-55.63	-1.79	8.8
Mexico	S&P/BMV IPC	45792.99	335.87	0.74	-14.0
EMEA					
	STOXX Europe 600	387.95	-2.17	-0.56	-20.5
Eurozone	Euro STOXX	365.69	-2.15	-0.59	-23.6
Belgium	Bel-20	3345.31	-18.22	-0.54	-22.4
Denmark	OMX Copenhagen 20	1561.52	1.86	0.12	-16.2
France	CAC 40	5833.20	-7.35	-0.13	-18.5
Germany	DAX	12220.25	-52.69	-0.43	-23.1
Israel	Tel Aviv	1848.18	-19.44	-1.04	-6.6
Italy	FTSE MIB	20730.50	-182.46	-0.87	-24.2
Netherlands	AEX	636.31	-4.90	-0.76	-20.3
Russia	RTS Index	964.67	0.79	0.08	-39.5
South Africa	FTSE/JSE All-Share	64588.09	-181.11	-0.28	-12.4
Spain	IBEX 35	7355.90	-57.60	-0.78	-15.6
Sweden	OMX Stockholm	700.40	-0.42	-0.06	-32.5
Switzerland	Swiss Market	10207.83	-54.69	-0.53	-20.7
Turkey	BIST 100	3571.55	-10.48	-0.29	92.3
U.K.	FTSE 100	6885.23	-74.08	-1.06	-6.8
U.K.	FTSE 250	16904.06	-221.23	-1.29	-28.0
Asia-Pacific					
	MSCI AC Asia Pacific	137.73	-3.04	-2.16	-28.7
Australia	S&P/ASX 200	6645.00	-22.75	-0.34	-10.7
China	Shanghai Composite	2979.79	5.65	0.19	-18.1
Hong Kong	Hang Seng	16832.36	-384.30	-2.23	-28.1
India	S&P BSE Sensex	57147.32	-843.80	-1.46	-1.9
Japan	NIKKEI 225	26401.25	-714.86	-2.64	-8.3
Singapore	Straits Times	3105.00	-2.47	-0.08	-0.6
South Korea	KOSPI	2192.07	-40.77	-1.83	-26.4
Taiwan	TAIEX	13106.03	-596.25	-4.35	-28.1
Thailand	SET	1562.68	-7.89	-0.50	-5.7

Sources: FactSet; Dow Jones Market Data

Percentage Gainers...

Company	Symbol	Close	Net chg	% chg	Latest Session % chg	52-Week High	Low	% chg
DICE Therapeutics	DICE	40.00	15.35	62.27	45.99	12.64	65.1	
Immunicon	IMUX	9.41	3.21	51.77	14.50	2.52	14.1	
ForgeRock	FORG	22.52	7.36	48.55	36.00	11.94	-29.9	
scPharmaceuticals	SCPH	5.60	1.58	39.30	6.86	3.48	-14.6	
AMTD Digital ADR	HKD	41.15	10.73	35.27	2555.30	12.05	...	
Innovative Eyewear	LUCY	2.60	0.44	20.37	7.00	1.26	...	
Minerva Neurosciences	NERV	12.46	1.99	19.01	15.27	2.51	13.7	
Braskem ADR	BAK	12.76	2.02	18.81	24.41	9.42	-38.2	
PDS Biotechnology	PDSB	3.90	0.55	16.42	14.80	2.89	-72.6	
Reviva Pharma	RVPH	3.22	0.45	16.25	4.14	0.53	-18.5	
Greenbrook TMS	GBNH	3.32	0.43	14.88	7.94	1.27	-53.6	
ETFMG 2X Inv Alt Harvest	MJIN	20.63	2.62	14.53	26.73	7.87	10.3	
Albireo Pharma	ALBO	23.42	2.95	14.41	37.63	16.02	-23.0	
Rani Therapeutics	RANI	8.00	1.00	14.29	36.27	6.73	-58.4	
Abeona Therapeutics	ABEO	5.65	0.70	14.14	26.50	2.70	-74.8	

Most Active Stocks

Company	Symbol	Volume (000)	% chg from 65-day avg	Latest Session % chg	52-Week High	Low
ProShares UltraPro Q						

MARKETS & FINANCE

Treasury Hits Bittrex With \$53M Penalty

By MENGQI SUN

Cryptocurrency exchange Bittrex Inc. will pay \$29 million to the U.S. Treasury Department to settle allegations that it violated sanctions and anti-money-laundering laws.

