

# WSJ

## THE WALL STREET JOURNAL WEEKEND



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REVIEW



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### What's News

#### World-Wide

**The House committee** investigating the Jan. 6, 2021, Capitol riot issued a subpoena to Trump demanding documents and testimony, setting the stage for a tense standoff between lawmakers and the former president. **A1**

**A federal judge sentenced** Bannon to four months in prison for defying a subpoena from the Jan. 6 panel and said the former Trump strategist would remain free while he appeals his conviction. **A4**

**Months after** his own party's lawmakers pressured him to step down as U.K. prime minister, Johnson is poised to attempt a comeback in the wake of Truss's resignation. **A10**

**A federal appeals court** temporarily stopped the Biden administration from moving forward with its plan to forgive up to \$20,000 in student-loan debt for millions of Americans. **A3**

**Ukrainian artillery** struck the ferry crossing in the city of Kherson, the only regional capital captured by Moscow since the invasion, as Russian forces pounded the cities of Zaporizhzhia and Kharkiv. **A8**

**Venezuela's biggest** opposition parties are taking steps to remove Guaidó as their leader and phase out a U.S.-led strategy in which he was recognized as the legitimate president. **A10**

#### Business & Finance

**Fed officials are** barreling toward another interest-rate rise of 0.75 percentage point at their meeting next month and are likely to debate then whether and how to signal plans to approve a smaller increase in December. **A1**

**The U.S. budget deficit** narrowed last year, but a cooling economy and rising interest rates put it on track to widen in coming years, setting up new challenges for Biden and Congress. **A2**

**Banks that committed** to help finance Musk's takeover of Twitter plan to hold all \$13 billion of debt backing the deal rather than sell it, according to people familiar with the matter. **A1**

**Major stock indexes** ended sharply higher on Friday, with the Dow, S&P 500 and Nasdaq adding 2.5%, 2.4%, and 2.3%, respectively. All three notched weekly gains of at least 4.7%. **B1**

**The employee contribution** limit for 401(k) and similar workplace plans will jump \$2,000 to \$22,500 for 2023 after inflation adjustments made by the IRS. **A3**

**Whirlpool slashed** production of refrigerators, dishwashers and other home appliances by more than a third during its most recent quarter to shrink inventories as demand diminished. **B1**

#### NOONAN

A Week in the Life Of a Worried Land **A17**

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## Water Level Keeps Falling, Snarling Mississippi, Tributaries



**HIGH AND DRY:** Boats lie in the mud along the Wolf River, which feeds into the Mississippi River at Memphis, Tenn., on Friday. Barge traffic continues to struggle along the Mississippi and its tributaries as low water causes vessels to run aground. **A6**

## Banks Backing Musk Are Stuck With Debt in a Tighter Market

BY LAURA COOPER AND ALEXANDER SAEEDY

Banks that committed to help finance Elon Musk's takeover of Twitter Inc. plan to hold all \$13 billion of debt backing the deal rather than sell it, people familiar with the matter said, in another blow to a market that serves as a crucial source of corporate funding.

the debt on their balance sheets to avoid selling it at a loss to bond and loan fund managers, who have grown increasingly skittish amid rising market turmoil, the people said.

Banks would likely face losses of around \$500 million or more if they tried to sell Twitter's debt at current market prices, The Wall Street Journal previously reported.

debt instead, they can mark it at a higher value on their books on the premise that prices will eventually rebound.

Twitter could have the dubious distinction of being the biggest so-called hung deal of all time, surpassing a crop of them in the global financial crisis, when banks were stuck with around \$300 billion of committed debt they struggled to sell to investors.

to bring the faltering leveraged-buyout pipeline to a standstill by tying up capital that Wall Street could otherwise use to back new deals.

The \$44 billion Twitter takeover is backed by banks including Morgan Stanley, Bank of America Corp. and Barclays PLC, which signed agreements in April to provide Mr. Musk with the debt financing he needed to buy the

## Fed Eyes Slowing The Pace Of Rate Increases

Fourth consecutive 0.75-point rise seems likely at next meeting; debate on future raises

BY NICK TIMIRAOS

Federal Reserve officials are barreling toward another interest-rate rise of 0.75 percentage point at their meeting Nov. 1-2 and are likely to debate then whether and how to signal plans to approve a smaller increase in December.

"We will have a very thoughtful discussion about the pace of tightening at our next meeting," Fed governor Christopher Waller said in a speech this month.

Some officials have begun signaling their desire both to slow down the pace of increases soon and to stop raising rates early next year to see how their moves this year are slowing the economy. They want to reduce the risk of causing an unnecessarily sharp slowdown.

The S&P 500 closed up 2.4% on Friday, with all 11 sectors posting gains. The 10-year Treasury yield fell to 4.212%, from 4.225% on Thursday. Still, yields on the benchmark note rose 0.207 percentage point on the week, marking the 12th

U.S. stock indexes notch big gains for week

## U.S. Ethics Czars Struggle To Enforce Trading Laws

U.S. has rules limiting officials' stock investing. They can be waived.

Mark Wu held more than \$1 million of Amazon.com Inc. stock when President Biden tapped him to help craft a trade policy that would benefit U.S. technology companies and online retailers.

By Brody Mullins, Rebecca Ballhaus and Joe Palazzolo

Ethics officials at the Office of the U.S. Trade Representative said they gave Mr. Wu two options: Get rid of the stock or recuse himself from digital trade issues.

He did neither. For several months, Mr. Wu continued working on the trade matter while keeping the shares. He had "not followed the re-

quirements," the U.S. Trade Representative's chief of staff told him in a June 2021 phone call, an email describing the call shows.

Eventually, Mr. Wu quit, citing family issues. He kept his Amazon stock. Mr. Wu said he didn't work on trade issues specific to Amazon and left the government when the restrictions became too much of a burden on his family.

The U.S. has a law aimed at preventing the nation's thousands of obscure but powerful federal officials from using their influence on regulations, policies and investigations to benefit themselves.

With penalties up to \$50,000 and five years in prison, the law is supposed to en-

## House Committee Subpoenas Trump

BY SCOTT PATTERSON

WASHINGTON—The House select committee investigating the Jan. 6, 2021, Capitol riot issued a subpoena Friday to Donald Trump demanding documents and testimony, setting the stage for a tense standoff between lawmakers and the former president heading into the midterm elections.

The subpoena demands that Mr. Trump produce phone records, text messages and other documents by Nov. 4 and appear on Nov. 14 for deposition testimony under oath in Washington or by videoconference. Election Day is Nov. 8, when

voting finishes in races nationwide to determine control of the House and Senate.

The panel took the step as it wraps up its investigation into Mr. Trump's actions surrounding the riot, in which his supporters tried to stop the counting of electoral votes in the 2020 presidential election. It is also probing his efforts to get state and federal officials, as well as his own vice president, to block President Biden's win based on false claims of a stolen election.

A lawyer who represents

Bannon sentenced to four months in prison

### Here's the Dirt On 'House of the Dragon'

In fantasy dramas, looking authentically grimy isn't as easy as it seems

BY JOHN JURGENSEN

In a recent "House of the Dragon" episode, search parties hunt for a prince hiding in Flea Bottom, a slum lined with brothels and itchy-looking commoners. Scenes were shot in the Spanish city of Cáceres, where medieval authenticity came with a catch:

of the tourist destination, a Unesco World Heritage site.

"The disadvantage is it can look a little Disney-fied and clean," said Jim Clay, the show's production designer.

Expect a more disgusting Flea Bottom next season. Producers of the prequel series plan to build a backlot set for the slum, as "Game of Thrones" did. "Then we can really go to town and make it as dirty as we want," Mr. Clay said, envi-



A dirty business

Crews were restricted on the amount of simulated filth they could slather on the ancient walls and cobblestone streets

Please turn to page A12

### EXCHANGE



WORKPLACE WARS Productivity, pay, commuting and more. There's a lot for us to argue over now. **B1**

## Chess Scandal Was 'Ticking Time Bomb'

BY ANDREW BEATON AND JOSHUA ROBINSON

A month before Magnus Carlsen and 19-year-old American grandmaster Hans Moke Niemann found themselves battling each other at the center of a high-profile chess cheating scandal, they were two guys pushing pawns on the beach in Miami.

Hanging around for a tournament promotion, they played on a board in the sand, watched by only a handful of people, including Dutch grandmaster Anish Giri. The games were casual, but the results were decisive. Mr. Carlsen, the five-time world champion from Norway and the highest-rated player of all time, wiped

the beach with Mr. Niemann, according to Mr. Giri.

Over the following days, Mr. Niemann's play hardly improved as he toiled through a tournament in Miami. He lost every series of games and ended with zero points. Mr. Niemann's performance, combined with his showing on the beach, advanced Mr. Carlsen's doubts about his opponent's abilities, said a person familiar with Mr. Carlsen's thinking.

So when Mr. Niemann beat 31-year-old Mr. Carlsen weeks later at a prestigious September tournament in St. Louis, Mr. Carlsen was stunned. After the jarring upset, Mr. Carlsen quit the tournament in protest, setting the chess world

# U.S. NEWS

THE NUMBERS | By Josh Zumbrun

## New Data System Muddies Crime Statistics



Last year, violent crime either rose 6% compared with 2020, or fell 8%—or, you know, settled somewhere in between.

That's according to the Federal Bureau of Investigation, which released the latest U.S. national crime statistics, compiled from local law-enforcement authorities, earlier this month. If you've been confused by the trends in crime and policing—and the debate about them—well, who wouldn't be with statistics like that?

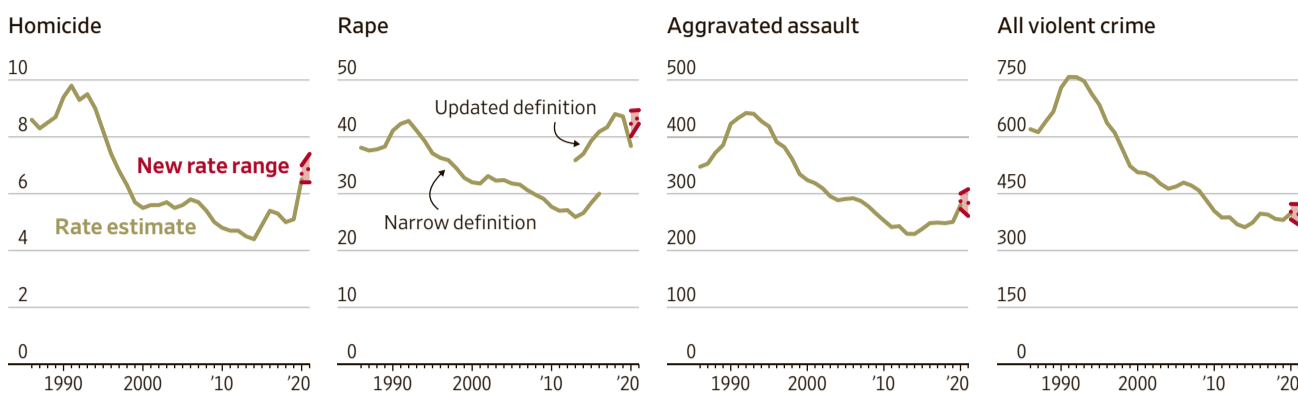
There are continuing issues with crime data, such as whether a crime gets reported and when, as well as whether police accurately record it. But beyond those issues, the data right now is muddled by a long-planned change in how crime statistics are collected. In 2021 the FBI finally jettisoned a 90-year-old system for a new one, though many local agencies can't yet report data under the new system.

So while it's clear many types of crime, in particular homicide, jumped in 2020, it's far less clear what's happened since.

"Property crime, violent crime that gets less attention, we have no idea what's going on there," said Jeff Asher, a crime analyst and co-founder of AH Datalytics, which helps organizations including law enforcement collect and use data. "It's extremely difficult to make an educated guess about what happened."

Under its new system, the FBI reported data in ranges so wide that it is impossible to say how much crime rates changed last year.

Rate of crime per 100,000 people in the U.S.



Note: In 2012, the FBI updated its definition of rape. It had previously used a narrow definition from 1927.

Source: FBI

The FBI's old system of compiling national crime statistics originated in 1930. (That's also the year Baby Face Nelson robbed his first bank and Bonnie met Clyde.)

Essentially was a census, where every police department tabulated reported incidents and the FBI added it all up.

But the system had a flaw. More than one offense might be committed during a crime incident. The old system relied on a hierarchy rule: Incidents were counted and categorized by only their most serious offense. For example, if someone was assaulted and robbed (two different offenses), only a single incident of aggravated assault was counted.

This prevented double-counting of incidents, but it left many types of crime undercounted.

So in the 1980s, the FBI and other law-enforcement

agencies developed a new system: the National Incident-Based Reporting System, or Nibrs (pronounced Nigh-burs).

For the past three decades, the two systems ran in parallel—with steadily growing but optional use of the new Nibrs system—but the statistics reported by the FBI were still based off the old system, which had high response rates. The new system collects far more detailed data: multiple offenses for a single incident and information about the victim, the offender, their relationship and so on.

Although 88% of incidents contained only a single offense, a 2019 study found that many crimes were undercounted because they were committed during incidents in which more serious crimes were committed. The old system didn't count 2.2% of rapes, 1.2% of aggravated assaults, 0.6% of robberies,

3.5% of larcenies and 4.5% of motor-vehicle thefts.

In 2015, with the endorsement of associations of local law-enforcement agencies, the FBI decided to switch completely to the new system on Jan. 1, 2021. However, many local police departments weren't ready. They lacked funding for training, or reported problems with contractors updating the computer systems in time to deliver data in the new format.

"It's an extremely unfortunate coincidence that the previously agreed-upon dates hit during a moment of great, justifiable, understandable concern about public safety," said Ames Grawert, senior counsel at the Brennan Center for Justice, a legal-policy institute.

For 2021, the FBI had data from police departments covering only 52% of the country. The FBI and the Bureau of Justice Statistics es-

timated the rest by extrapolating the trends from the places that did report to those that didn't.

This guesswork can be seen by comparing states. In Maine, where 100% of agencies report under the new system, the FBI estimates the rate of violent crime is between 112 to 114 per 100,000 people. In New York, however, only 19% of the population is covered by the switch (New York City isn't), so most of the state was estimated—yielding a violent-crime rate of between 45 and 159 per 100,000 people.

In 2020, the old system yielded a total violent-crime rate for the U.S. of 398.5 per 100,000 people. Even if more agencies had responded, the new system wouldn't be directly comparable because it uses a different methodology. And because of the extensive use of estimation, last year's range ended up

very wide—anywhere from 368.6 (the 8% drop) to 422.7 (a 6% increase). Too few agencies reported data for a definitive answer of whether overall crime rose or fell.

The FBI's central estimate is that homicides rose 4.3% last year (similar to estimates produced by outside groups), and overall violent crime declined 1%, driven by a drop in robberies. But it has acknowledged neither estimate is statistically significant.

Although national crime statistics are muddled, many voters can find out whether crime is up or down in their own community, said Anna Harvey, president of the Social Science Research Council and an expert on crime trends, as many local departments have their own reporting formats that have been consistent over time. "This should be of primary concern in local elections—look at mayors and police chiefs and hold them accountable for what's happening in crime trends," she said.

The data should improve quickly as more departments catch up. As of September, departments that cover about 70% of the population were reporting under the new system.

The uncertainty surrounding the recent uptick in crime "will be a great challenge for criminologists and sociologists for years to come," said Mr. Grawert. But, he added, "once we're through this transition period I think we'll be glad that we did it."

## Fed Eyes Slower Pace For Rates

Continued from Page One

consecutive weekly gain. The Fed has raised its benchmark federal-funds rate by 0.75 point at each of its past three meetings, most recently in September, bringing the rate to a range between 3% and 3.25%. Officials are raising rates at the most aggressive pace since the early 1980s. Until June, they hadn't raised rates by 0.75 point since 1994.

Fed officials want higher borrowing costs and lower asset prices to slow economic activity by curbing spending, hiring and investment. They expect that to reduce demand and lower inflation over time.

Fed policy makers face a series of decisions. First, do they raise rates by a smaller half-point increment in December? And if so, how do they explain to the public that they aren't backing down in their fight to prevent inflation from becoming entrenched?

Markets rallied in July and August on expectations that the Fed might slow rate rises. That conflicted with the central bank's goals because easier financial conditions stimulate spending and economic growth. The rally prompted Fed Chairman Jerome Powell to redraft a major speech in late August to disabuse investors of any misperceptions about his inflation-fighting commitment.

If officials are entertaining a half-point rate rise in December, they would want to prepare investors for that decision in the weeks after their Nov. 1-2 meeting without prompting another sustained rally.

"The time is now to start planning for stepping down," said San Francisco Fed President Mary Daly during a talk at the University of California, Berkeley on Friday.

One possible solution would



A summer market rally had prompted Fed Chairman Jerome Powell to confirm his inflation-fighting commitment.

be for Fed officials to approve a half-point increase in December, while using their new economic projections to show they might lift rates somewhat higher in 2023 than they projected last month.

The Fed's policies work through financial markets. Changes to the anticipated trajectory of rates—and not just what the Fed does at any meeting—can influence broader financial conditions.

Cleveland Fed President Loretta Mester has signaled she would favor rate rises of 0.75 point at each of the Fed's next two meetings because there hasn't been progress on inflation. "We can't let wishful thinking drive our policy decisions," she said on Oct. 6.

Some officials have said they want to see proof that inflation is falling before easing up on rate increases. "Given our frankly disappointing lack of progress on curtailing inflation, I expect we will be well above 4% by the end of the year," said Philadelphia Fed President Patrick Harker in remarks Thursday in Vineland, N.J.

Meanwhile, Fed Vice Chairwoman Lael Brainard and some other officials have recently hinted at unease with raising rates by 0.75 point beyond next month's meeting. In a speech on Oct. 10, Ms. Brainard laid out a case for pausing rate rises at some point, noting how they in-

fluence the economy over time. Other colleagues are concerned about the danger of raising rates too high. Chicago Fed President Charles Evans told reporters on Oct. 10 he was worried about assumptions that the Fed could just cut rates if it decided they were too high. Promptly lowering rates is always easier in theory than in practice, he said.

Mr. Evans said he would prefer to find a rate level that restricted economic growth enough to lower inflation and

### One concern is that inflation pressures have actually broadened.

hold it there even if the Fed faced "a few not-so-great reports" on inflation.

Kansas City Fed President Esther George also last week said she favored moving "steadier and slower" on rate increases. "A series of very super-sized rate increases might cause you to oversteer and not be able to see those turning points," she said in a webinar on Oct. 14.

The ultimate result is likely to come down to what Mr. Powell decides as he seeks to

fashion a consensus.

Officials will have two more months of several widely watched economic indicators before their meeting in mid-December, including on hiring and inflation. They pay close attention to a detailed measure of worker compensation called the employment-cost index, and the Labor Department report covering the July-to-September quarter is set for release on Oct. 28.

One challenge is that some of the strongest support for slowing down increases comes from so-called policy doves, who have traditionally favored easier monetary policy. Last year, those officials argued most forcefully for waiting to remove stimulus policies. Now, with inflation running near a four-decade high, it could be harder for their arguments to gain traction, said Neil Dutta, an economist at research firm Renaissance Macro.

"At critical junctures in the monetary-policy decision-making process, they've been spectacularly wrong," he said.

Another concern is that inflation pressures have broadened despite some signs of potential relief. Commodity prices have fallen this summer. Easing supply-chain bottlenecks could lead to deceleration in goods prices, and the housing market is entering a deep slump.

But a strong labor market could lead to persistent wage growth that boosts prices in the labor-intensive services sector. That could keep prices rising on everything from haircuts to car repairs to veterinarian visits.

"The problem for me with trying to say, 'Hey, it's time to pause,' is we're not even sure that we've got rates high enough to push services inflation down," Minneapolis Fed President Neel Kashkari said Tuesday.

Investors in interest-rate futures markets now expect the Fed to raise rates to 5% by the spring, according to CME Group. Last month, most officials projected lifting rates to at least 4.6% next year.