The Treasury said Tuesday that it fined the Seattle-based exchange a total of \$53 million: a \$24 million penalty from the Office of Foreign Assets Control, the Treasury unit that enforces sanctions, and \$29 million fine from the Financial Crimes Enforcement Network, which combats illicit finance.

FinCEN said it would credit Bittrex's settlement with OFAC toward the total. As a result, Bittrex will pay about \$29 mil-

The cryptocurrency exchange faced allegations that it violated sanctions.

lion out of pocket.

The Treasury said Tuesday's actions highlight the importance of crypto firms maintaining risk-based sanctions and anti-money-laundering compliance programs, and that noncompliance with these requirements can result in enforcement actions and exposure to potential abuse by illicit actors.

OFAC alleged that Bittrex failed to prevent people located in jurisdictions facing U.S. sanctions—including Ukraine's Crimea region, Cuba and Iran—from using its platform to conduct crypto transactions between 2014 and 2017.

Bittrex collected customers' internal protocol address and physical address information when they joined the platform,

but the exchange failed to screen this information for potential sanctions violations.

FinCEN's investigations found that Bittrex failed to maintain an effective anti-money-laundering program between 2014 and 2018, including inadequate transaction monitoring on its platform and a failure to address risks related to products and services it offered, particularly those related to anonymity-enhanced cryptocurrencies. FinCEN said Bittrex also failed to file required suspicious-activity reports between 2014 and 2017.

The cryptocurrency exchange said it has had controls in place from the company's earliest stages and has routinely assessed and improved these functions during the time frame mentioned in the settlements.

"We are proud of our steadfast commitment to robust compliance, and the strong compliance measures that we have in place today," a company spokesman said in a statement. "Importantly, both FinCEN and OFAC acknowledge that Bittrex's longstanding responsive remedial efforts have significantly curtailed the risk of continued violations."

The actions, the largest against a crypto firm by OFAC and the first parallel action taken by OFAC and FinCEN, comes as the virtual-currency sector faces increasing regulatory scrutiny.

The Treasury Department last month started seeking public comment on the possible illicit-finance and national-security risks that are posed by the usage of digital assets, as part of the agency's mandate under President Biden's executive order in March to study the development of cryptocurrency.



JPMorgan Chase, Morgan Stanley, PepsiCo and BlackRock are among the large companies scheduled to report earnings this week.

Nasdaq In Bear Market

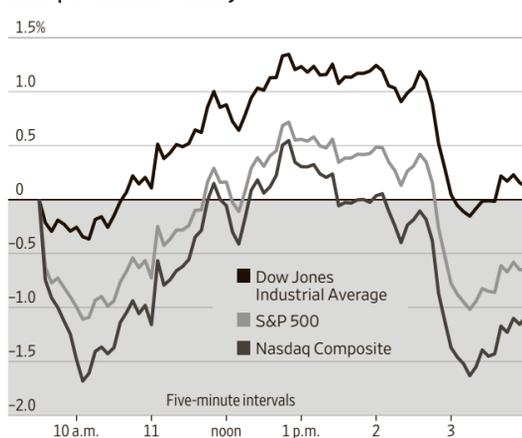
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sition overnight if they think it's going to open up weaker the next day," said Mohit Bajaj, director of ETF trading solutions at WallachBeth Capital.

Investors have been grappling through out the year with the effects of decades-high inflation and the Federal Reserve's attempts to tame it with higher interest rates. For many, the concerns have grown deeper in recent weeks as inflation remains stubbornly high and traders worry that the Fed will cool the economy so much that it causes a recession.

U.S. inflation data due Thursday will show whether the Fed's sizable interest-rate rises are working to tame soaring consumer prices.

A larger-than-forecast rise could bolster expectations that Fed officials will opt for an-

Index performance Tuesday



Source: FactSet

other 0.75 percentage point increase at their next meeting.

Meanwhile, investors are bracing for the first wave of major corporate earnings reports due this week, which are expected to show companies struggling with high rates and weakening consumer demand.

PepsiCo reports Wednesday while financial titans such as BlackRock, JPMorgan Chase and Morgan Stanley report later in the week.

"First-quarter and second-

quarter earnings came in remarkably well," said David Donabedian, chief investment officer at CIBC Private Wealth US. "The third quarter may be the pivot point at which we see earnings cannot keep growing to the sky, and that companies are subject to the economic headwinds we are facing from all kinds of directions."

The yield on the benchmark 10-year Treasury note rose to 3.938%, its second-highest level of the year, from 3.883% on Fri-

day. In commodity markets, Brent crude, the international oil benchmark, shed 2% to \$94.29 a barrel.

The pan-continental Stoxx Europe 600 fell 0.6%.

Early Wednesday, Japan's Nikkei 225 was down 0.1%, Hong Kong's Hang Seng Index was down 2%, the Shanghai Composite was down 0.9% and South Korea's Kospi was down 0.3%. S&P 500 futures fell 0.2%.

AUCTION RESULTS

Here are the results of Tuesday'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.

	13-Week	26-Week
Applications	\$142,041,069,000	\$135,616,205,100
Accepted bids	\$62,960,089,000	\$49,705,300,100
* noncomp	\$1,690,300,100	\$2,062,770,100
* foreign noncomp	\$853,000,000	\$699,000,000
Auction price (rate)	99.112750	97.962611
	(3.510%)	(4.030%)
Bids at clearing yield accepted	3.591%	4.171%
Cusip number	9120Z	9120Z
	912796R5	912796V7

Both issues are dated Oct. 13, 2022. The 13-week bills mature on Jan. 12, 2023; the 26-week bills mature on April 13, 2023.

THREE-YEAR NOTES

Applications	\$102,686,839,700
Accepted bids	\$40,000,009,700
* noncompetitively	\$397,969,700
* foreign noncompetitively	\$100,000,000
Auction price (rate)	99.810402
	(4.318%)
Interest rate	4.250%
Bids at clearing yield accepted	3.17%
Cusip number	91282CF1

The notes, dated Oct. 17, 2022, mature on Oct. 15, 2025.

Loan Woes For Peloton Ex-CEO

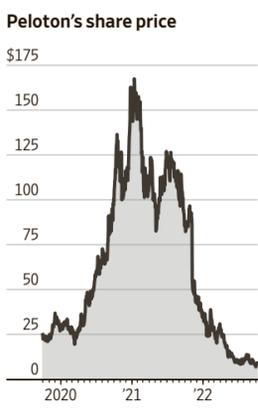
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Mr. Foley was able to secure private financing and avoid stock sales by Goldman, the people said. He declined to say on Monday how much of his current stake had been pledged or how much he had borrowed against his holdings.

His seat on the board limited his ability to raise additional funds because most public companies prohibit directors and executives from selling their shares during certain trading periods. In addition, Peloton's policy limits pledges for margin loans by directors or executives to 40% of the value of an individual's shares or vested options.

Mr. Foley's decision to leave the board on Sept. 12 followed a tumultuous several months at the company he co-founded a decade ago, as well as a sharp decline in his personal wealth as Peloton's sagging fortunes diminished the value of his holdings. His stake in the company, worth \$1.5 billion a year ago, is currently worth less than \$100 million.

"Everyone can see I had a rocky year," Mr. Foley said. "This was not a fun personal



Source: FactSet

balance-sheet reset."

In February, Mr. Foley stepped down as Peloton's CEO and was succeeded by Barry McCarthy, a former Netflix Inc. and Spotify Technology SA executive. Mr. Foley kept his position as Peloton's executive chairman and continued to hold a controlling stake in the company through Class B shares with 20 votes apiece.