## Deficit Shrank Last Fiscal Year, But Rises Loom

By AMARA OMEOKWE AND JON HILSEN RATH

The U.S. budget deficit narrowed last year, but a cooling economy and rising interest rates put it on track to widen in the coming years, setting the stage for new financial challenges for President Biden and Congress.

The federal budget shortfall shrank by half to roughly \$1.38 trillion in fiscal year 2022, which ended Sept. 30, the Treasury Department said Friday. The budget deficit for the 2023 fiscal year is forecast to hold nearly steady at that level—and above its pre-pandemic mark—the White House and private-sector economists say.

Economists widely agree the deficit is set to widen in most years through 2032 because of rising spending on entitlement programs such as Social Security and Medicare and interest costs on the debt. A slowing U.S. economy and the costs of war in Ukraine could push government spending even higher than currently projected, analysts say.

That could be a problem because of shifts in the global financial landscape. For nearly two decades, the U.S. government has had substantial leeway to keep borrowing to fund budget deficits, because inflation and borrowing costs were low. Among other things, this enabled aggressive federal interventions during crises in 2008 and 2020.

This year, in contrast, the Federal Reserve has responded to high inflation by aggressively lifting interest rates. In recent weeks, markets have sent signals that investor tolerance for increased government borrowing is waning, which could push rates higher still.

The yield on a 10-year U.S. Treasury note, a reflection of what it costs the government to borrow from the public in the long term, has risen to more than 4% this month, the highest level since 2007. The move is notable because long-term government borrowing costs didn't shift much during earlier Fed rate increase cycles in the 2000s and 2010s, as is happening now.

The U.S. budget deficit for the new fiscal year is forecast to be 3.8% of gross domestic

product, according to CBO. The agency projects the deficit will reach 6.1% of GDP in a decade.

The federal government spent \$6.3 trillion in the 2022 fiscal year, down 8% from the prior year, the Treasury said. That largely reflected reduced government spending on Covid-19 programs.

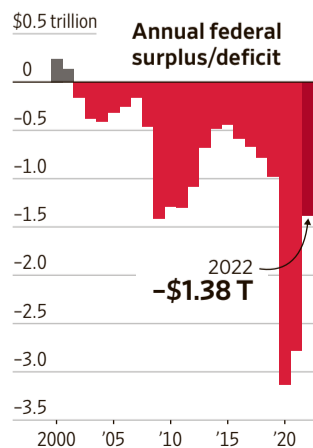
Republicans campaigning ahead of next month's midterm elections have argued Democrats' spending agenda spurred higher inflation, which is running near the highest rate in four decades.

The Biden administration and Democrats have countered that their policies helped fuel a strong economic rebound as the pandemic receded, provided a financial buffer for families and enhanced the economy's potential to grow. Clashes on the budget could increase if Republicans gain control of the House or Senate after the midterm elections.

During his time in office, President Barack Obama repeatedly clashed with Republican leaders over the government's self-imposed constraint on borrowing known as a debt ceiling, which freezes borrowing when certain debt levels are reached. The battles often rattled markets, because a borrowing freeze would raise the risk that the Treasury might fail to pay off interest on debt.

Republicans have argued the debt limit creates a needed restraint on spending. Mr. Biden on Friday said he wouldn't support eliminating the debt ceiling altogether.

—Nick Timiraos and Richard Rubin contributed to this article.



Note: For fiscal years ending Sept. 30. Source: U.S. Office of Management and Budget via Federal Reserve Bank of St. Louis

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**CORRECTIONS & AMPLIFICATIONS**

The year 2049 will mark the 100th anniversary of the founding of the People's Republic of China. In some editions Friday, a Page One article about China's military incorrectly referred to 2049 as the 100th anniversary of the founding of the ruling Communist Party.

**Gucci had a store** in Columbus, Ohio, several decades ago. An Aug. 6 Exchange article about luxury brands incorrectly said Gucci hadn't previously operated a store in the city.

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

U.S. NEWS

# Court Pauses Plan on Student Debt Relief

By Andrew Restuccia and Jacob Gershman

WASHINGTON—A federal appeals court Friday temporarily stopped the Biden administration from moving forward with its plan to forgive up to \$20,000 in student-loan debt for millions of Americans.

The Eighth U.S. Circuit Court of Appeals issued the halt in a one-page order that will remain in place for a short period while it considers a request by Republican leaders in six states to block implementation of the program.

The Biden administration has said in court filings that it wouldn't discharge any student-loan debt before Sunday. The appeals court order pushes back that start date at least a few days, though White House officials have said it could take weeks to process the bulk of the applications.

"It's very important that the legal issues involving presidential power be analyzed by the court before transferring over \$400 billion in debt to American taxpayers," said Nebraska Attorney General Doug Peterson, who is part of the appeal.

The Biden administration estimates the debt relief would cost \$379 billion over 30 years.

The nonpartisan Congressional Budget Office released a similar estimate of about \$400 billion that assumed 90% of eligible borrowers would apply.

Friday's decision by the appeals court comes one day after a federal judge in Missouri denied a request by the group of Republican state leaders to block the program.

The appeals court, which is hearing an appeal of the Missouri judge's order, set a briefing schedule with deadlines early next week.

White House press secretary Karine Jean-Pierre said the order doesn't prevent borrowers from applying for the program or the administration from reviewing applications.

"We will continue to move full speed ahead in our preparations in compliance with this order," Ms. Jean-Pierre said.

Federal student loan borrowers with annual income levels of less than \$125,000—or households with annual incomes of less than \$250,000—are eligible for the program.

Pell Grant recipients are eligible for up to \$20,000 in loan forgiveness, while others are eligible for up to \$10,000 in forgiveness.

# IRS to Raise 401(k) Contribution Limit

By Ashlea Ebeling

Millions of Americans can save more in retirement accounts next year, after inflation adjustments made Friday by the Internal Revenue Service.

The employee contribution limit for 401(k) and similar workplace plans will jump \$2,000 to \$22,500 for 2023, the largest increase ever in terms of dollars and percentage, says benefits provider Milliman.

The amount taxpayers can contribute to an individual retirement account will be \$6,500 for 2023, up from \$6,000. The limit hasn't changed since 2019.

The 401(k) catch-up contribution amount allowed if you are 50 or older will rise \$1,000 to \$7,500 for 2023. The catch-up contribution limit for individual retirement accounts, which isn't subject to inflation adjustments, remains at \$1,000.

For workers at companies that allow special after-tax contributions, and self-employed folks who have individual 401(k)s or SEP retirement plans, there is a total \$66,000 plan contribution limit for 2023, up \$5,000 from this year. That includes employee



THOMAS SHERR FOR THE WALL STREET JOURNAL  
Thirty-seven percent of households owning traditional IRAs or Roth IRAs in mid-2021 made contributions in tax year 2020.

and employer contributions. With catch-up contributions on top, older savers can contribute up to \$73,500 in 2023 to these plans.

The retirement news follows Tuesday's announcement of adjustments to income-tax brackets and dozens of other adjustments including the estate and gift-tax exclusion, made annually under formulas set by Congress.

The higher limits offer a big savings opportunity.

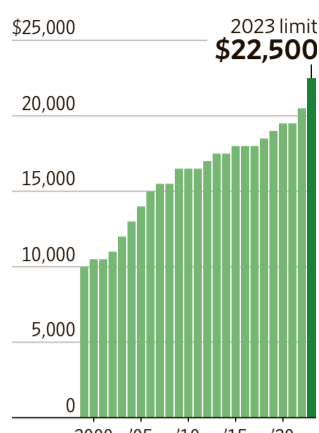
"You may not feel the pinch now, and you'll reap the re-

wards later in retirement," says Maria Bruno, head of U.S. Wealth Planning Research at Vanguard, which administers retirement plans for nearly five million participants.

In Vanguard's retirement savings plans during 2021, 14% of participants saved the maximum amount of \$19,500 (\$26,000 for those age 50 or older). Six in 10 participants with income of more than \$150,000 made catch-up contributions.

Thirty-seven percent of households owning traditional

Annual 401(k) limits



Source: Internal Revenue Service

IRAs or Roth IRAs in mid-2021 made contributions in tax year 2020, according to the Investment Company Institute. The median contribution amount was \$5,000.

The inflation adjustments also apply to the income thresholds that determine whether taxpayers can deduct IRA contributions on their income tax returns, and whether taxpayers can contribute to a Roth IRA.

In 2023, the deduction for taxpayers making contributions to a traditional IRA is phased out for singles and

heads of household who are covered by a workplace retirement plan and have modified adjusted gross incomes between \$73,000 and \$83,000, up from between \$68,000 and \$78,000 this year. For married couples filing jointly, in which the spouse who makes the IRA contribution is covered by a workplace retirement plan, the deduction is phased out for taxpayers with income between \$116,000 to \$136,000 for 2023, up from between \$109,000 to \$129,000 this year.

For a saver who is not covered by a workplace retirement plan and is married to someone who is covered, the deduction for traditional IRA contributions is phased out if the couple's income is between \$218,000 and \$228,000 in 2023, up from between \$204,000 and \$214,000 this year.

For Roth IRAs, where the money you contribute is after tax, eligibility to contribute is based on your income.

**Listen to a Podcast**

Scan this code for a podcast on how high inflation could boost paychecks.

# A Surge in Pediatric Respiratory Viruses Is Straining Hospitals

By Joseph De Avila and Brianna Abbott

Physicians are reporting unseasonably high numbers of respiratory illnesses in children, straining many children's hospitals before the typically busier winter months.

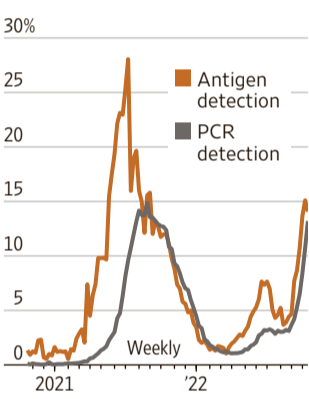
Juan Salazar, physician in chief at Connecticut Children's Medical Center in Hartford, said a sharp increase in cases of respiratory syncytial virus, or RSV, has filled up hospital beds at his facility, creating capacity issues. Officials at the 187-bed children's hospital are considering setting up a field hospital outside of the hospital's main facilities in the event the surge of cases gets worse, he said.

"We aren't there yet, but we obviously have to be prepared," Dr. Salazar said.

RSV is an easily transmissible virus that infects the respiratory tract. The virus spreads through droplets from coughing and sneezing and on surfaces. Positive tests for RSV have been on the rise across the U.S., according to the Centers for Disease Control and Prevention. The increase in cases has come ahead of the typical winter peak for such illnesses, hospital officials said.

For most people, RSV amounts to a cold, and nearly all children come in contact with the virus by the age of

Percentage of positive respiratory syncytial virus (RSV) tests in the U.S.



Note: Recent data, in particular the most recent two weeks, may be less complete because of reporting delays from some laboratories. Source: Centers for Disease Control and Prevention

two, health authorities said. But it can be severe for some infants and older adults, especially for those who have pre-existing health conditions.

Much like influenza, RSV cases were flattened during the first year of the Covid-19 pandemic. The respiratory virus that typically circulates in the fall and winter rebounded in the summer of 2021.

This summer, the virus continued to smolder at a lower level, instead of going away like it normally does, said Mark Kline, a pediatric infectious-disease specialist at

Children's Hospital New Orleans. Then, it started heading upward again in recent weeks. Dr. Kline said the hospital was also seeing an early uptick in positive flu tests, as well as other common viruses.

"We're seeing the co-circulation of four or five viruses that are not unusual in the sense that they're not rare," he said, while noting that it is unusual to see them all circulating together at this time of year. "It's just a viral petri dish out there."

RSV is the most common cause of bronchiolitis, a lung infection, and pneumonia in children younger than 12 months in the U.S., according to the CDC. About 58,000 children younger than five years old are hospitalized because of RSV each year, leading to about 100 to 500 deaths annually.

Most children and adults with RSV feel better after a week or two. But pediatricians may give high-risk children monoclonal antibody treatments to prevent them from getting sick or developing a severe infection. There is no vaccine for RSV.

Children's hospitals have reported that other respiratory viruses, such as the rhinovirus or enteroviruses, which cause common cold-like symptoms but can trigger more serious disease, have also fueled hospitalizations.

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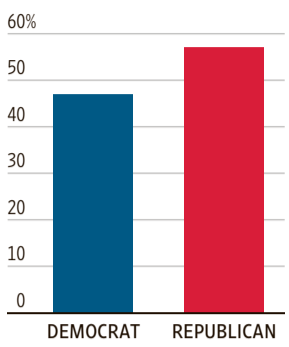
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U.S. NEWS

As the campaign heads into its final weeks, ad-tracking firm AdImpact says the \$7.5 billion already spent by candidates and outside groups trying to influence local, state and federal elections is on pace to more than double from the 2018 midterms. Some details on how and where money is being spent.

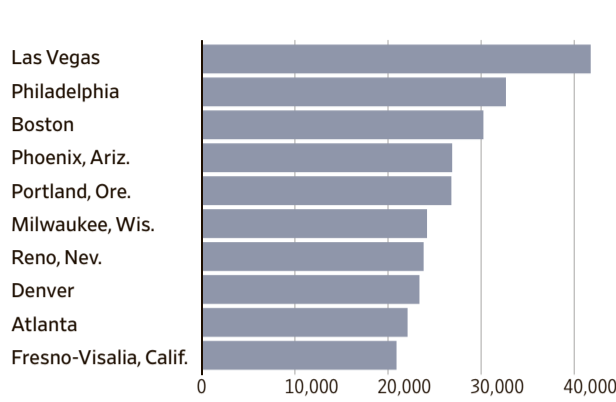
Share of ads aired by each party's candidates and their allies rated as negative in tone since Labor Day\*



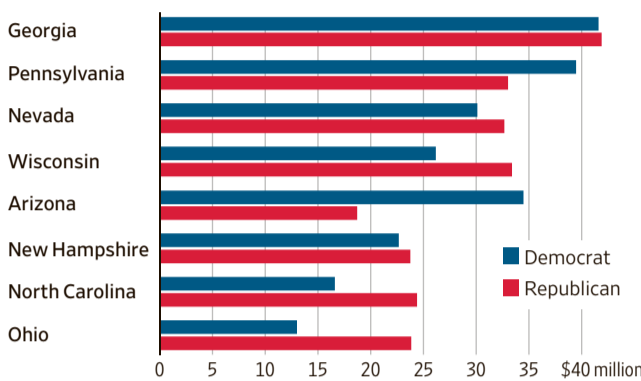
Daily political ads aired, seven-day rolling average\*



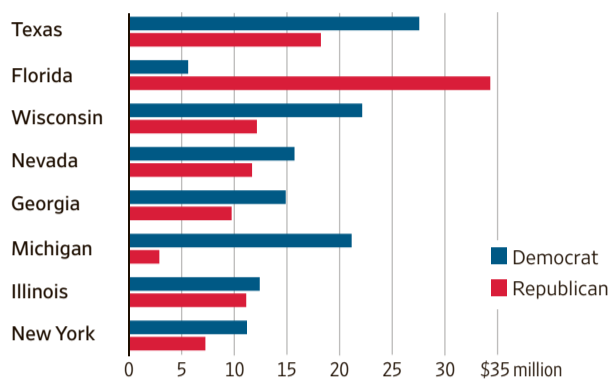
Ad airings for Congress and governor races since Labor Day\*



Top Senate races for ad spending since Labor Day\*\*



Top governor's races for ad spending since Labor Day\*\*



\*Includes broadcast and cable TV airings in House and Senate races through Oct. 17. †Includes local, state and federal ads on broadcast TV, cable, satellite, radio and digital. ‡Broadcast and cable TV through Oct. 17. \*\*Includes broadcast, cable and satellite TV, as well as radio and digital through Oct. 18. Note: Includes ads and spending by candidates and allies. Source: AdImpact

# Where \$7.5 Billion in Midterm Campaign Ads Hit Hardest

By JOHN McCORMICK

As the midterm campaign heads into its final weeks, political ad spending for the current two-year election cycle is on pace to more than double from the 2018 midterms. AdImpact, an ad-tracking firm, says about \$7.5 billion has been spent so far by candidates and outside groups trying to influence local, state and federal elections. That compares with about \$4 billion in the 2018 midterm cycle, and about \$9 billion in the 2020 presidential cycle. Some details on how and where money is being spent: The level of advertising has

surged since Labor Day, the unofficial start for the final phase of the campaign. The Las Vegas market has seen the heaviest advertising since Labor Day. Nevada is home to competitive races for governor and both chambers of Congress. Philadelphia, a top market in a state with open-seat races for Senate and governor, saw the second-most spots. Boston, in third place, covers parts of New Hampshire, where there are competitive House and Senate races. In races for the House and Senate, the top 10 themes most commonly mentioned by Democrats and their allies in broadcast and cable TV ads

since Labor Day are: abortion, healthcare, crime, Medicare, character, taxation, special interests, jobs, law enforcement and Social Security. In races for the House and Senate, the top 10 themes most commonly mentioned by Republicans and their allies in broadcast and cable TV ads since Labor Day are: taxation, President Biden, inflation, crime, House Speaker Nancy Pelosi, immigration, character, energy, defund the police and criminal-justice reform. As part of efforts to tie Democrats to what has been the highest inflation in four decades, images of gas pumps and grocery-store aisles have be-

come political clichés this year because they have been used in so many Republican ads. A search of ad transcripts since Labor Day for spots run by Republicans and their allies in House and Senate races shows “gas” and “gasoline” have gotten about twice as many mentions as “groceries” and “food.” In races for House and Senate, Republicans have run a larger proportion of ads with a negative tone than Democrats, said AdImpact. With Democrats controlling Congress and the White House, they are more likely to run ads touting their accomplishments, while Republicans are trying to draw a contrast with the party in power.

# N.Y. Governor's Race Tightens

By JIMMY VIELKIND

After a man was pushed in front of a subway train Monday in Queens, Lee Zeldin has there the next day to repeat a campaign refrain: Crime in New York is out of control, and he will roll back criminal-justice overhauls enacted by the state's ruling Democrats. Mr. Zeldin, a Republican who represents the eastern-most parts of Long Island in Congress, has made campaigning in New York City a priority in his effort to unseat Democratic Gov. Kathy Hochul. Some recent polls have shown the race tightening, with one survey this week putting Mr. Zeldin 4 percentage points behind the incumbent in a state that hasn't elected a Republican to statewide office since 2002.

His outreach has been focused in areas outside of heavily Democratic Manhattan, such as Brooklyn's Brighton Beach and the Elmhurst section of Queens. Republican candidates including Donald Trump made gains in those areas in 2020 from 2016. Mr. Zeldin has marched in neighborhood parades and campaigned at ethnic festivals, seeking support among Asian-American and Jewish groups that traditionally have backed Democrats. A spokeswoman said Mr. Zeldin's campaign is spending 60% of its weekly advertising budget in the city, which has 43% of New York state's population and accounted for 32% of the votes cast in 2018. “He is spending much more time than either Rob Astorino or Marc Molinaro did in New York City,” said GOP consultant Chapin Fay, referring to the Republican gubernatorial candidates who lost in 2014 and 2018, respectively. To win, Mr. Zeldin would need to capture more than 30% of the vote in New York City while carrying suburban counties and upstate New York by large margins, said political consultant Bruce Gyory. Recent polls have shown his support in the city between 23% and 39%. Messrs. Astorino and Molinaro won less than 20% of the vote in the city. Both men lost elections to for-

mer Democratic Gov. Andrew Cuomo, who resigned last year. While campaigning in New York City, Mr. Zeldin has attacked plans to raise money for public transit by charging tolls to enter parts of Manhattan by car. News conferences after crimes have been routine. Mr. Zeldin is running in some of the most favorable conditions New York Republicans have seen in decades, analysts said, because of rising inflation and elevated levels of crime. While shooting incidents are down, major crimes are up 31% this year in New York City compared with 2021, said the New York City Police Department. Surveys show more voters in the state think things are going in the wrong direction than on the right track. Still, every public poll has shown Ms. Hochul in the lead.