A few weeks later, Mr. Foley reported selling \$50 million worth of Peloton shares in a private transaction. At the time, Peloton said the sale was part of the executive's personal financial planning. The sale left him and his wife, Jill Foley, a former Peloton executive, with 6.6 million shares and options on another 8.4 million, according to securities



Then-CEO John Foley at a groundbreaking for the company's first U.S. factory in Ohio in August 2021.

filings, which combined are currently worth less than \$100 million. He hasn't reported any stock or option sales since March. Business Insider reported in March that Mr. Foley was in discussions with Goldman about restructuring his personal loans.

Peloton's business deteriorated throughout the spring and summer, with the company in August reporting a \$1.2 billion loss and the first ever quarter in which its subscriber numbers failed to grow. The company has cut thousands of jobs this year to stem

its losses, including a round of layoffs unveiled last week.

Mr. Foley's 10-year tenure as CEO was marked by rapid growth and sometimes lavish spending. He took heat from Peloton employees last December for hosting a black-tie holiday party that included some of the company's celebrity instructors weeks after implementing a hiring freeze. Pictures circulated on Instagram of gown-clad instructors dancing at New York's luxury Plaza Hotel. Mr. Foley acknowledged on social media that the event caused "frustra-

tion and angst" among employees.

That same month, Mr. Foley paid \$55 million to purchase an oceanfront mansion in East Hampton, N.Y., according to real-estate records and people familiar with the transaction. He and Ms. Foley in September put their Manhattan penthouse up for sale. The property, last priced at \$6.5 million, is in contract to be sold, according to listings website StreetEasy.

Margin loans, or borrowing against portfolios of stocks and bonds, come with the risk

that a broker can call for additional cash or collateral to meet the minimum equity required if a security's price drops too low. Sharp drops in stock prices during the 2000 dot-com burst and the 2008 financial crisis generated margin calls for executives at well-known companies.

Peloton requires directors, executives and employees to get approval for pledging their shares as collateral for margin loans. Other Peloton executives also have pledged some of their Class B holdings, and in the annual report Peloton filed last month, the company warned that investors could be harmed if its stock fell and executives were forced to sell shares.

Goldman has worked closely with Peloton, including when Mr. Foley was the CEO. The investment bank was one of the lead underwriters of the company's initial public offering in 2019. Goldman bankers also co-led a \$1 billion stock offering in November 2021.

Investors initially soured on Peloton—its shares fell 11% the day they made their debut at \$29. The stock surged in 2020 during the onset of the Covid-19 pandemic, giving the company a peak market value of \$50 billion and making Mr. Foley a billionaire on paper. The shares closed down 3.4% Tuesday at \$8.78.

—Theo Francis and Katherine Clarke contributed to this article.

Big Bank To Hold Crypto

Continued from page B1

ness. While many Wall Street executives still question crypto's potential and aim to tread cautiously until Washington clarifies how the market will be regulated, firms have responded to calls from more large investment-firm clients to step into their traditional role as intermediar-

ies. Money managers have long relied on BNY Mellon and other custody banks for an array of vital back-office functions such as tracking changes to the value of their assets.

Founded by Alexander Hamilton more than two centuries ago, BNY Mellon is the world's biggest custody bank.

Until now, fund managers would have had to custody their digital currencies with a crypto specialist.

BNY Mellon said it is the first of the eight systemically important U.S. banks to store digital currencies and allow customers to use one cus-

tody platform for both its traditional and crypto holdings.

"We are excited to help drive the financial industry forward," Robin Vince, BNY Mellon's president and chief executive, said.

BNY Mellon unveiled its plans in February 2021 to hold and transfer digital currencies on behalf of investment firms, and has since integrated its crypto custody business into its core accounting platform.

The bank is using software developed with Fireblocks to store those digital holdings, BNY Mellon said.

And Chainalysis's software will help the bank analyze

and track the path the assets take before they arrive at the bank, it said.

The platform will go live with select investment-fund firms this week.

The move marks an important milestone for traditional banks like BNY Mellon.

The bank said it expects to expand its crypto custody offerings to additional clients in the future, pending regulatory approvals.

This year's dramatic sell-off in digital currencies wiped out \$2 trillion in value, reminding individual investors and deep-pocketed institutions of the market's volatility.