## GOP nominee Zeldin is campaigning hard in New York City on the issue of crime.

On the same day a Quinnipiac University poll showed her ahead 50% to 46%, another from the Siena College Research Institute showed the Democrat leading 52% to 41%. Signs the New York race might be tightening come as GOP prospects have recently improved in national and state races around the country. Democratic candidates have long counted on heavy support in New York City, and Ms. Hochul is no exception. She has won the endorsement of labor unions that represent teachers, hospital and hotel workers and has campaigned at Black churches. The Democratic State Committee has mailed targeted ads to Black, Hispanic and Asian-American voters in New York City and has spent \$1 million on Spanish-language ads. Ms. Hochul says she is focused on addressing crime and has pushed for a partial roll-back of the state's bail-law. She formed a multistate task force on gun trafficking.

# Bannon Sentenced to Four Months for Contempt of Congress

By SADIE GURMAN

WASHINGTON—A federal judge sentenced Steve Bannon to four months in prison for defying a subpoena from the House select committee investigating the Jan. 6, 2021, attack on the Capitol, and said the former Trump strategist would remain free while he appeals his conviction. “The sentence I am imposing reflects the fact that there can be more culpable ways to be in contempt of Congress than Mr. Bannon's conduct,” U.S. District Judge Carl Nichols said Friday. “But I do believe Mr. Bannon does have some culpability here.” Mr. Bannon was convicted in July on two counts of contempt of Congress for failing to cooperate with the committee as it sought information about the events leading up to the riot, in

which supporters of former President Donald Trump sought to delay the certification of President Biden's victory. The panel was pursuing information on what Mr. Bannon may have done to help Mr. Trump try to undo the election results. Judge Nichols said Mr. Bannon could be released while he appeals his conviction, raising the prospect of years of litigation and a Supreme Court petition before the case is finished. Mr. Bannon walked out of the courthouse after the hearing. “This thing about ‘I'm above the law’ is an absolute and total lie,” he said to reporters. “We'll have a very vigorous appeals process.” The judge sentenced Mr. Bannon to four months on each of the two contempt counts, but said they could be served concurrently once any appeals fail. He also imposed a \$6,500

fine on Mr. Bannon, whose lawyers argued he should get no punishment beyond probation. Federal prosecutors had recommended a six-month prison sentence and \$200,000 fine for what they described in court documents as Mr. Bannon's “bad-faith strategy of defiance and contempt.” “He had no interest in compliance,” Assistant U.S. Attorney J.P. Cooney said during the Friday hearing. “He had an interest in making a public spectacle of the committee's hearings...Throughout this case, the defendant has tried to make it about nothing other than politics and retribution. He has acted as if he is above the law. He is not.” Mr. Bannon said he didn't cooperate with the committee because of legal advice he received and concerns about executive privilege.



Former Trump White House adviser Steve Bannon spoke Friday outside the federal court in Washington.

# Subpoena Issued For Trump

Continued from Page One Mr. Trump said the subpoena will be reviewed, while criticizing the committee for its public release. “As with any similar matter, we will review and analyze it, and will respond as appropriate to this unprecedented action,” said David A. Warrington. Mr. Trump, who has denied wrongdoing related to the riot and remains the most powerful figure in Republican politics, has taken a dim view of the subpoena but hasn't ruled out cooperating. Last week, after the Jan. 6 panel voted to issue the subpoena during a televised hearing, Mr. Trump criticized the move. “Why didn't the Unselect Committee ask me to testify months ago,” he wrote on Truth Social. “Be-

cause the Committee is a total ‘BUST’ that has only served to further divide our Country.” The subpoena of a former Republican president by the Democratic-led House panel, coming weeks before the election, marks the latest escalation in a longstanding battle over the results of the 2020 election and Mr. Trump's efforts to stay in power. Mr. Trump continues to claim that the election was stolen, and hundreds of Republican candidates for state and federal seats have echoed his claims of fraud. The Justice Department is conducting a separate investigation into the election. In a letter to Mr. Trump, the committee said its investigation showed that “you personally orchestrated and oversaw a multi-part effort to overturn the 2020 presidential election and to obstruct the peaceful transition of power.” The panel said it recognizes that a subpoena to a former president “is a significant and historic action.” The deposition would be led by the com-

mittee's professional staff as well as members of the committee, the committee said in its letter. Mr. Trump could comply with the subpoena and testify, though legal observers have cast this as unlikely. He could also appear and assert his Fifth Amendment right against self-incrimination, a step he took recently in a New York probe of his financial dealings. Mr. Trump could also contest the legitimacy of the subpoena in court or simply refuse to appear, potentially setting up a time-consuming legal fight while counting on Republicans to retake the House and end the investigation next year. Democrats currently have a narrow majority in the House, and nonpartisan analysts favor the GOP to win the majority. The committee's mandate will end when the current Congress completes its term in early January. In its subpoena, the committee seeks records of telephone calls, text messages or communications placed by Mr.

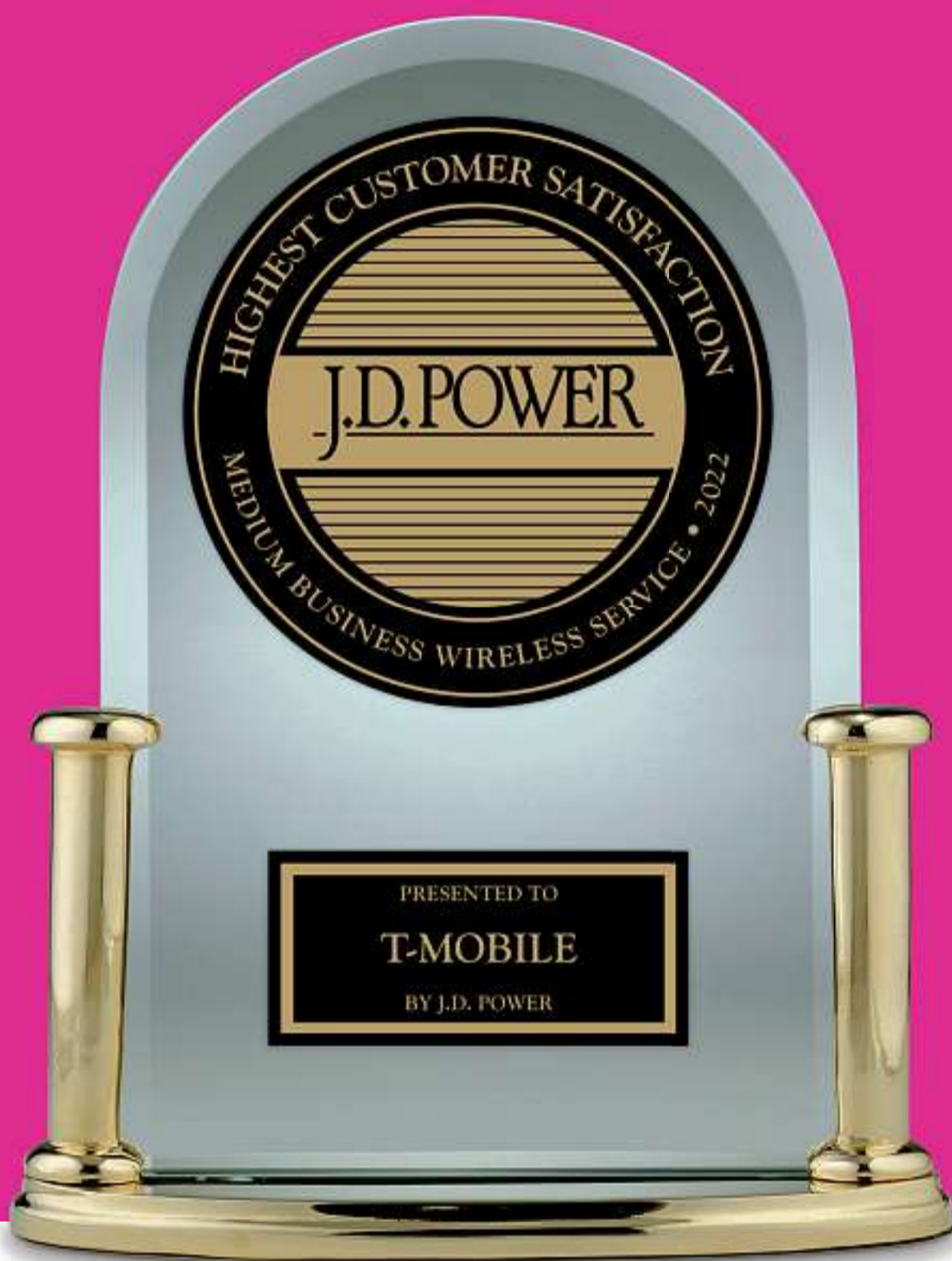
Trump on Jan. 6, 2021. It also requested records of calls and messages placed by Mr. Trump to members of Congress from Dec. 18, 2020, to Jan. 6, 2021, and documents related to communications with the far-right groups Oath Keepers and Proud Boys from Sept. 1, 2020, to the present. The document requests indicate that the committee believes Mr. Trump could have used the encrypted messaging app Signal, widely seen as one of the most secure messaging services. For instance, the committee requested communications “sent or received through Signal...concerning both the Department of Justice and actions, statements, or correspondence relating to the 2020 presidential election.” The committee also requested communications with allies of the former president who assisted in the campaign to overturn the 2020 election, including longtime adviser Roger Stone and White House adviser Steve Bannon. A federal judge on Friday sentenced Mr. Bannon to four months in

prison for defying a subpoena from the House select committee. Mr. Bannon said he plans to appeal the decision. Other people in Mr. Trump's orbit who refused to comply with subpoenas have met mixed fates. Former Trump administration adviser Peter Navarro was indicted by the Justice Department on charges of contempt of Congress. Mr. Navarro has pleaded not guilty. Several members of Congress subpoenaed by the panel have refused to comply, often claiming the committee is politically motivated. In May, the committee issued five subpoenas for lawmakers, including House GOP Leader Kevin McCarthy, the first time it attempted to compel testimony from colleagues in Congress. “They just want to go after their political opponents,” Mr. McCarthy said at the time. Prosecutors declined to charge two other officials who the committee subpoenaed, former White House chief of staff Mark Meadows and Dan Scavino, the deputy chief of staff for

communications in the Trump White House. Unlike Messrs. Navarro and Bannon, both had provided some level of cooperation with the committee before cutting off talks. The select committee is expected to issue a final report before the end of the year, and might hold another hearing around that time. The subpoena of a former president is rare but not unprecedented. In 1846, congressional select committees subpoenaed former Presidents John Quincy Adams and John Tyler. The former presidents complied, giving testimony and submitting a deposition. During the McCarthy era in 1953, former President Harry Truman refused to comply with a subpoena issued by the House Un-American Activities Committee, which was investigating Truman's nomination of U.S. government economist Harry Dexter White to a top International Monetary Fund post. White, who was by then deceased, had been accused of being a spy, which he had denied.

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U.S. WATCH

U.S. NEWS



**OFFICERS MOURNED:** Thousands of police officers gathered on Friday in East Hartford, Conn., for the funeral of two Bristol police officers, Dustin DeMonte and Alex Hamzy, who authorities said were ambushed by a gunman who called 911 on Oct. 12.

**Former UCLA Doctor Convicted of Assault**

A former UCLA doctor at the center of a sexual-abuse scandal that has cost the University of California nearly \$700 million was found guilty of five counts of sexually assaulting his patients, authorities said.

The doctor, James Heaps, was accused by hundreds of women of sexual misconduct while he was an obstetrician-gynecologist at UCLA from 1983 to 2018. His patients have said he groped them, conducted invasive exams and made sexual comments.

He faced a litany of criminal charges in a Los Angeles county court over sexual misconduct from 2009 to 2018, the county district attorney said on Thursday. He was found guilty of five counts and acquitted of seven.

Dr. Heaps is set to be sentenced on Nov. 17 and faces between 21 and 28 years in prison, the district attorney's office said.

His lawyers didn't return requests for comment on Friday.

John Manly, a lawyer who represented more than 200 of Dr. Heaps's accusers, on Friday said Dr. Heaps's abuses had been exposed and "justice was done."

In addition to the criminal charges, hundreds of his accusers sued him and the University of California system, of which UCLA is part. The university system agreed to three settlements in recent years totaling almost \$700 million, amounting to one of the most expensive sexual-abuse cases ever in higher education.

—Alyssa Lukpat

**Drought Stymies Barge Traffic**

Barge traffic continued to struggle along the Mississippi River and its tributaries as low water caused boats and barges to run aground on sandbars up and down the river system. Areas near Memphis and other cities saw record-low river levels this week.

"It's just slowed down to a grinding halt," said Gabe Gattle, vice president of transportation for Terral RiverService, a barge company based in Lake Providence, La.

"If you run boats and barges on the main stem of the Mississippi River, you are going to have a serious revenue problem until the water comes up," he said.

The low water, caused by a lack of rain in the Ohio River Valley and the Upper Mississippi, is approaching levels not seen in more than three decades, disrupting a vital supply lane for agriculture, oil and building materials. Shipping prices on the river have skyrocketed in recent weeks.

The U.S. Army Corps of Engineers is conducting emergency dredging at various points on the river to keep traffic moving as much as possible, and the U.S. Coast Guard has imposed restrictions on how much load barges can carry and how many barges towboats can pull. Lisa Parker, spokeswoman for the Corps' Mississippi Valley Division, said the forecast for the next several weeks isn't promising: dry weather.

—Cameron McWhirter

**School Shooter Is Set to Plead Guilty**

A Michigan teen accused of killing four classmates and injuring seven others in a school shooting last year is expected to plead guilty to homicide and terrorism, among other felony charges, prosecutors said.

"I can confirm that the shooter is expected to plead guilty to all 24 charges, including terrorism," said David Williams, chief assistant prosecutor in Oakland County. "There have been no plea deals and no reductions."

Ethan Crumbley, a 15-year-old sophomore at the time, is accused of killing four students and injuring seven others last November at Oxford High School, about 40 miles north of Detroit.

Mr. Crumbley, now 16, is expected to enter his plea during a court date on Monday. Attorneys listed as representing the teen didn't respond to a request for comment.

—Tatal Ansari

**Biden Doesn't Favor Ending Debt Ceiling**

BY LINDSAY WISE AND KEN THOMAS

WASHINGTON—President Biden said he wouldn't support efforts to eliminate the debt ceiling altogether, in the face of Republicans' calls to use it as leverage to cut government spending if they take control of the House in the midterms.

Asked by a reporter if he supported a permanent repeal of the debt limit, Mr. Biden said: "No. That would be irresponsible."

The comments came after a speech Friday in which Mr. Biden warned Republicans not to use the need to raise the debt ceiling next year as leverage to demand spending cuts. He said that Republican leaders had "made it clear they will crash the economy next year" and potentially put the U.S. in default on its obligations unless Democrats agree to cuts in Social Security and Medicare.

"Let me be really clear: I will

not yield. I will not cut Social Security. I will not cut Medicare, no matter how hard they work at it," Mr. Biden said in a speech designed to draw a contrast with the GOP's agenda and push back against criticism that his policies have bloated the federal deficit and driven up inflation.

By law, Congress has to set a borrowing limit for the government. Raising the debt ceiling doesn't authorize new spending but rather allows the government to meet existing obligations, such as sending Social Security checks and making payments on the debt.

The debt ceiling is seen as becoming a major fight if the GOP wins back control of Congress in the November elections.

House Minority Leader Kevin McCarthy (R., Calif.) said in a recent interview with Punchbowl News that if Republicans win control of the House, they would use raising the debt limit as a way to demand spending cuts.

**Arizona Sues to Keep Barriers Along Border**

BY ALICIA A. CALDWELL

Arizona sued the Biden administration on Friday, seeking to keep in place roughly 125 steel shipping containers used to fill gaps along the border wall in Yuma.

The lawsuit follows a letter from the U.S. Bureau of Reclamation this month telling the state that the project was effectively trespassing on federal land and the containers—40-foot-long steel boxes stacked two high and topped with razor wire—must be removed.

The shipping-container walls sit on both federally owned land and at the boundary of Native American tribal land, the government said in its initial letter to the state. The government has plans to fill in the gaps starting next year, the ad-

ministration told the state.

Arizona's Department of Emergency and Military Affairs, which has been in charge of the wall project, said in a response sent this week that the state would keep barriers in place until receiving detailed construction plans from the federal government.

The lawsuit names the U.S. Forest Service, the Bureau of Reclamation and the Agriculture Department. Spokespeople for those agencies didn't respond to a request to comment. The Justice Department also didn't respond to a request to comment.

Gov. Doug Ducey, a Republican, signed an executive order in August to install the container walls, a project similar to barriers built along sections of the Rio Grande by Texas' Republican Gov. Greg Abbott.



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**Banks Won't Sell Musk Debt**

Continued from Page One company. They had originally intended to find third-party investors, such as loan asset managers and mutual funds, who would ultimately lend the money as is customary in leveraged buyouts.

Rising interest rates and growing concerns about a recession have cooled investors' appetite for risky loans and bonds. Mr. Musk's past criticism of Twitter's alleged misrepresentation of the condition of its business and the number of fake accounts on the platform aren't helping either—nor is a deterioration in Twitter's business, the people added.

Banks also face a timing problem: Mr. Musk and Twitter have until Oct. 28 to close his planned purchase, and there is still no guarantee the unpredictable billionaire will follow through or some other trouble won't arise. (If the deal doesn't close by that time, the two parties will go to court in November.) That means the banks wouldn't have enough time to market the debt to third-party investors, a process that normally takes weeks, even if they wanted to sell it now.

Assuming the deal closes, banks hope to be able to sell some of Twitter's debt by early next year, should market conditions improve by then, some of the people said.

Twitter's banks are discussing how to potentially slice up the debt into different pieces that could be easier for hedge-fund investors or direct lenders to swallow, one of these people said.

The banks have good reason to want to hold the debt for as short a time period as possible.

Holding loans and bonds can force them to set more capital aside to meet regulatory requirements, limiting the credit banks are able to provide to others.

Banks also face year-end stress tests, and they will want to limit their exposure to



Twitter's debt, including \$6.5 billion of term loans and \$6 billion of bonds, would add to the increasing pile banks intend to syndicate.

risky corporate debts before regulators evaluate the soundness of their balance sheets.

So far this year, banks have taken hundreds of millions of dollars of losses and been forced to hold a growing amount of buyout debt.

Twitter's debt, including \$6.5 billion of term loans and \$6 billion of bonds, would add to the increasing pile banks eventually intend to syndicate, recently estimated by Gold-

**Elon Musk and Twitter have until Oct. 28 to close his planned purchase.**

man Sachs at around \$45 billion.

Banks' third-quarter earnings showed a steep drop-off in revenue tied to deal-making. Goldman's debt-underwriting revenue dropped to \$328 million in the third quarter from \$726 million a year earlier.

Morgan Stanley CEO James Gorman recently said his bank has been "quite cautious in the leveraged-finance arena" for new deals, while Bank of America's Brian Moynihan said "there's been a natural retrenching" in the leveraged-loan market and the bank "was working to get through the pipeline" of existing deals.

Private-equity firms, which rely heavily on debt to fund their buyouts, have increasingly turned to private-credit providers such as Blackstone Credit and Blue Owl Capital Inc. These firms don't have to split up and sell debt and can provide funding from investment vehicles established to do so.

Although it is more expensive and harder to come by than earlier this year, private-credit providers have been the main source of buyout financing recently.

To deal with debts they have already committed to, banks have gotten increasingly creative.

In a deal to take Citrix Systems Inc. private, banks agreed to turn some \$6 billion of syndicated term loans into a more traditional bank loan that they chose to keep on their balance sheets, but they sold around \$8 billion of bonds and loans at a loss of more than \$500 million, the Journal reported.

There was also a revision in the financing structure of the deal to take Nielsen Holdings PLC private, with \$3 billion in unsecured bonds becoming a junior secured loan that private-credit provider Ares Capital Corp. agreed to lead.