The downturn also triggered the collapse of several prominent crypto firms, renewing calls to impose more investor protections on businesses that trade, store and lend digital assets.

Earlier this month, a panel of U.S. officials pressed for tougher oversight.

The Financial Stability Oversight Council, chaired by Treasury Secretary Janet Yellen, asked Congress to consider legislation to ad-

dress any gaps that don't already fall under existing securities regulations.

In August, Securities and Exchange Commission Chairman Gary Gensler said the market for digital assets was rife with "fraud, scams and abuse."

Many investment managers remain eager to invest, according to a recent survey commissioned by BNY Mellon. Some 41% of 271 institutional investors polled by Celent in August and September said they were currently holding cryptocurrencies in their portfolios, BNY Mellon said. An additional 15% said they likely would in the next two to five years.

MARKETS

STREETWISE | By James Mackintosh

Bank of England Faces Policy Dilemma



The Bank of England is testing one of the most challenging problems facing central banks today: Can they ease and tighten at the same time?

On Tuesday the BOE had to intervene again in the country's dysfunctional government-bond markets, offering to buy as much as £5 billion, equivalent to \$5.5 billion, a day of inflation-linked bonds, just 24 hours after expanding its offer to buy conventional bonds. Inflation-linked prices rose a little in morning trading but failed even to reverse Monday's huge selloff.

The BOE insists its interventions are about financial stability, not monetary policy. But there is a fine line, and the instability is interfering with monetary policy. The turmoil in the bond market triggered by surprise tax cuts—since partially reversed—three weeks ago forced the BOE to delay a planned selloff of its vast holdings of government bonds that was designed to tighten monetary policy. On Tuesday, it delayed sales of corporate bonds that only began last month as another part of the monetary-policy plan.

Pressure is growing for the BOE to extend its support of the bond markets beyond this week, when it says it will stop.

Where the Bank of England is leading, others may follow. Investors have begun to focus on the dangers of financial problems hitting elsewhere, encouraged by official warnings of the rising risks.

Among other threats identified by the International Monetary Fund on Tuesday: high debt, overextended nonbank lenders,

emerging-market banks, elevated house prices, weak sovereigns and hard-to-trade markets, made worse by rapidly rising global interest rates and a strong dollar. On the plus side, the IMF says banks in developed countries are strong.

If and when something else goes badly wrong, central banks are likely to intervene. Can they do that while continuing to battle inflation?

The IMF says not only that they can, but that they must.

"To the extent possible, in a situation of financial crisis, financial instability, that should not change the commitment to lower inflation," said Tobias Adrian, director of monetary and capital markets at the IMF. "Central banks have the ability to provide liquidity as a last resort and so in principle they can even purchase while they're increasing interest rates."

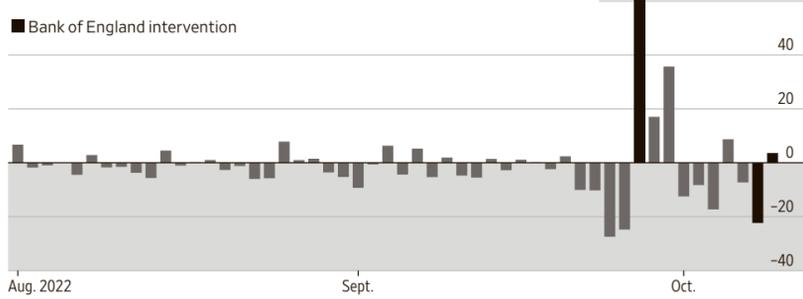
History isn't supportive. In the past when financial crises hit, central banks ended their rate rises. It is such a regular pattern that the Federal Reserve policy is often described as "tightening until something breaks."

Sometimes this is a serious problem for monetary policy, but often it isn't, because financial crises typically weaken the economy and reduce inflation. One example: The turmoil in government bonds in the U.K. already has pushed up mortgage rates dramatically, which will leave homeowners with less to spend on other things, potentially helping to lower double-digit inflation.