The banks held the remainder of Nielsen's roughly \$9 billion of debt on their balance sheets.

—Matt Wirz contributed to this article.



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## WORLD NEWS

## Ukraine Strikes Kherson Ferry Crossing

Moscow's hold on the regional capital slips; Russian forces pound Zaporizhzhia, Kharkiv

By YAROSLAV TROFIMOV

Ukrainian artillery struck the ferry crossing in the southern city of Kherson, the only regional capital captured by Moscow since the February invasion, as Russian forces pounded the cities of Zaporizhzhia and Kharkiv with renewed strikes.

The Russian military had set up ferry crossings after repeated Ukrainian strikes on the Antonivsky bridge, a crucial link with other occupied areas that Russia used to re-supply forces in Kherson, made it unusable. The only alternative bridge, over the sluices of the Nova Kakhovka dam upstream, has also been destroyed. That has significantly complicated the logistics of Russian forces in the Kherson area, the only part of Ukraine that they occupy west of the Dnipro River.

Ukrainian offensives in September and early this month regained a significant part of that foothold, prompting Russia to organize the evacuation of tens of thousands of civilians in recent days.

The port city of Kherson is one of the most important prizes in Ukraine's fight to reclaim territory occupied by Russia. If Russia's military is forced to abandon the city, it would be a significant blow to the Kremlin, removing for the foreseeable future Russia's ability to threaten Mykolaiv,



Evacuees from Kherson arrive in Dzhankoi, Crimea, on Friday. Russian authorities have encouraged residents of Kherson to evacuate.

Odessa and the rest of Ukraine's Black Sea coast.

The flat, empty terrain around Kherson makes it a different target for an outright assault. Russia on Friday released footage of what it said was a failed Ukrainian offensive in the area two days earlier, in which several Ukrainian infantry fighting vehicles and at least one tank had been destroyed. Ukraine has imposed an information blackout on its military operations near Kherson.

Russia has sent some 2,000 newly mobilized troops, most of whom underwent only minimal training, to try to hold on

to Kherson, Ukraine's General Staff said Friday. At the same time, it added, Russia has started to evacuate financial institutions and withdraw medical and education workers who had been sent to the city. Ukrainian officials have said Russia might be trying to use mobilized troops it sees as more dispensable to cover the retreat of elite units that it wants to redeploy on other fronts.

The late Thursday strike on the crossing over the Dnipro in Kherson killed four people, all of them civilians, and injured 13 others, according to

Moscow municipal government officials. Yuri Sobolevsky, deputy head of Kherson's elected regional legislature, said the 11 p.m. strike occurred during curfew hours, when only Russian officials and collaborators with special permits were allowed outdoors.

Russian authorities identified several of the casualties as managers and staff of the Tavria TV channel, which Moscow set up in Kherson after disabling Ukrainian broadcasters in the spring. One of the fatalities was Oleg Klokov, a former staffer of Russian state TV and a former official of the

Moscow municipal government who arrived in Kherson to help manage Tavria two weeks earlier, they said.

Members of Russia's civilian occupation apparatus, from intelligence officers and judges to TV propagandists, have also been fleeing Kherson in recent days. Local businesses, expecting an imminent Ukrainian takeover, have stopped taking Russian rubles as payment or started demanding a more favorable exchange rate, Kherson residents say.

Russia has declared the region of Kherson, alongside Zaporizhzhia, Donetsk and Lu-

hansk, to be part of its sovereign territory following sham referendums last month. The United Nations General Assembly has overwhelmingly rejected the legality of this annexation, with only four countries—Belarus, Nicaragua, Syria and North Korea—voting alongside Moscow against the resolution.

Continuing its attacks on Ukraine's civilian infrastructure, Russia on Friday repeatedly struck the city of Kharkiv, injuring nine people at an industrial facility, according to the local administration. In the southern city of Zaporizhzhia, frequently hit in recent weeks, a Russian missile struck a residential building, which caught fire after a gas pipe blew up, the regional administration said. Three civilians were injured. Unlike most of the Zaporizhzhia region, which is claimed by Russia, the regional capital has remained under Ukrainian control through the war.

Russian cruise missiles and Iranian-made Shahed drones have been striking Ukrainian civilian-infrastructure targets, particularly the power grid, since a massive barrage on Oct. 10. Ukrainian President Volodymyr Zelensky said some 30% of Ukraine's power-generation capacity has been hit, and the country has begun to implement rolling blackouts.

The Pentagon said Defense Secretary Lloyd Austin initiated a telephone call with his Russian counterpart, Minister of Defense Sergei Shoigu, on Friday. The Pentagon said that Mr. Austin "emphasized the importance of maintaining lines of communication."

## U.S. Moves Slowly on Drone Help

By BRETT FORREST

The Pentagon has yet to approve a contract to deliver a counterdrone system it promised over the summer to Kyiv, despite Russia's surge of recent attacks on Ukraine's critical infrastructure using Iranian-made unmanned aircraft.

In late August, the Pentagon said the U.S. had included a weapons system known as the Vampire in a nearly \$3 billion military aid package for Ukraine. The portable, laser-guided missile system is designed to be quickly installed in the bed of a civilian truck and has the ability to destroy drones and other targets beyond the range of standard weapons.

Undersecretary of Defense for Policy Colin Kahl said at the time that the Vampire would be "provided to the Ukrainians within the next nine months, and additional



A building smolders after a drone attack in Kyiv on Monday.

systems and rounds could take a year or two."

Nearly two months after that announcement, the U.S. has yet to issue a contract for the counterdrone system, according to the Department of Defense and the company that makes the technology. The delay comes

amid a barrage of Russian strikes that Ukrainian President Volodymyr Zelensky said have already destroyed 30% of the nation's electrical grid.

Ukraine is seeking anti-drone systems, according to a senior Ukrainian official, and is in talks with many U.S. com-

panies about how to combat the Iranian drone, the Shahed-136. The official didn't name the companies.

"They need to be moving fast with these approvals," said Brett Velicovich, a drone-technology expert and former U.S. special-operations soldier who has worked extensively in Ukraine this year. "The Shaheds are the best weapon the Russians have right now. This is the number one issue."

A Pentagon spokesman said of the Vampire promised to Ukraine, "We expect they will be put on contract soon," and declined to elaborate.

A spokeswoman for the Vampire system's manufacturer, L3Harris Technologies Inc., said the company anticipates shipping the system to Ukraine within nine months of receiving a Pentagon contract. "We will be evaluating methods for delivery acceleration," she said.

## Siding With Moscow, Tehran Spurns West

By DAVID S. CLOUD AND BENOIT FAUCON

Iran's decision to send armed drones to aid Russia's war in Ukraine jeopardizes years of engagement with the West and marks a risky gambit by Supreme Leader Ali Khamenei to disrupt an international system that he sees as stacked against Tehran, analysts said.

Siding with Moscow threatens to deepen Iran's isolation at a time when Iran's rulers are facing widespread internal unrest and an economy crippled by U.S. sanctions over its nuclear program. Already the European Union has imposed new sanctions on Iran in response to its supplying Russia with drones and its crackdown on protests.

If Russia uses more Iranian weapons in Ukraine, stalled talks on reviving the 2015 nuclear accord that offered to lift sanctions on Tehran would face even dimmer prospects, Western officials say.

Mr. Khamenei sees intervention in Ukraine at a time when Moscow's invasion is faltering as a way to strike back at American power somewhere other than on Iran's own home turf, analysts say. Though Iran is historically wary of Russia, Mr. Khamenei has pressed for years to deepen ties with Moscow and Russian President Vladimir Putin, whose intervention in the Syrian civil war is credited with saving President Bashar al-Assad and bolstering Iran's own position in the country.

"Khamenei has been cultivated by Moscow for years, and when they knock on the door saying we need your help, it's very hard for him to say no," said Alex Vatanka, head of the Iran program at the Middle East Institute, a Washington think tank.

The Iranian government has denied that it has provided Russia with arms for use in Ukraine and insists it isn't involved in the conflict. Russia also denied that its forces have used Iranian-provided drones in the country. But the EU sanctions on Iran moved ahead Thursday when the bloc concluded there was clear evidence that Iran's claim was untrue.

Though Tehran has exported its drones and missiles to friendly governments and proxies in the Middle East and Africa, it is the first time since the ruling clerics who came to power more than four decades ago have intervened so far from

Iran in a conventional conflict where neither of the combatants is an Islamic country.

Tehran's moves are contentious within Iranian's ruling circles, especially among officials who haven't given up on reviving stalled talks on a nuclear deal with Washington that would lift crushing sanctions, Iranian analysts say. Also complicating matters are weeks of protests following the death of a young woman in police custody for allegedly violating the Islamic Republic's female dress code.

"There is a faction in the regime that is against selling drones" to Russia as it would undermine any chance of reviving the nuclear pact and alienate the European Union, said Mostafa Pakzad, a Tehran-based consultant who advises foreign companies in the country. "These divisions over foreign policy on Ukraine and Russia feed into the weakening of the morale of the regime already worried over the uprising."

For the 83-year-old Mr. Khamenei, who serves as commander-in-chief of Iran's armed forces and has close ties to its Islamic Revolutionary Guard Corps, outreach to the West has long been secondary to his goal of positioning Iran as a regional power capable of contesting the U.S. for military and political influence.

Mr. Khamenei's advisers have convinced him more recently that, "deepening his relationship with Russia is his best political insurance," said an adviser to Iran's Islamic Revolutionary Guard Corps.

With nuclear negotiations now at an impasse, the Ukraine war gives Mr. Khamenei a chance to pursue something he has advocated for years: turning East, further loosening economic ties with the West and building ties with other anti-U.S. powers such as Russia and China to offset the impact of Western sanctions.

Mr. Khamenei's only public comment on the Kyiv attacks has been to taunt anyone who doubted Tehran's capability of producing armed unmanned aircraft for export.

"When images of Iranian drones were published a few years ago, they would say they're photoshopped," Mr. Khamenei told a group of scientists in Tehran on Wednesday. "Now they say Iranian drones are dangerous. Why do you sell them or give them to so-and-so?"

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## WORLD NEWS

# Johnson Complicates U.K. Leadership Race

By MAX COLCHESTER

LONDON—Months after his own party's lawmakers pressured him to quit as prime minister, Boris Johnson is poised to attempt a comeback.

Dozens of Tory lawmakers publicly backed Mr. Johnson on Friday, as candidates vied to succeed Prime Minister Liz Truss, who stepped down after 45 days on the job when her proposed policy of large tax cuts and spending increases sent markets reeling.

In a television interview on Friday, Defense Secretary Ben Wallace said he was leaning toward supporting Mr. Johnson, and two other current cabinet ministers said they would back the former party leader.

Mr. Johnson, 58, hasn't publicly said if he is running and his aides declined to comment. But several allies said he would enter the race if he could gather the 100 nominations from among the Conservative Party's 357 lawmakers required to stand for the role.

"I've spoken to someone that's spoken to him and he's on the way back. And clearly,

he's taking soundings," Will Walden, a former press secretary to Mr. Johnson, told Sky News.

On Friday, Conservative candidates were canvassing colleagues seeking support. If more than one candidate reaches the nomination threshold by the deadline on Monday afternoon, the final winner will be picked by 170,000 Conservative Party members.

Former Chancellor of the Exchequer Rishi Sunak is considered the leading contender to succeed Ms. Truss. Oddsmakers give Mr. Sunak a 53% chance of winning. Mr. Sunak, who is already leading the pack with several dozen public endorsements, hasn't yet declared that he is standing. Mr. Johnson has a 42% chance of victory, according to oddsmakers. Penny Mordaunt, a cabinet minister who on Friday said she is running, has a 10% chance.

Key to Mr. Johnson's potential success is that he retains a strong base of support among Conservative members.

A survey released Thursday by People Polling found that 38% of Conservative voters

want Mr. Johnson to lead the party compared with 20% for Mr. Sunak, who served as Mr. Johnson's treasury chief before resigning and setting the stage for Mr. Johnson's ouster.

The possible return of Mr. Johnson elicited a mixed reaction from Conservative lawmakers. Several, even some who don't support him, privately said Mr. Johnson could make a comeback if he succeeds in uniting the euroskeptical right wing of the party around him.

"He is the ultimate in the emergency break-glass candidate," said Tim Bale, professor of politics at Queen Mary University of London. "Anything could happen."

Mr. Johnson's support among some Tories lays bare the deep ideological divides within the party, which is split by competing views on whether to embrace low regulation and free trade or more interventionism and protectionism.

Supporters of Mr. Johnson said he is the only person who can hold together the broad working-class-to-bankers voting coalition that delivered a



Boris Johnson hasn't publicly said if he is running for prime minister, but he has hinted at a comeback.

ALBERTO PEZZALI/ASSOCIATED PRESS

landslide electoral win for the Tories in 2019. With the Conservatives polling at a historic low of 14%, some in the party say he is the best chance to save the Tories from electoral humiliation in the next election, which must be held by January 2025.

Detractors say Mr. Johnson's political brand is too damaged. He was evicted from office after an unprecedented rebellion of roughly 50 of his ministers quit over the summer to protest a series of scandals, including his attendance at a party during a Covid-19 lockdown, for which

the police fined him.

Several lawmakers took to Twitter to say they would quit the party if Mr. Johnson won. When asked for his thoughts, one former Tory minister simply replied on WhatsApp with a screaming face emoji.

A parliamentary inquiry into whether Mr. Johnson lied to lawmakers after denying a series of parties took place in Downing Street during Covid-19 lockdowns is about to get underway. Mr. Johnson denies he knowingly lied to Parliament.

If the inquiry finds he did, lawmakers could vote to suspend him from the House of

Commons for a number of days and potentially trigger an election in his district.

Appointing Mr. Johnson as Conservative leader would catapult the party "straight back into the pickle we were in when he was in office," said lawmaker Crispin Blunt.

Even as he quit, Mr. Johnson hinted he would return. In his last speech to Parliament, he quoted Arnold Schwarzenegger in the movie "Terminator 2: Judgment Day," signing off with "Hasta la vista, baby!" Tory officials took it as a reference to another famous Terminator quote: "I'll be back."

# Truss and Allies Long Dreamed of Libertarian Agenda

By MAX COLCHESTER AND DAVID LUHNOW

LONDON—A few days after Liz Truss first was elected to Britain's Parliament in 2010, she visited the Institute of Economic Affairs, a libertarian think tank in a cramped Georgian house a stone's throw from Parliament in central London.

There she met an old college friend, Mark Littlewood, director-general of the IEA, and pitched an idea. "Mark, we are going to set up a caucus of free-market MPs," Mr. Littlewood recalls her saying.

It was the start of a journey that saw Ms. Truss lead a tightknit band of libertarian Conservative lawmakers from the edges of her party to 10 Downing Street, where she launched an audacious experiment in Reaganomics for the world's sixth-largest economy—calling for sweeping tax cuts paired with big spending increases aimed at boosting economic growth.

Her plans, against a global backdrop of high inflation and rising interest rates, were greeted by a fierce reaction in markets. The pound dropped sharply against the dollar and investors sold off British government bonds. The central bank intervened. And Ms. Truss was pushed out by Tory lawmakers.

"That libertarian view is unlikely to return to the U.K. for some time," predicted Charlie Bean, former deputy governor of the Bank of England. "That vision has been pretty comprehensively blown



From left: Then-Chancellor of the Exchequer Kwasi Kwarteng, Liz Truss and her husband, Hugh O'Leary, at a Tory conference Oct. 2.

STEFAN ROUSSEAU/PA WIREIMAGE.COM

out of the water by the events of the last few weeks."

Ms. Truss's program was set for three stages: The first was a shock-and-awe campaign of tax cuts, to be followed months later by sweeping supply-side measures including deregulation, and capped, months after that, by a closer look at government spending, with an eye to keeping public finances stable.

The government, however, was quickly forced to retreat

halfway through stage one, particularly because the tax cuts that would reduce government revenue were paired with a huge new spending program to subsidize energy prices, straining government finances.

"It's a bit of a nightmare," said Mr. Littlewood, who said he feared the blowback against Ms. Truss's plans, and her ouster as prime minister, could set back the libertarian agenda for years or longer.

Since Margaret Thatcher

left office in 1990, libertarian, deregulatory ideology in Britain was often talked up by Conservative governments but seldom enacted.

An aging population and a push toward green energy had economists forecasting a bigger British state rather than a smaller one.

Groups like the IEA, which was lauded by Thatcher, were sidelined and spent their time mostly criticizing the government of the day for spending

and taxing too much.

"Since the reforms that Mrs. Thatcher brought in, we've got huge amounts of regulation that have been added mainly from the European Union and marginal tax rates have steadily gone up," says Patrick Minford, professor of applied economics at Cardiff Business School, who backed Ms. Truss's tax plan. "So this is all very damaging to entrepreneurial incentives."

For years, the lawmakers'

group created by Ms. Truss and Mr. Littlewood—calling itself the Free Enterprise Group, or FEG—toiled at the margins of the U.K. government, publishing pamphlets and holding intimate dinners championing the small state. They urged their fellow Tories to be more radical, arguing that Britain was getting caught in a negative loop of higher taxes, which would hurt economic growth, weaken the government's tax take, and prompt even higher taxes.

Opportunity finally came this summer, when Boris Johnson quit as prime minister and paved the way for Ms. Truss to pitch her vision of a smaller state to Tory members, emerging as the winner from the party's internal leadership contest.

Within days of that victory, former members of the FEG were appointed to senior cabinet posts, including her closest libertarian ally, Kwasi Kwarteng, as chancellor. Together, the pair rolled out a broad plan of tax cuts and deregulation. Crucially, the plan would be paid for not with spending cuts, but with debt. For Ms. Truss and Mr. Kwarteng this was a change in ideology.

In recent days, Ms. Truss watched as her new chancellor, Jeremy Hunt, a Conservative moderate, said he was ripping up the fiscal plan she had spent over a decade advocating as he pushed the tax burden back up to the highest rate since the 1950s.

Ms. Truss apologized to her cabinet, saying her plan "went too far, too fast" for markets.

# Australia Foreign Aid Aims to Counter China

By MIKE CHERNEY

SYDNEY—Australia plans to increase aid to Pacific island nations and invest more in security ties with those countries, as the U.S. and its allies seek to counter Chinese influence in the strategically important region.

The Australian government said it would increase development assistance to the Pacific by 900 million Australian dollars, equivalent to roughly \$565 million, over the next four years. That is much more than the A\$525 million boost that Prime Minister Anthony Albanese's party promised during the recent election campaign, highlighting the issue's importance to policy makers.

Australia's coming annual budget will also include funds to support Australian police deployment in the Solomon Islands, a country that alarmed Western diplomats and analysts by signing a security pact with China earlier this year. Australia will also pay to upgrade aerial surveillance capability in the region, establish a training school for defense and security forces and place a

network of border-force officers in the islands.

"Without these investments, others will continue to fill the vacuum and Australia will continue to lose ground," Australia's Foreign Minister Penny Wong said. She said much of the aid increase will focus on mitigating climate change, which many view as an existential threat to low-lying Pacific islands.

The announcement is the latest diplomatic push to convince Pacific island nations that they are better off partnering with the U.S. and its allies rather than China, which has made inroads in the region by funding important infrastructure in recent years. The Pacific is home to key shipping lanes, fisheries and military posts, making it central to the rivalry between the U.S. and China.

Last month, President Biden met with Pacific island leaders in Washington. The administration unveiled a new strategy to address climate change and other regional challenges, and announced a separate assistance package of \$810 million for the islands.

# Venezuela Opposition to Change Tack

By KEJAL VYAS

Venezuela's biggest opposition parties are taking steps to remove Juan Guaidó as their leader and phase out a U.S.-led strategy in which he was recognized as the legitimate president in an effort to remove Nicolás Maduro from power, several people familiar with the discussions said.

Leaders of three of the largest parties that make up the opposition coalition said during meetings in Panama last week that they would no longer support Mr. Guaidó as the so-called interim president after his term expires on Jan. 5, these people said. While there was no formal vote on the measure, the main parties—A New Era, Democratic Action and Justice First—control a majority of Venezuela's exiled congress, whose support is essential for Mr. Guaidó to continue in office.

"We're getting very close to that consensus that the interim-government experiment didn't work and that a new structure is needed," a person close to the deliberations said.

In January 2019, the U.S. and dozens of other countries in Latin America and Europe recognized Mr. Guaidó as Ven-



The U.S. in 2019 recognized Juan Guaidó as the legitimate president.

GARY GRAY/REUTERS

zuela's legitimate president. Mr. Maduro sought to power with the support of Russia, Iran and China.

Mr. Guaidó, the 39-year-old head of Venezuela's National Assembly, said his movement has a constitutional mandate to continue in power until free and fair elections are held in the country, which are unlikely to happen before 2024.

The Wall Street Journal reported this month that the Biden administration is thinking about scaling down sanctions on the government of Venezu-

ela to allow Chevron Corp. to resume pumping oil there, paving the way for a potential reopening of U.S. and European markets to oil exports from Venezuela. A deal, though, would be contingent on Mr. Maduro resuming long-suspended talks with opposition leaders in Mexico to discuss conditions needed to hold free and fair presidential elections, people familiar with the proposal said.

In Washington, there is opposition among Republicans and skepticism among influen-

tial Democrats who have worked on Venezuela policy and believe Mr. Maduro is unlikely to negotiate in good faith.

"If the administration is headed on this path, there has to be real substantive benchmarks so that we know this isn't just a buy of time" by the regime, Sen. Robert Menendez (D., N.J.), chairman of the Senate Foreign Relations Committee, told a small group of American reporters during a visit to Colombia on Wednesday. "I am skeptical but willing to be open to the concept of a real defined process that can lead to what we all desire."

The U.S. State Department didn't respond to an email seeking comment.

At the meetings at a Panama hotel last week, representatives from the main political parties said that while they agreed on scrapping Mr. Guaidó's role, they had made little progress in determining how their movement would be led after January.

Party leaders said they want to establish a timetable for primary elections that the opposition intends to hold next year to pick a candidate to run against Mr. Maduro in a presidential race.

# WORLD WATCH

# WORLD NEWS

## HAITI U.N. Moves to Freeze Gang Leader's Assets

The United Nations unanimously approved sanctions Friday against Haiti's most powerful gang boss who is blocking fuel and aid to the impoverished country for a sixth week as it struggles with a cholera epidemic and increasing hunger.

The U.N. resolution calls for member nations to freeze gang leader Jimmy Chérizier's assets and ban him from their countries.

Known as Barbecue, Mr. Chérizier heads a coalition of nine gangs called the G9. Since last month, Mr. Chérizier's gunmen have blocked entry to the country's main port at the capital of Port-au-Prince, stopping most fuel, food and medicine from reaching Haiti. He couldn't be reached to comment.

U.S. Ambassador to the U.N. Linda Thomas-Greenfield said Friday's resolution was a first step in aiding the crisis-stricken country. The resolution also calls for sanctions to be placed on anyone who finances or facilitates violence in the country.

Ms. Thomas-Greenfield said the U.S. and Mexico, the co-writers of the resolution, would continue work on a second resolution calling for a non-U.N. international security mission to Haiti.

—José de Córdoba

## MYANMAR Red Flag Raised on Money Laundering

A global financial watchdog added Myanmar to its list of countries where businesses and financial institutions are at high



**BREWSKI RUN:** Two hundred beer kegs occupy the cable-car seats at the Jested Ski Resort in Liberec, Czech Republic, in its safety test for passengers before its opening for the winter season.

risk of exposure to money laundering and terrorist financing, potentially accelerating the country's economic isolation that was triggered by a military coup last year.

The Financial Action Task Force, a Paris-based intergovernmental body whose 39 members include almost all of the world's major financial centers including the U.S., China and a number of European nations, said Friday that Myanmar failed to address a large number of deficiencies in its anti-money-laundering and terrorist financing systems.

As a result, it said the Southeast Asian country was added to what is informally known as the FATF blacklist. The list consists of just two other nations, Iran and North Korea.

—Feliz Solomon

## HONG KONG Batman Canceled At Censor's Urging

Organizers scrapped an outdoor screening of a Batman film, which featured a Chinese gangster and was partially filmed in Hong Kong, following a recommendation from city censors.

Organizers of the film said they were advised by the city's film regulator not to proceed with the Oct. 27 screening of "The Dark Knight" because it was too violent for an outdoor venue. The 2008 film was set to be screened at The Grounds, a waterfront event space.

The venue had recently screened the film's prequel, "Batman Begins," and said it planned

to continue with a Nov. 3 screening of the sequel "The Dark Knight Rises," a spokeswoman said, adding that the films "are much less violent than the second movie."

The Office for Film, Newspaper and Article Administration declined to comment.

The film's cancellation comes as Hong Kong authorities have clamped down on free speech and political opposition in the years since Beijing imposed a national security law on the semiautonomous city in 2020. The law followed a wave of sometimes-violent protests across the city in 2019 that opposed an extradition law and later morphed into a movement demanding broader democratic reforms.

—Dan Strumpf

## Pakistan's Ex-Premier Barred From Elections

BY SAEED SHAH

ISLAMABAD, Pakistan—Pakistan's Election Commission barred former Prime Minister Imran Khan from holding elected office, further roiling Pakistan's tumultuous politics.

The disqualification Friday was issued over official gifts Mr. Khan had received as prime minister from foreign governments, some of which he later sold. The Election Commission ruled that he hadn't properly declared the gifts and transactions. Mr. Khan's Pakistan Tehreek-e-Insaf party said it would challenge the ruling in court.

The disqualification runs for the rest of the term of the current Parliament, which ends in August 2023, when fresh elections have to be called, lawyers said.

Mr. Khan, a former cricket star, said the case against him was concocted. He said he would call on his supporters to march on Islamabad later this month in protest.

"Because they can't win, their effort is to expel Imran Khan from the match," Mr. Khan said in a video message. "I am vowing before the nation, however much is left of my life, will be spent fighting these thieves."

At political rallies, Mr. Khan, age 70, has pitched himself as a clean politician going up against rivals he paints as irredeemably corrupt.

The government accuses

Mr. Khan of graft. Mr. Khan was elected prime minister in 2018, for the first time, but was ousted before the end of his five-year term by a vote of no confidence in Parliament in April this year.

He alleges his removal was orchestrated by the powerful military after he fell out with the army chief, and says that the military continues to work against him behind the scenes. The military, which has staged multiple coups in the past, denies interfering in politics.

Since losing power, Mr. Khan has mounted a relentless campaign against the new government of Prime Minister Shehbaz Sharif, trying to force elections to be held early.

Polls show that Mr. Khan is by far the country's most popular politician.

Mr. Khan has for months alleged that the Election Commission is doing the bidding of the government, a charge the government and the commission reject.

Pakistan Interior Minister Rana Sanaullah Khan said that the government would use the ruling to bring criminal charges against Mr. Khan. He already faces a web of cases brought by the new government, which he says are politically motivated.

Pakistan is struggling with monumental floods that have left millions homeless and an economy low on foreign-currency reserves.

## FROM PAGE ONE

# Cheating Scandal Roils Chess

Continued from Page One on fire.

On Thursday, Mr. Niemann filed a \$100 million federal lawsuit against Mr. Carlsen, the platform Chess.com and others for slander, libel and colluding to blacklist him. Mr. Niemann in the suit alleges that tournament organizers have shunned him after allegations of cheating surfaced.

"Hans Niemann has an admitted history of cheating and his lawsuit is nothing more than an attempt to deflect blame onto others," said Craig Reiser, Mr. Carlsen's lawyer.

There is no evidence Mr. Niemann cheated in the game against Mr. Carlsen. But his acknowledgment of cheating in the past—and his especially skillful showing against Mr. Carlsen—stoked persistent suspicions about him among elite players and drew the attention of the wider world.

"Probably when he saw Hans's play in Miami, and on the beach...it didn't match with the level of the play in the actual event," said American grandmaster Hikaru Nakamura. "When you combine it with the long-existing rumors, Magnus became convinced something was off."

Mr. Carlsen declined to comment. In his only statement explaining the incident, he wrote, "I believe that Niemann has cheated more—and more recently—than he has publicly admitted."

The allegation set off a frenzy of speculation and outrage. Grandmasters picked sides. Some questioned whether it was fair of Mr. Carlsen to level an accusation without evidence. Others branded Mr. Niemann a fraud.

Last month, Mr. Niemann publicly acknowledged cheating in online games in the past. The brash young New Yorker, who made a meteoric rise through world rankings, called them youthful mistakes and said he never cheated in face-to-face games. Mr. Niemann didn't respond to requests for comment.

Mr. Niemann's suit alleged that Chess.com colluded with Mr. Carlsen because the company is buying Mr. Carlsen's "Play Magnus" app for nearly \$83 million in a merger the complaint said would "monopolize the chess world."

Lawyers for Chess.com called the suit meritless. The company has previously said it didn't consult with Mr. Carlsen about any of its deci-



**Hans Moke Niemann, back to camera, and Magnus Carlsen playing chess on the sand at the Eden Roc Miami Beach Hotel on Aug. 12. Anish Giri stands on the right. Below, Mr. Niemann, left, and Fabiano Caruana competing in the U.S. Chess Championship on Oct. 8.**

sions regarding Mr. Niemann.

Just about everyone who has ever pushed around bishops and knights has been speculating in past weeks about how Mr. Niemann could have cheated. Unless a player is caught in the act, it is near impossible to prove, according to fair-play experts, because a grandmaster might need help only on a handful of moves to tilt the balance.

FIDE, the game's world governing body, has opened an investigation. Whether or not Mr. Niemann cheated to beat Mr. Carlsen, elite players who have been pushing for better security say this type of scandal was inevitable.

"It was a ticking time bomb," said grandmaster Alejandro Ramirez, who recorded interviews with players, including Mr. Niemann, after matches at the St. Louis tournament. "Cheating in chess is something that was bound to happen at some point. It's too accessible. It's too easy."

These days, smartphone apps and websites can deliver moves lethal enough to beat the world's best players. Chess has already had more than one so-called Toiletgate scandal, involving players caught sneaking into bathrooms to consult their phones.

In 2020, grandmaster Fabiano Caruana brought up security issues with FIDE and twice with the St. Louis Chess Club, which hosted the tournament Mr. Carlsen quit.

Last year, St. Louis required players to walk through a metal detector.



## Opening moves

Mr. Niemann transferred to the 11th grade to Columbia Grammar & Preparatory School, an upscale private school in Manhattan's Upper West Side.

Daniel Levkov, another highly rated chess player at Columbia Prep, said he met Mr. Niemann playing chess as a 10-year-old. He recalled Mr. Niemann's unusual independence, attending tournaments abroad when he was 13. Mr. Niemann lived alone in a studio apartment near school, and taught chess at tony private schools to pay the rent, according to his lawsuit and Mr. Levkov. He often missed classes and assignments while traveling for tournaments, Mr. Levkov said.

"I have always been a single-minded person," Mr. Niemann wrote in a 2020 blog on the US Chess Federation's website. "That spirit was reignited when I realized that if I

dedicated everything to chess, I could be up on that stage holding that 1st place trophy."

When Mr. Niemann was 11, he started working with Russian-American coach Maxim Dlugy, a grandmaster who runs chess academies in Manhattan.

Mr. Dlugy, who spent his childhood in the Soviet Union, earned a world junior title and later worked with chess champions Garry Kasparov and Anatoly Karpov. He said Mr. Niemann was the most impressive chess student he had ever seen. "I feel like I'm his mentor," Mr. Dlugy said.

Mr. Niemann's lawsuit said Mr. Dlugy was neither his coach nor his mentor.

Mr. Carlsen last month drew attention to their work together, which raised scrutiny about Mr. Dlugy's own fair-play violations.

Mr. Dlugy has twice been banned by Chess.com for receiving illegal assistance during games, in 2017 and 2020.

The first allegation, Mr. Dlugy said, was a misunderstanding. He privately acknowledged the wrongdoing to Chess.com in the second instance. But recently, he said he was innocent and had falsely confessed to avoid being banned permanently.

## Endgame

Mr. Niemann acknowledged cheating in online games at ages 12 and 16 during his post-match interview with Mr. Ramirez last month. He called the incidents the biggest regrets of his life. The only time he cheated in a game with prize money on the line, he said, was as a preteen.

Yet a recent investigation by Chess.com, first reported by The Wall Street Journal, found that Mr. Niemann had likely cheated in more than 100 online games—some when he was 17 and in several events offering prize money.

Mr. Niemann also said he never cheated while streaming games. Chess.com found 25 instances in which he likely had. The Chess.com investigation said Mr. Niemann, when confronted by the platform in 2020, admitted to the violations, and the site privately banned his account.

Mr. Niemann's lawsuit disputed the validity of the report's findings and said he had never confessed.

After the ban, Mr. Niemann said he dedicated himself to winning games in person. "I decided the only way to make up for my mistake was to prove to myself and prove to

others that I could win."

Mr. Dlugy said Mr. Niemann went on to play hundreds of in-person games in such far-flung places as Niksic, Montenegro, and Plovdiv, Bulgaria. He qualified for the title of grandmaster.

By 2022, Mr. Niemann was receiving invitations to the richest, most exclusive tournaments. One was the FTX Crypto Cup, in Miami, where Mr. Niemann lost the pair of friendly games to Mr. Carlsen on the beach.

Mr. Niemann lost every series he played but beat Mr. Carlsen in one game. "The chess speaks for itself," Mr. Niemann said after beating Mr. Carlsen, who later won the tournament.

At one point during the Crypto Cup, Mr. Niemann went on a profanity-filled tirade after his computer crashed, typical of behavior that has made him stand out in the hushed-tone atmosphere of high-level play.

"Hans is just like this kind of bombastic guy that speaks his mind," said Mr. Ramirez. "He's still a teenager, so he acts like it."

When Mr. Niemann was added as a late replacement to the Sinquefeld Cup, an invitation-only tournament in St. Louis, Mr. Carlsen said he considered pulling out of the tournament.

Instead, Mr. Carlsen withdrew after losing to Mr. Niemann in a game that ended Mr. Carlsen's 53-match unbeaten streak in classical chess.

Tony Rich, the St. Louis Chess Club's executive director, was critical of Mr. Carlsen's decision to withdraw from the Sinquefeld Cup. "Did his actions achieve his goal? I think we'll have to wait and see," he said. "Certainly he's right. People are talking more about fair play than ever."

At a subsequent tournament, Mr. Carlsen forfeited a game against Mr. Niemann after one move. Mr. Carlsen nonetheless went on to win the event.

Days later, Mr. Carlsen accused Mr. Niemann of cheating in a statement and called for more attention to potential fair-play violations.

Mr. Niemann next surfaced at the U.S. Chess Championship, also in St. Louis, which began the day after the Chess.com investigation was reported.

Security for the tournament was high. There was a 30-minute broadcast delay and a high-end silicon scanner that can detect electronic devices, whether or not they are turned on. When Mr. Niemann walked through, a security guard scanned even the banana he carried.

Mr. Niemann finished the U.S. Chess Championship in the middle of the pack and filed his suit the day after.

# OBITUARIES

CARMEN CALLIL  
1938 — 2022

## Virago Founder Prized Neglected Authors

By JAMES R. HAGERTY

In the late 1970s, paperback books with dark green spines and tastefully restrained covers began appearing in bookshops. The Virago Modern Classics series quickly established a reputation for presenting female authors whose work had been overlooked or forgotten. Like Penguin, Virago became a brand denoting quality.

The books were published by an upstart, Virago Press, whose headquarters were in a scruffy fourth-floor walk-up space above a pinball arcade in London's Soho district. The founder was Carmen Callil, who worked long hours with a few early collaborators.

Ms. Callil, born in Australia, had come to Europe in 1960 at age 21, settled in London and worked as a trainee clothes buyer at Marks & Spencer before talking her way into publicity work for book publishers. Her motto: "Anything outrageous suitably publicized."

Her friends included the editors of a feminist magazine called Spare Rib. "One day, when having a drink in a pub in Goodge Street, the idea for my publishing company came to me like the switching on of a lightbulb," she wrote later. If feminist magazines were selling, she thought, feminist books could find a market too.

She taught herself basic bookkeeping and publishing, then went to work on manuscripts. Virago's first book—"Fenwomen," by Mary Chamberlain, depicting women's lives in an English village—appeared in 1975. Other early Virago authors included Vera Brittain, Antonia White, Willa Cather and Elizabeth Taylor (the novelist, not the actress). Virago also published more contemporary authors, including Margaret Atwood and Maya Angelou.

"As far as we can tell," she told a New York Times reporter in 1978, "we're doing quite well."



Ms. Callil died Oct. 17 of leukemia at her home in London. She was 84.

Lennie Goodings, one of her early colleagues, recalled having asked Ms. Callil why she founded Virago. "To change the world, darling, that's why," Ms. Callil replied, according to a tribute by Ms. Goodings in the Guardian.

"Carmen was a publicist first and foremost," said Patrick Janson-Smith, who worked with Ms. Callil during her early days in book promotion. "She knew how to get these books reviewed and talked about on television and radio, every which way."

She was known as an exceedingly tough boss who could reduce colleagues to tears but then envelop them in kindness an hour later.

Her insomnia created more time for reading, useful in her early years as the head of an understaffed publishing house. But her long workdays put a strain on some of those colleagues. "I'm trying to improve, but I'm afraid the British don't work quite as hard as I'd like," she told the Sydney Morning Herald in 1984.

In 1982, she became managing

director of another British publisher, Chatto & Windus. In the mid-1990s, she left the publishing business, declaring herself "too eccentric and odd" for the age of global publishing giants, and concentrated on writing. Her 2006 book "Bad Faith," explores evil in Vichy France. Her next book, "Oh Happy Day," published in 2020, recounts the history of her impoverished English ancestors.

Carmen Thérèse Callil was born July 15, 1938, in Melbourne. She was of English, Irish and Lebanese descent. Her father was an attorney and university lecturer in French, and both of her parents loved reading. She described her days in convent schools as purgatory. She went on to study literature at the University of Melbourne before moving to England. She wrote of a suicide attempt in her early 20s that led to years of counseling with Anne Darquier, whose family she later wrote about in "Bad Faith."

Her first five years in Europe were devoted to travels, teaching English in Italy, frolics in swinging London and her brief retailing job at Marks & Spencer. "I went into publishing because I hated everything else I'd done," she recalled. "I thought, really, I love reading, I'll go into publishing." She bought an employment-wanted ad in the London Times, noting that she had a university degree and knew how to type. That led to her debut as a book publicist.

"She changed the landscape for British publishing," said Peter Straus, her agent. "She got people reading backlist women's writing that had been ignored for decades." Shortly before she died, he told her, "Carmen, we all love you."

Ms. Callil opened her eyes, peered at Mr. Straus and said, "I don't know why, dear."

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CHARLES A. BOWSHER  
1931 — 2022

## Uncle Sam's Auditor Deplored Waste

For a few months in 1986, Charles A. Bowsher appeared to be the one man in Washington who could give orders to the president.

The Gramm-Rudman law, enacted in December 1985, called for a balanced federal budget within five years. It also gave the General Accounting Office, or GAO, then headed by Mr. Bowsher, authority to decide whether the government was on track to meet that target and, if not, order more spending cuts.

"Our order is final," he told the New York Times in January 1986. Six months later, though, the Supreme Court ruled that the law was unconstitutional.

Mr. Bowsher, a former partner at Arthur Andersen & Co., re-

verted to his customary role of running an agency providing reports on the financial health and effectiveness of government programs. He continued to fulminate against what he called "budgetary chicanery to create the appearance of a lower deficit," and drew the ire of politicians by insisting that tax increases might be necessary.

Looking back on his 15-year term as comptroller general and head of the GAO (now known as the Government Accountability Office), Mr. Bowsher was most proud of the alarms it raised in the 1980s about failing savings and loan institutions.