Financial crises can conflict with monetary policy when inflation keeps rising anyway, but the central bank feels forced to stop tighten-

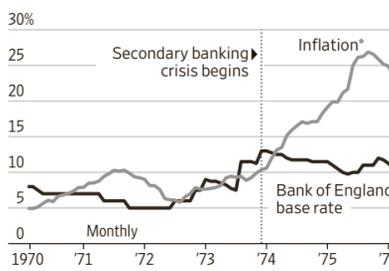
The Bank of England's initial bond buying announcement led to a big rally. This week's statements had less effect.

One-day price change in U.K. 50-year inflation-linked government bond



Crises distract central banks, part one

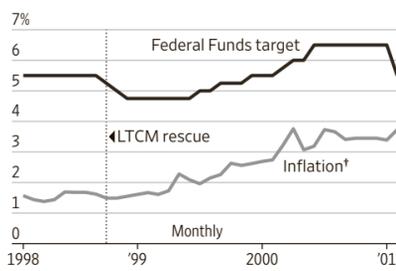
The Bank of England took its eye off inflation in the 1970s while dealing with a crisis.



*U.K. retail prices index, change from a year earlier. †U.S. consumer-price index, change from a year earlier. Source: Refinitiv

Crises distract central banks, part two

The Fed slashed rates in 1998 when Long-Term Capital Management collapsed, contributing to the dot-com bubble.



ing policy because the financial system is falling apart. In 1998, the implosion of hedge fund Long-Term Capital Management prompted the Fed to slash interest rates, which turned out to be unnecessary and helped inflate the dot-com bubble. In Britain, the 1973-1975 secondary-banking crisis pushed the BOE to stay its hand on rates while rescuing the sector, even as inflation soared above 25% in 1975.

Many investors are skeptical that central banks can avoid falling into the same trap again. Yet, the BOE insists that its decisions about monetary policy are distinct from decisions to step in as

market maker of last resort for government bonds. If that is true, it might show up in even bigger interest-rate rises than previously planned to offset the easing effect of the financial stability interventions—traders are pricing a monster rate rise of above 1 percentage point at the next meeting, in early November.

I think the BOE will be reluctant to risk its tattered anti-inflation credentials at a time international investors are questioning the credibility of Britain's institutions. Raising rates and buying bonds at the same time seems entirely plausible, if still weird.

Sometimes, though, it is

the higher level of interest rates themselves that cause the problem.

In the U.K., it was the sudden jump in very long-dated bond yields, not interest rates, that triggered margin calls at leveraged pension plans, threatening a self-fulfilling cycle of forced selling. But if higher overnight rates lead to higher long-bond yields, they risk restarting the cycle.

Luckily, higher short-term rates also raise the prospect of a weaker economy and lower inflation, which ought to push down long-dated yields.

For this to happen, inves-

tors have to believe that the BOE can give priority to fighting inflation even after a recession hits, and they might doubt its ability to withstand political pressure.

The European Central Bank will face a similar issue if investors lose confidence in the new hard-right Italian government.

The ECB has created a plan to allow it to buy Italian bonds, but if it keeps raising interest rates, Italy's borrowing costs will keep going up, worsening the fundamental problem that worries investors. If a rescue is needed, the ECB might find it difficult to keep its foot on the monetary pedal.

Top Fed policy makers have been discussing the blowback to the U.S. of possible financial troubles elsewhere. But none have suggested they could act preemptively to head off a financial crisis created by tighter monetary policy.

This is probably right, since they could never be sure serious problems were on the way and failed to spot in advance major problems even in their core market of overnight dollar borrowing.

As the fastest rises in interest rates in a generation continue to batter global markets, investors face a triple uncertainty.

Where will the next financial crisis appear? When it does, how long will it take for central banks to step in? And, the biggie, will the threat of financial meltdowns distract the Fed and other central banks from the inflation fight?

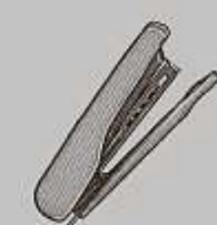
None have easy answers. But there is a decent chance that other central banks will end up forced to follow the BOE and tighten policy even while offering bailouts elsewhere.



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