Mr. Bowsher died Sept. 30 at his home in Bethesda, Md. He was 91 years old.

—James R. Hagerty

RALPH DENUNZIO  
1931 — 2022

## Kidder Peabody Chief Sold Storied Firm to GE

Shortly after graduating from Princeton University in 1953, Ralph DeNunzio joined the Wall Street securities firm Kidder, Peabody & Co. and began a swift rise in the industry.

In 1970, he headed a task force that helped lay the groundwork for legislation creating the Securities Investor Protection Corp. to help shield customers from losses when securities firms go bust. He was named chairman of the New York Stock Exchange, for a one-year term, in 1971 and helped overhaul governance of the market.

He rose to chief executive of Kidder in 1980. While more aggressive firms feasted on profits from rapid-fire trading and financing of takeovers, Mr. DeNunzio proceeded cautiously. By 1985,

Kidder was short on capital, and some star bankers were defecting. In April 1986, Mr. DeNunzio sold an 80% stake in Kidder to General Electric Co. for about \$600 million. He had tears in his eyes when he informed Kidder's board of the decision to give up independence.

A year later GE ousted Mr. DeNunzio as CEO amid a scandal over insider trading. Though Mr. DeNunzio wasn't accused of wrongdoing, the scandal exposed lapses in supervision. A few months later, Mr. DeNunzio gave up his post as chairman. He was 55 years old and had time for a second career as a corporate director.

Mr. DeNunzio died of heart failure Oct. 17 at his home in Greenwich, Conn. He was 90.

—James R. Hagerty

### FROM PAGE ONE

## Fantasy Dramas Get Grimy

Continued from Page One  
sioning heaps of mud and "streets running with sewage." One of the highest-stakes

battles in the television industry can be reduced to dirt. Platforms vying for subscriber loyalty and cultural clout have put huge bets on fantasy series, including HBO's "House of the Dragon" and Amazon Studios' "The Lord of the Rings: The Rings of Power." These and other shows take place in different worlds, from the Continent in "The Witcher" (Netflix) to the unnamed realm of magic in "The

Wheel of Time" (Amazon), but all have one setting in common: places that make you crave a shower.

This has made grime, ooze and dankness a key ingredient in "world building." But getting the crud right is harder than it might seem, say craftspeople behind the scenes. Budget constraints can deprive set painters of time to make castle walls appear extra clammy. Bright lights can make the grunge on actors look thin. Minor oversights, such as ground muck that meets the wall of a building in a clean edge, can add up to a look of cheesiness to viewers.

"In the best possible world, you have a miserable rainstorm before you shoot," said Andrew Laws, production designer on "The Witcher," about a roving monster slayer.

The "high fantasy" genre tends to use medieval times as a jumping-off point. For shows with swords and without amenities, audiences have grown accustomed to filth as an indicator for realism.

When Amazon debuted "The Wheel of Time," about a quest to stop a Dark One threatening existence, some cried foul over how clean the costumes looked. A shepherd wears a cobalt-blue tunic and sheepskin coat that look nearly new after an attack by Trollocs and miles on horseback. Outfits worn by a group of extremist Whitecloaks remain surprisingly snowy as they travel dirt roads and forests. The effect? Characters looking "like they just walked out of the local renaissance faire costuming booth," said one viewer engaged in debate about the issue on Reddit.

Amazon Studios declined to comment on the look of "The Wheel of Time."

Foulness has long been a mark of class divide in depictions of the dark ages, but history buffs say the trope is overused. "Set in a medievalist world? Add dirt and remove color," jokes Brigid Costello, of the Society for Creative Anachronism, an international group that re-creates the Middle Ages.

In "The Witcher," a princess bunks down in a room with cracked stone walls and snow



Characters in 'House of the Dragon,' above, and "The Lord of the Rings: The Rings of Power," below.



Amanda Knight's team applied scars, missing teeth and lots of simulated grime. "You need to work it into the skin, the knuckles and the fingernails," she said. "What I hate to see is a brush-shaped smudge across the cheek."

When Ms. Knight worked on 1995's "Braveheart," set in 13th-century Scotland, extras smeared themselves from vats of peat moss. On "House of the Dragon," the makeup artist reached for a specialized Dirt Palette from the brand Skin Illustrator, which also markets a Grunge Palette for "almost any dirty or soiled visage."

To make highborn characters stand out in Flea Bottom, slum dwellers were garbed in dull tones. "And we really hope that they sweat in the costumes, because that brings some reality. We just spray them a little bit for the smell," said French costume designer Jany Tempme. She oversaw 20 "breakdown" artists whose job was to dye, shade and paint newly sewn costumes to make them appear grubby. "I never thought it was enough. Add more dirt—more shadowing, more gray," she said.

Even after applying lots of gunk on set, "the lighting and camera still glosses it up," said Mr. Clay, the production designer. "So we have to heap and heap, and dirty down and dirty down."

## In Memoriam

For more information:  
[wsj.com/inmemoriam](https://www.wsj.com/inmemoriam)

Ralph D. DeNunzio  
October 17, 2022



GREENWICH, CONN. — Ralph D. DeNunzio, the longtime Chief Executive Officer of Kidder, Peabody & Co. Incorporated and a prominent leader on Wall Street for many years, died peacefully on October 17, 2022 after a long illness. He was 90 years old.

Born in White Plains, NY, Mr. DeNunzio graduated from Fordham Preparatory School and Princeton University, from which he received a degree cum laude in Classics in 1953. In July of that year, he joined the training program at Kidder, Peabody, where he would spend his entire career. In 1977 he became President of the firm, and in 1980 he was named Chief Executive Officer, a post he held until 1987, shortly after the firm was acquired by General Electric & Company. During his tenure the firm grew dramatically, expanding internationally and in traditional investment banking and high net worth securities brokerage.

Mr. DeNunzio's leadership roles extended beyond Kidder, Peabody. He was elected Chairman of the Board of Governors of the New York Stock Exchange in 1971, the youngest person - at age 39 - to hold that position. At the NYSE he presided over

a historic reorganization of the Board to evolve the Chairman's position from a voluntary to full-time role. He also chaired the Securities Industry Task Force formed to spearhead legislation to protect individual investors. Its work resulted in the Securities Investor Protection Act of 1970 and the Securities Investor Protection Corporation (SIPC). He was appointed by President Nixon, and subsequently by Presidents Carter and Reagan, to consecutive terms as a Director of SIPC.

Mr. DeNunzio served on numerous corporate and educational boards, including the Harris Corporation, AMP Incorporated, Nike and FedEx. He was a former trustee of his alma mater, Princeton University, and a past President of the Board of both Greenwich Country Day School and Deerfield Academy. He later gave generously to these institutions, with gifts to build DeNunzio Pool at Princeton and the DeNunzio Dormitory at Deerfield Academy. As a life-long sports enthusiast, he worked on the design and building of the Princeton Football Stadium, whose media press box is named in his honor. He and his family also endowed the Jean Ames DeNunzio Fund for Faculty Development at the College of Mount Saint Vincent in Riverdale, NY, the alma mater of his late wife, Jean.

Mr. DeNunzio married Jean Ames in 1954 and for 66 years they shared a loving, devoted partnership, focused on nurturing their family together (Mrs. DeNunzio died in January 2020). They resided in Riverside, CT and Vero Beach, FL. They were the parents of three boys: David (Jocelyne) of Greenwich, CT; Peter of New York, NY; and Thomas (Suzanne) DeNunzio of Warrick, RI, each of whom survives them, as do their eight grandchildren.

Visiting hours will take place at the Leo P. Gallagher home in Greenwich, CT and the funeral service will be held at St. Catherine's of Siena Church in Riverside, CT. For further information, please visit [www.leopgallaghergreenwich.com](https://www.leopgallaghergreenwich.com). In lieu of flowers, please consider making a donation in Ralph's memory to the Princeton Varsity Club [www.PrincetonVarsityClub.org](https://www.PrincetonVarsityClub.org).

THE WALL STREET JOURNAL

## IN MEMORIAM

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FROM PAGE ONE

Enforcing Stock Rules Is Struggle

Continued from Page One

sure that officials in the executive branch don't work on any matter that could affect their personal finances.

It doesn't. It has exceptions. Violations often go unpunished. When a problematic holding is identified, if the official resists selling it, the rules often are waived. The result is a system that largely relies on government employees to police their own stock investing.

A Wall Street Journal investigation revealed more than 2,600 federal officials invested in companies that stood to benefit from their agencies' work from 2016 through 2021.

It found that some officials received waivers from conflict-of-interest rules because they were thought too important in a job. In other cases, officials were permitted to keep holdings because these weren't large enough to be a problem under the law.

Federal agencies have ethics officials who check compliance, but often lack tools to investigate potential conflicts of interest. They mainly focus on if financial disclosure forms are consistent and timely.

In 2020, ethics officials at the Office of the U.S. Trade Representative, or USTR, noticed that Michael Nemelka, a new trade adviser, owned a stake worth roughly \$2.6 million in Sanuwave Health Inc., a company that uses energy waves to heal injuries.

They said this could conflict with his work as a deputy U.S. trade representative in charge of global trade policy for intellectual property, industrial competitiveness and other matters. They recommended he get rid of the shares.

He didn't want to. He "considers this investment to be the future financial nest egg for his family," according to an email from an ethics official to then-U.S. Trade Representative Robert Lighthizer that was reviewed by the Journal.

Mr. Nemelka said he sold other stocks to avoid conflicts, but said it wouldn't be possible to sell the roughly 9 million Sanuwave shares without hurting the company's stock price. "It was an illiquid penny stock," he said in an email.

He sought to be recused from working on policy issues related to Sanuwave. He said he could tell his assistant to make sure he didn't see materials that led to working on things affecting the company.

"I am not sure how this is going to work," one USTR ethics officer wrote to another, according to emails they exchanged. "How is his assistant going to determine whether he can participate?"

Janice Kaye, the senior ethics counsel at the USTR, wrote to the other ethics official: "I am still very wary about this."

She sought advice from Mr. Lighthizer, telling him that numerous recusals might hurt Mr. Nemelka's ability to be effective. Since 2000, she wrote, no senior USTR official "has been permitted to retain this kind of stock interest."

Ultimately, he was permitted to keep the shares so long as he didn't work on issues that related to the company.

Mr. Nemelka said the recusal "never affected my ability to perform my duties."

A USTR spokesman declined to comment on Mr. Nemelka. Ms. Kaye didn't respond to comment requests.

Stake in Palantir

When John Abizaid, a retired Army general, was nominated in November 2018 to be ambassador to Saudi Arabia, he owned nonpublic shares in Palantir Technologies Inc., a data-mining company that does business with the U.S. government. At the time, the company was discussing going public the following year.

An ethics agreement Mr. Abizaid signed shows that he promised to get rid of his shares within 180 days of his April 2019 confirmation.

More than six months after he was supposed to have sold them, he still held them, according to a disclosure form.

"Palantir was not divested as required by the ethics agreement, because the stock



Michael Nemelka was allowed to keep a stake in a health company while a trade adviser. The Office of the U.S. Trade Representative building in Washington is at right, and below it the headquarters of the Energy Department.

is not currently marketable," said a note appended to the form by a U.S. Office of Government Ethics employee.

More than 23 million shares of the company changed hands on private markets in 2019, according to Palantir's regulatory filings. They said the average price was \$5.42.

Mr. Abizaid said in an email that he wasn't able to meet the selling deadline because Palantir put restrictions on private sales of its shares. It required approval of a buyer and a right of first refusal.

"I tried several ways to privately sell the stock in a manner that would satisfy Palantir, State and myself, and was unable to do so," he said.

Ethics officials accepted Mr. Abizaid's explanation and revised his agreement to allow him to own Palantir stock so long as he abstained from any matters involving the company, he said. In his email, Mr. Abizaid said Palantir ended up having no business with Saudi Arabia during his tenure.

The State Department said Mr. Abizaid was required to get rid of Palantir shares because the company was pursuing business in the Middle East around the time of his nomination, but "with the passage of time, it became clear that owning Palantir stock was unlikely to present a conflict of interest for the U.S. Ambassador to Saudi Arabia after all and that any potential conflict of interest could be managed via recusal."

In September 2020, Palantir went public at \$10 a share. The next month, Mr. Abizaid sold three chunks of the stock on days it closed at as low as \$9.95 and as high as \$10.75—nearly double Palantir's average share price in 2019, when he was required to sell under his original ethics agreement.

The sales totaled between \$1 million and \$2 million, according to his financial disclosure. Mr. Abizaid continued to hold \$5 million to \$25 million

When a problematic stockholding by a federal official is identified, if the official resists selling it, the rules frequently are waived. The result is a system that largely relies on federal government employees to police their own stock investments to avoid conflicts of interest.

in Palantir in 2020, according to his financial disclosure.

"Once the determination was made that I didn't need to divest I proceeded as I normally would with regard to any sales in my portfolio," Mr. Abizaid said. "I reported the sales as required, and the sales I did make were in line with Palantir policy and State Department guidelines."

The Office of Government Ethics declined to comment. Palantir didn't respond to requests for comment.

The way ethics officials handle the conflict-of-interest law can be inconsistent. When Andrew Maloney was nominated to a top position at the Treasury Department in 2017, ethics officials reviewed his holdings and saw several that would conflict with his duties.

His job would be to advocate for then-President Donald Trump's economic agenda, chiefly a big tax-cut proposal. The Treasury Department says officials may not work on narrow policy matters that stand to benefit stocks they own, but they may work on broad economic policy, even if it might affect their personal portfolio.

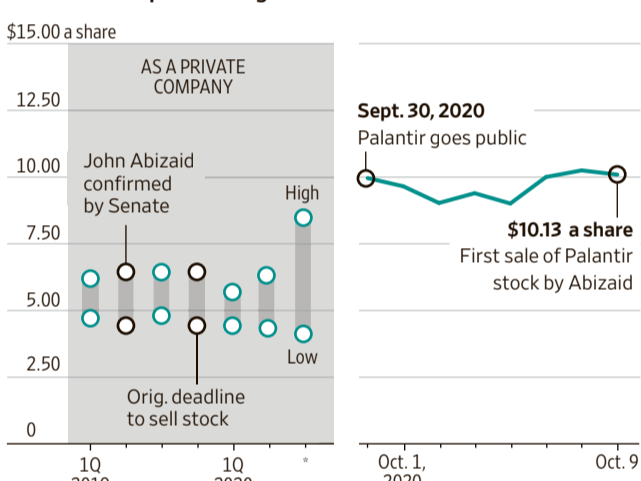
Lawyers at the Office of Government Ethics advised Mr. Maloney to shed some stocks. But it let him keep cer-



FROM LEFT: ROD LAMNEY/CPH/ZUMA PRESS; ERIC LEE FOR THE WALL STREET JOURNAL (2)



Palantir stock price during Abizaid's tenure



Note: Palantir went public via a direct listing on Sept. 30, 2020. Public prices at market open. Sources: the company (private per-share sale price); MarketWatch (public per-share sale price); ethics documents

tain others that also stood to be affected by his work.

Mr. Maloney followed the advice. After the Senate voted to confirm him in August 2017, he sold about a dozen stocks, including between \$250,001 and \$500,000 in Hess Corp., \$50,001 to \$100,000 in Cigna Corp. and \$15,001 to \$50,000 of Bank of America Corp., according to his disclosure.

As permitted, he kept between \$250,001 and \$500,000 of Amazon stock, \$100,001 to \$250,000 of Apple and

prices of Amazon, Apple and Facebook were up 74%, 21% and 16%, respectively, from the time of his confirmation.

Mr. Maloney said he'd followed the law. He said he wasn't told why he was permitted to keep certain stocks.

The Office of Government Ethics said it couldn't comment on the rationale of specific decisions.

The Treasury said the officials who worked on Mr. Maloney's case are no longer there. Under federal law, agencies

can grant waivers from the conflict-of-interest rules if an ethics official determines that an investment is "too remote or too inconsequential to affect the integrity of the services of the Government officers or employees."

On Mr. Biden's first day in office, Mr. Wu, a Harvard University law professor, joined the USTR as a senior adviser.

Among other duties, Mr. Wu worked on a digital trade agreement with Asian nations that would seek to lower im-

pediments to U.S. tech companies doing business overseas.

In March 2021, when Mr. Wu filed a financial disclosure for him and his wife, ethics lawyers at the USTR noted he and his wife owned between \$1 million and \$5 million of stock in Amazon, which stood to benefit from the hoped-for new digital trade pact. The shares were stock Mr. Wu's wife acquired when she helped sell a company to Amazon, Mr. Wu told the Journal.

Ethics officials said that to comply with the conflicts rule, he should sell the Amazon stock or stop working on the digital trade pact, according to emails between the USTR's ethics officials and Mr. Wu.

Mr. Wu said he would look into selling. In the meantime, ethics officials advised him to stop working on digital trade issues, the emails show.

Mr. Wu requested a "certificate of divestiture" from the Office of Government Ethics to defer capital-gains taxes on a potential sale of Amazon stock. The USTR's ethics officials pressed Mr. Wu to resolve his financial conflict.

Mr. Wu said in an interview the Office of Government Ethics advises employees not to sell stock until it decides on the preferential tax matter.

"Given that there was a

possibility that I might get a certificate of divestiture," Mr. Wu said, it was "financially prudent" not to sell then.

Mr. Wu continued working on general matters related to the trade pact, emails show.

In late June 2021, ethics officials confronted Mr. Wu. "It has come to my attention that you may have been participating in digital trade issues that raise conflict of interest concerns," wrote Ms. Kaye, the USTR's chief ethics official, to Mr. Wu in an email, adding: "I want to remind you again about the criminal conflicts of interest law."

The next day, Mr. Wu asked in a phone call "if he needs to recuse himself if the immediate topic is about the broader area of digital trade and not Amazon specifically," said an email summarizing the call.

Ms. Kaye recommended he "go nowhere close to the COI line," referring to the conflict-of-interest law, according to the email. She alerted U.S. Trade Representative Katherine Tai about the situation.

A week later, Mr. Wu learned that the government had denied his request to defer capital-gains taxes on a sale of Amazon stock.

Then, Mr. Wu disclosed another potential conflict: His wife had recently joined the board of CarGurus Inc. This raised the question whether he could work on trade issues involving the auto industry.

USTR Chief of Staff Nora Todd had a phone call with Mr. Wu on June 29. On it, Ms. Todd told him she was unwilling to grant further recusal agreements because of his failure to comply with his prior restrictions.

"Recusal has not worked to date," Ms. Todd told Mr. Wu, according to notes of the call, because he "has not followed the requirements."

'I did recuse'

Ms. Todd told Mr. Wu that recusing himself from digital trade issues "should have been mentally easy to understand," according to the call notes.

"I did recuse myself from all matters where Amazon was discussed," Mr. Wu told the Journal.

Ms. Todd didn't respond to emails seeking comment. A USTR spokesman said, "Our ethics officials acted to ensure that all staff followed existing federal rules and policies designed to avoid conflicts of interest."

Mr. Wu was given 10 days to sell his Amazon shares and 90 days to resolve other conflicts.

To avoid conflicts with his wife's work, he was advised that she should sell all stock received for her board service soon after receiving it.

Mr. Wu decided to quit. He cited his mother's failing health and the rule's impact on his wife's career.

"My wife could not sit on the board of the company and always be selling the stock the minute she is being issued the stock," Mr. Wu said.

"When one of the goals of the progressive movement is to get more women of color onto company boards, I didn't want my wife to have to sacrifice what she was doing," he said. "So it was obviously a bit disappointing for me."

Mr. Wu's final day at USTR was July 16, 2021.

Between Mr. Wu's first day and last day at USTR, Amazon's stock price rose nearly 10%, increasing the value of his Amazon stock by between \$100,000 and \$500,000.



John Abizaid

KEVIN LAMARQUE/REUTERS



Mark Wu

WANG & MEANS COMMITTEE

Amazon stock performance during Wu's tenure



Sources: FactSet (performance); agency emails

# SPORTS

By JOSHUA ROBINSON

**A**rsenal goalkeeper Aaron Ramsdale had to survive the stress of a penalty kick, a late video replay reversal, and a save with one of the most delicate parts of his body last weekend. But when it was over, he knew that the most stunning story line of the Premier League season so far was still alive—by beating Leeds 1-0, Arsenal was still in first place in the standings.

“Of course we want to win 3-0 each week, passing the ball,” Ramsdale said, “but we found a way to win today and that’s the most important thing.”

It’s also the most surprising thing.

With nine victories from 10 matches, Arsenal is off to its best start in the Premier League era. The club that hasn’t won a title since 2004—and became a little too accustomed to mediocrity—is now the unlikely early-season leader, in a development that even its own fans wouldn’t have predicted at the end of last season. Arsenal hasn’t finished better than fifth since 2016 and choked when it had a chance to make a return to the Champions League in May.

But even during the worst of its recent lean spells—the stint at the bottom of the league in 2021, the humiliations against Tottenham Hotspur, the other humiliations against Manchester City—Arsenal resisted making knee-jerk changes. By sticking with its first-time manager, Mikel Arteta, it gave him one of the most prized advantages in soccer: time.

Arteta was only hired in December 2019, but as he approaches his third anniversary in charge, he is already one of the league’s longest tenured coaches. Three years is an eternity in an environment with roughly the job security of a Christmas tree salesman. Only five other current managers have been in place longer—and two of them happen to be the uber-successful Pep Guardiola and Jürgen Klopp.

Arteta, meanwhile, has been closer to getting fired than winning the league.

Arsenal’s collapse down the stretch last spring, when it lost two of its final three games to slip out of the top four, would have been a natural moment for most clubs to swing the ax.

“We had it in our hands and then we lost it,” captain Martin Odegaard said. “That was a hard one for us, everyone was really disappointed and frustrated with how we ended the season.”

Instead, with a group of young players that he’s had the chance to mold, Arteta’s has his team playing free-flowing offensive soccer again. Arsenal has scored more goals than anyone but Man City and hauled itself into the early running for the title. Of course, this is still Arsenal we’re talking



With nine victories from 10 matches, Arsenal is off to its best start in the Premier League era. Below, manager Mikel Arteta celebrates after a win against Leeds.

## Arsenal Is Off to a Flying Start

The club stuck by manager Mikel Arteta after last season’s collapse. Now it sits top of the table.



about—the quarter mark of the season is too soon to get carried away. The last team to get off to such a hot start and not win a championship was Arsenal in 2007-08.

And the team before that? Also Arsenal, in 2004-05.

“The feeling of winning it’s so powerful and so meaningful for me because I saw a team that I feel I really identify with, the personality they show in difficult moments,” Arteta said recently. “They believe they have the courage and the free mind to just go for it.”

The manager isn’t the only part of this Arsenal team that has benefited from a little more patience than soccer usually offers.

Two of his best performers, striker Gabriel Jesus and the playmaking Odegaard, used to be spare parts for other clubs before moving to North London.

Jesus, 25, joined from Manchester City over the summer after five years that never saw him quite become the game-changing force that Guardiola was looking for.

Odegaard, meanwhile, had seen

his career stall out before landing at Arsenal. A former wunderkind from Norway, he first made a splash as a 15-year-old when he signed for Real Madrid. He only ever made eight appearances for the club in between bouncing around on loan to Heerenveen and Vitesse in the Netherlands and Real Sociedad in Spain. Now 23, he has 10 goals in 45 games since joining Arsenal.

“I’ve always been good on the ball but I feel like I’m developing a different side of my game now as well, without the ball,” Odegaard said.

As a disciple of Guardiola’s at Manchester City, where he spent three seasons as an assistant coach, Arteta is fiercely committed to a certain way of playing soccer. He wants his side to focus on possession, build moves from the back, and press teams high up the field. It’s no coincidence that the only teams with more forward passes this year than Arsenal are the two most effective attacking machines of recent seasons, Man City and Liverpool.

“We all understand what Mikel wants from us, even more,” Odegaard said. “We work hard every day to improve and everyone un-

derstands the system and the style.”

This wasn’t always a given. In the early days under Arteta, there were afternoons when players seemed to barely know which way to run. Defenders failed to cope with the pressure of moving the ball around quickly and midfielders couldn’t connect play.

They coughed up possession so much last season, that Arsenal ranked fifth in the league in errors leading directly to an opposing shot.

But Arteta appears to have found effective ways to communicate with his young squad—even if those methods are occasionally mocked. An Amazon documentary that followed the team last season showed him drawing a cartoon heart and brain holding hands to motivate the players before a big game. In another moment, he gave his team a talk while waving around a lightbulb.

Whichever props and sketches he’s using this season, they’re clearly working.

“There is something behind this team, something behind the spirit of everybody that is involved in this team that gives that extra thing,” Arteta said. “That’s why good things happened.”

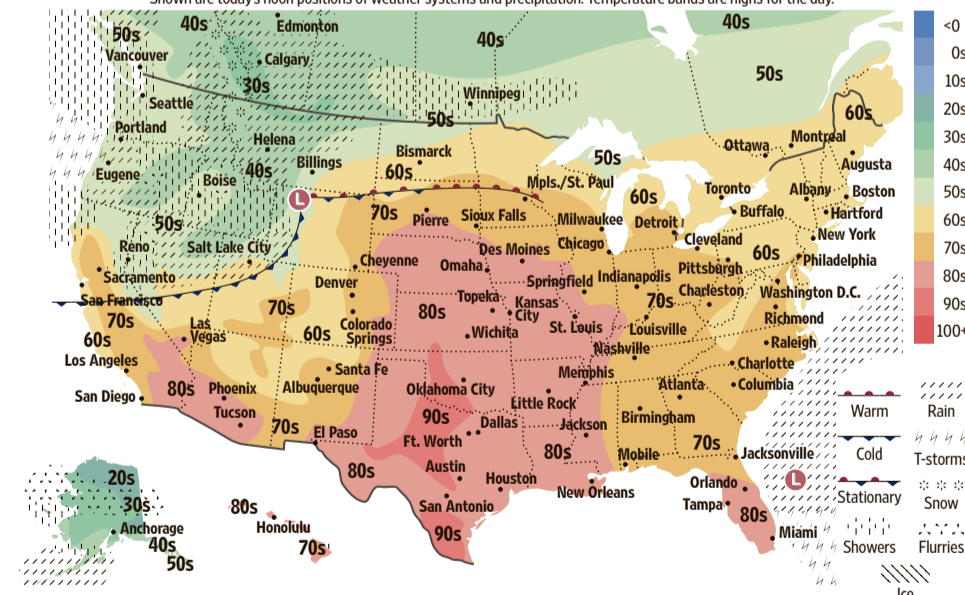
2004

The last time Arsenal won a Premier League title

### Weather

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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 columns for City, Today (Hi, Lo, W), and Tomorrow (Hi, Lo, W). Lists major US cities and their weather forecasts.

### International

Today (Hi, Lo, W) Tomorrow (Hi, Lo, W)

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

### Today (Hi, Lo, W) Tomorrow (Hi, Lo, W)

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

## Syracuse Is the Surprise of the Season

By LAINE HIGGINS

**THERE'S A FOOTBALL** team dressed in orange, with a perfect record and a perch atop the Atlantic Coast Conference. For once, it isn't just Clemson.

Syracuse's 6-0 start to 2022 might be the biggest oddity in a college football season that's featured plenty of upsets, lightning-fast turn-arounds, flailing blue bloods and unexpected trips to the Top 25.

In fact, the Orange have embodied just about every one of these developments this fall en route to capturing a No. 14 ranking and a real shot at playing spoiler in the ACC race.

Up next on Saturday, however, is a trip to No. 5 Clemson. The Orange are 13.5-point underdogs, according to FanDuel. But a trip to upstate South Carolina might be fertile ground for an upset: Coach Dino Babers's team has given the Tigers fits over the years.

“There's only nine undefeated left in the Power Five. You don't get lucky and be undefeated at this point,” said Clemson coach Dabo Swinney this week. “Dino's got 'em going, man.”

Strange as it might have seemed two months ago, Saturday's game is the highest stakes contest to ever take place at Death Valley: Clemson, 7-0, has never hosted a game between two teams



Syracuse coach Dino Babers has led his team to a 6-0 start.

with 6-0 records or better.

Clemson has unquestionably been the ACC's team to beat in recent years, while Syracuse has often floundered. Yet the game between teams in orange often manages to be a nail-biter.

The Orange upset Clemson in 2017, a season in which the Tigers lost to Alabama in the College Football Playoff semifinal, and Syracuse nearly did it again in 2021. Trailing 17-14 with 38 seconds left, Babers opted to kick a 48-yard field goal on fourth-and-1 at Clemson's 30-yard line rather than go for the first down and, possibly, the game-winning touchdown. The kick was no good.

Losing was something Syracuse football had become quite used to after a dismal 1-10 campaign in 2020, when they pivoted away from Babers's signature up-tempo of-

Following the season, Babers turned to the transfer portal to find a new quarterback after a year in which injuries plagued Syracuse's passers. He settled for Garrett Shrader, who started as a true freshman at Mississippi State in 2019 but was relegated to play backup in 2020.

Shrader breathed new life into Syracuse's scoring attack in 2021, but there were still growing pains as he adjusted to the new scheme. Syracuse added only seven players from the transfer portal to replace the 14 who left the Orange. It also brought back most of the team's starters, including Shrader and running back Sean Tucker.

Armed with one more season of experience, the close losses of 2021 have started turning into wins in 2022.

## OPINION

## Will Hispanics Turn Nevada Republican?

By Carine Hajjar

Las Vegas

Nevada is the quintessential political bellwether. Or is it? Of the 26 presidential elections between 1912 and 2012, the nationwide winner carried the Silver State 25 times. But lately, Democrats have been on a roll. In 2016 Hillary Clinton duplicated Gerald Ford's 1976 feat, and Democrats control both U.S. Senate seats, three of the state's four House seats, every statewide elected office except secretary of state, and both legislative houses in Carson City. "A coordinated campaign over the last how many years has turned Nevada blue," Sen. Jacky Rosen, who defeated Republican Sen. Dean Heller in 2018, told NBC News in April.

But that could be about to change. Gov. Steve Sisolak and Sen. Catherine Cortez Masto both trail their Republican challengers narrowly in most polls. All three Democratic House seats are competitive, and either legislative chamber could flip. If there's a red wave next month, Democrats in this landlocked state could find themselves underwater.

### The state is looking like a bellwether again. That's bad news for Democrats who won in 2016 and 2018.

It all depends on what happens in Clark County, home to Las Vegas, its suburbs and 72% of Nevada's registered voters. Nevada—whose population is 30% Hispanic and 9% Asian—will also test how much the Republican Party's working-class appeal crosses ethnic and racial lines.

"What direction do you think the country is going? *Va bien o va mal?*" Helder Toste of the National Republican Senatorial Committee's Operation ¡Vamos! poses that question to voters as he canvases door to door in East Las Vegas. Most say *mal*. A mother sitting in her garage says she's "trying to find the best prices and not spend too much." Another voter says the country is going to hell, to paraphrase a Spanish obscenity. A few are indifferent, but no one says *bien*.

The mood was similar two days earlier when the Culinary Union, which represents 60,000 service workers in Las Vegas and Reno, canvassed for Democrats in the same area. Fifty-four percent of the union's members are Hispanic. "What we're seeing from our members, and from Latino voters at the doors, is not different from the average working-class voter," says Ted Pappageorge, the union's secretary-treasurer.

"Hispanic issues are American issues," Mr. Toste says between houses, and he runs down the list: inflation, gasoline prices, jobs,

crime, border security and failing schools. They're Asian issues too. At the Republican National Committee's newly opened Asian American Pacific Islander Community Center, voters gather to support April Becker, who is challenging Rep. Susie Lee, the state's most vulnerable House incumbent.

"The deciding issue for voters is the economy, and the second is crime," Ms. Becker tells me as her guests mingle. "We've got the second-highest gas prices in the county. . . . Everybody puts gas in their car, and they're feeling it really hard." The rankings change from day to day, but Nevada is near the top, at an average of \$5.11 a gallon as of Friday, according to the American Automobile Association. Public transportation is scant even in Las Vegas, so Nevadans depend on their cars.

"The numbers are bad nationally, but as we point out every day on this campaign, they are so much worse here," says Robert Uithoven, an adviser to Republican Senate nominee Adam Laxalt. A report from Republican members of Congress's Joint Economic Committee finds that Nevada is one of only four states where prices have risen more than 15% since January 2021. The Census Bureau reports that 27.8% of Nevada renters saw increases of \$250 or more between July 2021 and July 2022, more than in any other state save Florida and far above the national figure, 11.8%.

Hispanic and Asian issues are working-class issues, and tourism-dependent Nevada is a working-class state. As of 2017, leisure and hospitality accounted for 26% of employment statewide and 30% in Clark County. Casinos are back to pre-pandemic levels of visitor spending, but they returned with fewer employees. "There's 10,000-plus workers in the leisure and hospitality industry that have yet to return to work," says Brian Gordon of Applied Analysis, an economic-research firm. Mr. Sisolak imposed stringent Covid lockdowns and didn't lift a formal state of emergency until May 2022.

Even so, the Culinary Union's Mr. Pappageorge insists that Democratic incumbents have "earned our support": "They were there for us with unemployment money, they were there for us with housing, like mortgage forbearance or help with rent." But he acknowledges that only 80% of the union's members are back at work: "There is a recovery that is happening with less workers."

In the governor's race, education is an issue too. Scholaroo, a scholarship database company, ranks Nevada the 49th most educated state, ahead of only Oklahoma. Clark County Sheriff Joe Lombardo, the Republican gubernatorial nominee, says parents are "not seeing the education with their children getting any better," and under Mr. Sisolak's leadership there's no "plan being provided to fix it."



Counterclockwise from upper left: Senate nominee Adam Laxalt, Sen. Catherine Cortez Masto, gubernatorial nominee Joe Lombardo, Gov. Steve Sisolak.



John Vellardita, executive director of the Clark County Education Association, doesn't disagree: "We endorsed the guy that was going to help lead," he says. "We've seen four years and we haven't seen that." His union didn't issue an endorsement this year.

The Las Vegas Police Protective Association endorsed Messrs. Lombardo and Laxalt. "Before 2020, we pretty much always endorsed Democrats," says Officer John Abel, the union's director of government affairs. "All of the people we previously endorsed . . . we feel like [they] turned their backs on us."

Democrats put on a brave face, but when confronted with their tight races, they plead purple. Rep. Steven Horsford is even in the polls with Republican challenger Sam Peters. "It's going to be a competitive race," the congressman says in an interview after a panel on gun violence. "There's as much momentum on our side as there is on their side."

"Nevada has always been a battleground state," says state party chairman Judith Whitmer. "We don't take anything for granted. . . . We're working hard to make sure that we have every vote." She says "the Inflation Reduction Act, the American Rescue Plan, the infrastructure bill and the Chips Act all have been huge,

successful programs here in Nevada." That refrain might get by elsewhere for Democrats, but in Nevada, where the nation's economic issues are magnified—not to mention felt more acutely by working class voters—it doesn't play.

Without traction on the economy, Democrats here, as elsewhere in the country, try to make the election about abortion. "That's exactly what is on the ballot in this race," Rep. Lee says. Gov. Sisolak's and Sen. Cortez Masto's campaigns didn't respond to interview requests, but their campaign ads make the same case. Messrs. Lombardo and Laxalt both disavow any interest in imposing new restrictions. A 1990 statute protects abortion through 24 weeks of pregnancy. "It's tired," Mr. Laxalt says of the abortion issue. "Economy, gas, crime—these things are really, really important in people's daily lives."

Democrats also seek to make an issue of Donald Trump. As Rep. Horsford puts it, protecting "democracy" is "what's on the ballot." But the Trump card may prove a bust in Nevada. John Ashbrook, another adviser to the Laxalt campaign, says of the "Trump election stuff" that it "may register with partisan Democrats, but everybody else is more concerned about the economy." Mr. Trump lost the state by only 2.4 points in

both 2016 and 2020, and he improved his showing among Hispanics from 16% in 2016 to 25% in 2020, according to exit polls.

The statewide Republican candidates diverge in their approaches to the former president. "I don't toe the line," Mr. Laxalt says in an interview. "I support President Trump." He has called the 2020 election "rigged" and said that Clark County's election system has "major problems" and the one in Washoe County (which includes Reno) "can be a little squirrely."

Mr. Lombardo, by contrast, has equivocated. When asked at an Oct. 2 debate if Mr. Trump was a great president, he demurred: "I wouldn't say great. I think he was a sound president." Immediately after the debate, his campaign issued a statement: "By all measures, Donald J. Trump was a great President." On Oct. 8, Mr. Lombardo appeared on stage with Mr. Trump at a rally in Minden, near Lake Tahoe, and called him "the greatest president."

Whether they embrace him or not, President Biden may be a more polarizing figure here than his predecessor. He and Vice President Kamala Harris have been noticeably absent from Nevada Democrats' campaigns. Barack Obama, however, plans to speak at a Nov. 1 Las Vegas rally with Mr. Sisolak and Ms. Cortez Masto.

The election will be close even if Republicans run the table. Mr. Ashbrook says that if Republicans were in charge during this economy, "people would be voting for the Democrats." That matches my sense of the prevailing sentiment among voters, which was disillusionment, not necessarily anger at Democrats. The state remains closely divided, with Democrats having a 32.7% to 29.9% edge over Republicans in active registered voters, according to the secretary of state's office. Both parties are outnumbered by the 37.4% of voters who are affiliated with neither major party, creating a fierce battle for the middle.

But the shift in Hispanic voters that started during Mr. Trump's term appears to be continuing. A Suffolk University poll found Mr. Laxalt only 7 points behind Ms. Cortez Masto among Hispanics, with 42% to her 49%. That's up from 30% in August, when Ms. Cortez Masto led by 18. (Mr. Laxalt noticeably drops his opponent's Spanish maiden name when he refers to her.)

"A los Hispanos lo que nos interesa es la economía y la educación de nuestros hijos," a woman tells me as we wait for Mr. Laxalt to speak at the RNC's Hispanic Community Center. Translation: To Hispanics, what matters is the economy and the education of our children. If the Hispanic vote is up for grabs, Nevada will stay a bellwether.

Ms. Hajjar is the Journal's Joseph Rago Memorial Fellow.

## Unions Ask Illinois Voters to Sign Over Control of the State



CROSS COUNTRY  
By Ted Dabrowski and John Klingner

Chicago  
It's taken 50 years, but Illinois politicians are on the cusp of delivering the ultimate gift to their most important voting bloc: They're scheming to enshrine public union power directly into the Illinois Constitution.

A November ballot measure, which its proponents style the Workers' Rights Amendment, would make Illinois the nation's extreme outlier when it comes to giving government unions power over taxpayers. If Illinoisans are fooled into voting for Amendment 1, they can kiss parents' rights, lower taxes and any chance of a state turnaround goodbye.

The amendment would cement in place two distinct classes of workers. The first class, Illinois's public sector, is protected by laws that guarantee workers' long-term employment contracts, multiyear salary increases, constitutionally backed lifetime pensions, the power to strike and much more. The state's unions are already some of the nation's most powerful. Exhibit A is the Chicago Teachers Union, which has struck or walked out on parents and students five times in the past 10 years.

The second class, made up of private-sector workers who get no such protections or benefits, is increasingly forced by lawmakers to pay for the first class, no matter the cost. The nation's highest property taxes, the country's biggest pension debts, stripped-down

parents' rights and nonstop corruption are some of the costs ordinary Illinoisans endure.

It wasn't always this way. In the 1960s, Illinois government workers lived up to the moniker of "public servants." They worked for relatively low pay but served the greater good. And they got a pension for life.

### A ballot measure would give unchecked power to organized labor in the public sector.

That changed in 1967, when state lawmakers legalized collective bargaining for the public sector. Springfield went further in 1973, making it compulsory for governments to bargain with state workers. A 1984 law forced school districts to negotiate with teacher unions, even giving teachers explicit legal protection to strike in case of disputes. Finally, in 1999, Illinois lawmakers made bargaining with police and firefighter unions compulsory and gave those unions the power to force arbitration.

Illinois's public-union powers are already extreme, according to a 2019 Commonwealth Foundation comparison of states' public labor laws. Whereas collective bargaining is mandatory in Illinois, states such as North Carolina and South Carolina ban public-sector bargaining altogether. Other states restrict bargaining for certain workers. Texas, Arizona and Georgia forbid their local school districts to bargain with

teachers unions. Lawmakers in those states put the needs of ordinary residents before those of their public-sector unions.

In Illinois, by contrast, politicians are going for broke in favor of government unions. Amendment 1 would create a new constitutional right for public-sector workers to organize and bargain collectively. These so-called workers' rights would be on par with freedom of speech and freedom of religion in Illinois' Bill of Rights.

Only three states in the country—New York, Hawaii and Missouri—have collective-bargaining provisions in their constitutions. But Illinois would leap past the rights enshrined in those states' constitutions by expanding bargaining powers beyond wages and hours to include protections for workers'

"economic welfare" and "safety." Those terms are so broad and vague that they open the door for public unions to bargain over policies such as rent control or defunding the police. Teachers unions could insert radical racial and sex-education curriculums directly into labor contracts.

The amendment also ensures no law can be passed that "interferes with, negates or diminishes" those union rights, effectively neutering future lawmakers who might want to reduce property taxes or restore parents' rights. Even if a Legislature were to try such a thing, the unions could tie it up in the courts.

Amendment 1 would also ban private-sector right-to-work laws in perpetuity. This would be grievous for Illinois's economy. Every neighboring state save Missouri is a

right-to-work state.

Advocates are lying about what the amendment would do in a blatant attempt to win votes. Private-sector workers, they say, will also benefit from more workers' rights. But that's false. Private-sector workers are covered under federal labor laws. The advantages of Amendment 1 would accrue only to government workers.

Americans may laugh at Illinois's self-destructive behavior, but watch out. Illinois's political class would like nothing more than to export its ideas to the rest of the country, and they've given government unions everywhere a blueprint to follow.

Mr. Dabrowski is president of Wirepoints, an Illinois-based nonprofit. Mr. Klingner is Wirepoints's senior policy analyst.

## A Touch of Heaven at the Dino Stop

By Mike Kerrigan

Sometimes inspiration strikes in unlikely places. Filling the tank of a rental car near the airport in Green Bay, Wis., I paid at the pump and went inside to buy some bottled water and aspirin. On the way to the cash register, I felt strangely compelled to flip through the T-shirt rack, not something I usually do at gasoline stations. In fact, I can't recall ever doing so before. One shirt, buried in the middle of the rack, had what I can only describe as an inner radiance to it, so I bought it.

The colors—orange and green, two-thirds of the Irish tricolor—

were perfect, as was the fit. Best of all, it bore the charmingly old-school dinosaur logo of Dino Stop, the family-owned gas station where I'd pulled over. Nothing about the stop warranted such a commemorative purchase, but at this point the shirt had an almost mystical hold on me.

"What an awesome T-shirt," I observed to the clerk at the register. A steal at \$15, it was exactly what it was supposed to be, no more and no less.

The clerk, at once confirming my aesthetic sense and displaying the warmth characteristic of Midwesterners, replied without a hint of sarcasm: "I get to wear it to work."

He, too, radiated an unmistakable goodness.

I don't know what made me so profoundly appreciate the perfection of purpose in a scrap of colored fabric. It just felt good to look at the created universe with a sense of wonder.

It was joyful to see a shirt and then a person in terms not of cost but value; not in isolation but as part of a greater whole that's always there, even if I cannot always see it. The moment was more than joyful; it was self-forgetful. It was heavenly.

Mr. Kerrigan is an attorney in Charlotte, N.C.

## OPINION

## REVIEW &amp; OUTLOOK

## President Rumpelstiltskin

The White House doesn't have much good economic news to report these days, so sometimes it pretends that the straw it's selling is really gold. That was the case Friday when President Biden and his economic advisers claimed that a \$1.4 trillion budget deficit for fiscal 2022 was a great fiscal and economic success.

"Today my administration announced that this year the deficit fell by \$1.4 trillion—the largest one-year drop in American history—\$1.4 trillion decline in the deficit," President Biden said in remarks at the White House. Readers who are dieters will appreciate his logic: Gain 100 pounds, but then lose 50 and you can qualify to be a contestant on "The Biggest Loser."

The President is technically correct, but he leaves out a few salient details. One is that the deficit would have been less than \$1 trillion if not for his unilateral student loan cancellation. The \$426 billion present value cost of his loan forgiveness, which he declared without the consent of Congress, was added to the deficit in the month of September. Taxpayers will be paying for it in higher borrowing costs and taxes for years to come.

Mr. Biden also didn't stress that the biggest savings came not from spending restraint but from the expiration of pandemic emergency programs—some of which he wants to extend forever. The \$1.9 trillion American Rescue Plan in March 2021 expanded child tax credits to \$3,000 (\$3,600 for a child under age six) from \$2,000, but the expansions expired at the end of 2021, as emergency programs should when the emergency ends.

Democrats tried to make them permanent, and they would have if not for Sen. Joe Manchin's opposition. But the White House and Democrats will try again if they keep Congress, or even in the lame duck session after the election if Republicans are dumb enough

to go along. The Tax Foundation estimates that making this permanent would cost \$1.6 trillion over 10 years.

Mr. Biden also neglected to give any credit to the hard-pressed American taxpayers who kicked in an additional \$850 billion in revenue in fiscal 2022. Individual income-tax payments rose 29%, or nearly \$600 billion. And that was all despite the 2017 tax cuts that Mr. Biden claims had gutted the federal fisc.

Far from it. Under the tax code as reformed by the GOP, tax revenues have risen to a near-record 19.6% of GDP. Revenues have reached 20% only twice in history: 20.5% in 1944 when a war was on, and 20% in 2000 amid the dot-com bubble. Yet Mr. Biden continues to claim millions of Americans somehow don't pay their fair share. Is turning over one in every five dollars of national income to politicians to spend not enough?

Apparently so because on Friday he attacked Republicans for wanting to make permanent the Trump tax rates that expire in 2025. In other words, he still supports a tax increase despite record tax revenue.

Mr. Biden also said "we're starting to see some of the good news on the economy. Gas prices are down sharply in 46 of the 50 states because of what I've been doing. We're moving in the right direction, and there's more to come." He didn't say over what time period he is measuring that decline in gas prices, and that's also understandable. It can't be from the start of his Administration when the national average was \$2.49 a gallon. It's now \$3.82.

We know this is an election campaign, and extreme spin is in season. But if Mr. Biden wants to play Rumpelstiltskin in the classic fairy tale, spinning straw into gold, he might recall that it had an unhappy ending for the spinner. That could also be the fate of Democrats as voters render a verdict on Nov. 8.

a GOP Congress. In 2013, when Republicans were investigating IRS targeting of Tea Party groups, the House called Lois Lerner, who at the time was head of the agency's Exempt Organizations office. Ms. Lerner came to the hearing, defended herself with an opening statement, and then took the Fifth and refused to answer questions.

In 2014 the House voted to hold Ms. Lerner in contempt, arguing that when she spoke out, she effectively waived her right to remain silent. Eleven months went by. Then the U.S. Attorney for the District of Columbia informed the House that, in his view, Ms. Lerner had made only "general claims of innocence" that did not affect her Fifth Amendment rights. He therefore decided to shield Ms. Lerner from a grand jury.

That's why it's good to see the Justice Department vindicate Congress's contempt power with Mr. Bannon. By the way, these examples are distinct from cases that involve high-ranking presidential advisers. The House also recently recommended contempt charges against former White House chief of staff Mark Meadows, who declined to testify to the Jan. 6 inquiry. The Justice Department has declined to pursue that, which is appropriate given the separation of powers concerns that would be inherent if Congress deposed the President's top aide.

Mr. Bannon's problem is he'd been out of the White House for more than three years by the time of the 2020 election and the Jan. 6 riot. If he were still immune from subpoena, Congress's oversight power would be vanishingly weak.

ther calls into question the transparency of the business environment," a State Department spokesperson told Bloomberg. Hong Kong said it doesn't enforce U.S. sanctions.

New Jersey GOP Rep. Chris Smith recently slammed U.S. corporations "that trumpet their so-called 'Environmental, Social and Governance Principles' at home" and "are quick to discard these 'values' for a chance to make a profit from China."

Spokesmen for BlackRock, Citigroup and JPMorgan Chase declined comment. The others didn't respond. The Treasury sanctions bar financial transactions and the exchange of funds, goods or services with Mr. Lee. Mere association isn't a sanctions violation, but that doesn't mean it's a good look.

The summit will focus on "navigating beyond uncertainty," including risks posed by stagflation, rising interest rates and "geopolitical conflicts and tensions." Unmentioned are political risks, such as an all-too-possible Chinese invasion of Taiwan.

Hong Kong authorities have forced the closure of Apple Daily and Stand News. They froze their assets without due process and arrested top editors and executives, including pro-democracy publisher Jimmy Lai, who has been in prison for nearly two years. The lesson is that no business or executive is safe in Hong Kong. These executives may feel they have assets to protect in the city, but by kowtowing to Mr. Lee they are doing their reputations, and that of their companies, no good.

## The White House tries to spin economic straw into political gold.

## No Sympathy for Steve Bannon

Steve Bannon was sentenced on Friday to four months in prison, and it's difficult to avoid the conclusion that he earned it.

Mr. Bannon, a private citizen who left White House employment in summer 2017, did not have a plausible claim of executive privilege when he received a subpoena last year from the House Jan. 6 inquiry. Yet he decided to defy the subpoena anyway.

Mr. Bannon will remain free while his case is on appeal, but if Congressional oversight by either party is going to mean anything, then potential witnesses can't be permitted to flout lawful subpoenas with impunity. Those who don't want to answer Congress's questions can show up, cite the Fifth Amendment, and decline to reply. That's what other allies of President Trump did before the Jan. 6 committee. But witnesses still have to appear.

After Mr. Bannon refused, the House voted to recommend that he be charged with contempt of Congress. The Justice Department indicted him, and then a jury convicted him. This is such a clear-cut case that his punishment might be useful discipline.

"Others must be deterred from committing similar crimes," said federal Judge Carl Nichols, who was appointed by Mr. Trump. Yet making this prosecution a precedent requires following it when the shoe is on the other foot.

If critics see the case against Mr. Bannon as an example of politicized law enforcement, one reason is that the Justice Department has a history of refusing to pursue contempt referrals by

## Congressional oversight is vindicated, but it should go both ways.

## Wall Street and Hong Kong's Strongman

Much of corporate America has adopted progressive claims about social justice—though that concern seems to stop at the water's edge. Witness the pilgrimage to Hong Kong that top Wall Street executives are scheduled to make next month to meet the official who arrested democracy supporters, undermined the rule of law, and crushed the free press.

On Nov. 2, John Lee, the current chief executive and former secretary for security of Hong Kong, will keynote the Global Financial Leaders' Investment Summit in Hong Kong. Scheduled speakers also include Morgan Stanley CEO James Gorman, Blackstone president Jonathan Gray, Goldman Sachs CEO David Solomon, Citigroup CEO Jane Fraser, BlackRock president Rob Kapito, and JPMorgan president Daniel Pinto. All the masters of Wall Street.

They surely know who Mr. Lee is. In 2020 the U.S. Treasury sanctioned him for "being involved in coercing, arresting, detaining, or imprisoning individuals under the authority of the National Security Law." Beijing imposed the law to outlaw dissent in Hong Kong, and the maximum penalty is life in prison. As of June 26, 203 people had been arrested and 123 charged under the law, according to the online magazine ChinaFile.

A megayacht owned by a sanctioned Russian tycoon recently docked in Hong Kong harbor, triggering a U.S. warning. "The possible use of Hong Kong as a safe haven by individuals evading sanctions from multiple jurisdictions fur-

## Financial CEOs will attend a 'summit' with Hong Kong's strongman.

## LETTERS TO THE EDITOR

## What Are We Doing to Support Our Military?

Regarding your editorial "The Pentagon's Recruiting Woes" (Oct. 15): Some of us remember joining the new all-volunteer military in the late 1970s, when our nation suffered a recruiting problem like today's. The solution, as it was then, is to reconnect communities to their military. This means honoring military-bound high-school seniors (and their parents) the same way communities honor the college-bound. It means sending letters of encouragement to new enlistees, who often struggle to make it through basic training. It means understanding that 75% of high-school enlistees will serve only 48 months, and having a plan to welcome them back home to employment and educational opportunities.

LT. KENNETH HARTMAN, USA (RET.)  
President, Our Community Salutes-USA  
Cherry Hill, N.J.

Is there no consideration of national service? When graduating high school or college in the 1950s and '60s, men had to plan for the military or Peace Corps after graduation. The only way out was marriage, more school or a medical condition. I served the minimum of active duty: six months, living with recruits ranging from Ph.D.s to the barely literate. Living together, we learned something about combat and service to our country and each other. Some of us learned to lead.

Most people today have no idea this obligation existed so recently. It didn't hurt us, only delayed a job by six months, gave our military the beginnings of a prequalified reserve and introduced lots of us to experiences we never would have had.

LT. RICHARD A. FURNISS JR., ANG (RET.)  
Litchfield, Conn.

## Netanyahu's Successes and Israel's Challenges

Benjamin Netanyahu's op-ed "Israel's 'Iron Triangle of Peace'" (Oct. 19) points to a truth too often neglected in our times: State power is a prerequisite for success in a world more given to competition and aggression than cooperation. That many states abuse their powers only underscores why the liberal and politically responsible states must build up national strength.

The Netanyahu formula has worked wonders in Israel. During his tenure as prime minister, Israel saw political stability and enviable economic growth benefiting all sectors of society. Once the partisan rancor passes, Israelis may look back on this period in Israeli history as a golden age.

But storm clouds approach. On Nov. 1, Israelis will go to the polls for the fifth time in three years. It's possible that the election will result in a stable government led by Mr. Netanyahu or his chief rival Yair Lapid. But just as likely is a return to the status quo ante, with no party able to form a coherent majority.

Israel's elections operate according to proportional representation, which allot seats in the country's Knesset according to a party's national share of the vote. Unlike America's first-past-the-post system, which favors the formation of two parties, proportional representation allows more parties to get in. In theory, greater and distinct perspectives are represented. But in practice, the result has been gridlock and ideological extremism. Reform of Israel's electoral system has become a national security issue.

Just as Israel's successes can inspire Americans, the long success of the American political system should inspire Israel. As the urgency of electoral reform becomes clear, Israelis

should take a careful look at America's first-past-the-post electoral system, which, whatever its flaws, produces durable governments with at least a chance to execute their mandates.

PROF. NEIL ROGACHEVSKY  
Straus Center, Yeshiva University  
New York

The divide between Israel and America's Democratic Party, notable during Mr. Netanyahu's time as prime minister, is quite harmful. Democrats who fault Israel as the primary bad actor in a Middle East rife with well-armed countries dedicated to Israel's destruction are wrong on the facts. They put Israel in danger as they embellish their credentials with people who await the end of the Jewish state.

PAUL BLOUSTEIN  
Cincinnati

Mr. Netanyahu deserves high praise for Israel's economic progress and improved relations with Arab countries. He ruins it, though, and jeopardizes the long-term survival of Israel, by insisting that the Palestinians want to destroy Israel. They want their own state on the West Bank, and as soon as Israel accepts that and ends the military occupation, all parties involved will prosper as never before.

DON SIEFKES  
San Leandro, Calif.

I've revered Mr. Netanyahu for over 25 years, and not only because of his occasional Philly accent. After suffering through the amateurism of President Biden, Vice President Harris and others, it is refreshing to read thoughtful commentary from a competent communicator and true leader.

RON SMITH  
Brigantine, N.J.

## 'Employee' Status Backfires for Gig Workers

I'm baffled by a letter to the editor arguing that there is a need for regulation in the gig economy (Oct. 19). The gig economy is designed to be a free market in which the worker has maximum flexibility to choose what jobs to take, for how long and on what terms. An employee doesn't have those freedoms. Making gig workers

into employees limits their ability to work when, how and where they want.

California is already doing what President Biden proposes, and the effect has been widely felt and not always in the way that proponents had planned. For instance, the effect on small nonprofits struggling to make ends meet has been profound. They now must pay payroll taxes, provide more management and oversight and pay insurance and other fees. The predictable result is that they hire fewer workers, and their programs have suffered as a result.

KEN DAVENPORT  
San Diego

## GOP Is More Than One Win Away From Saving Oregon

Perhaps the Democratic candidate will lose in Oregon ("Oregon's Crime Wave Gives the GOP a Chance" by Faith Bottum, op-ed, Oct. 18), but if so, it's likely to be a repeat of what happened in Illinois with Gov. Bruce Rauner. He tried to bring sanity to the Illinois fisc but was fought on every substantive change by the overwhelmingly liberal legislature. Let's face it: Oregon has lost its way. I hope those who flee the state remember why they left when they vote in places like Texas and Florida.

JOHN TRICKETT  
Charleston, Ark.

Crime wave? The coffeehouse smashed up by vandals for holding a "Coffee With a Cop" event experienced mostly peaceful redecoration.

DAVID J. GROSS  
St. Augustine, Fla.

## The Rising Price of Heating

Heating bills are even chillier than you reported in "Get Ready for the Big Chill" (Review & Outlook, Oct. 19). Heating oil in Pennsylvania, where natural resources are abundant in the ground, was \$2.99 a gallon on Dec. 9, 2021. On Tuesday we filled the tank at \$5.22 a gallon, and our supplier said that he only got half the shipment he ordinarily orders.

MARILYN HARCUM  
Aliquippa, Pa.

## The Ballot Proposal Playoffs

Your editorial "Union Coercion on the California Ballot" (Oct. 18) reminds me of many ballot proposals that have come before the electorate multiple times before passing. I recall four casino-gambling proposals in Detroit before one was finally approved in 1996, probably due to low turnout. I have always thought these proposals should have to win a "best-of" series before being implemented. Four losses would mean five wins are needed for approval.

STEVE BROWN  
South Lyon, Mich.

## Pepper ... And Salt

THE WALL STREET JOURNAL



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## OPINION

## A Week in the Life of a Worried Land



DECLARATIONS  
By Peggy Noonan

Half a century ago William F. Buckley wrote a small gem of a book called "Cruising Speed," about a single action-packed week in his life as an editor and writer. I've just had a Buckley-like week—at Purdue University in Indiana to speak with students, then back to New York to interview Henry Kissinger for the White House Historical Association, and then on to make the main speech to the Al Smith Dinner, the Archdiocese of New York's big annual bipartisan charitable fundraiser. In all these venues the same theme emerged. People are worried about America and the world.

### With students at Purdue, Henry Kissinger in New York, and politicians raising money for charity.

Purdue has a strong sense of community and its students are quick, affable and penetrating. I met with about 70 of them Monday for questions and answers in a political-science class at Beering Hall, and almost all their questions betrayed a perplexity about America. They were worried that our political polarization might prove fatal, that we might lose our democracy. They see signs of it. A student asked how Trump supporters can believe, after all the investigations and judicial decisions, that Joe Biden lost and he won. I said there are a lot of parts to that. Americans have always loved conspiracism, it's in our DNA. When I was a kid it was the CIA killed JFK, Dwight Eisenhower is a communist,

fluoride in the water is a plot. In our time this tendency has been magnified and weaponized by the internet, where there's always a portal to provide you proof.

Part of it is American orneriness—people enjoy picking a fight, holding a grudge, being the only person who really gets what's going on. Part of it is the sheer cussed fun of being obstinate. Some of it is committed and sincere—an ineradicable belief that established powers like to pull the wool over our eyes, a belief made more stubborn because sometimes they do. In the case of politicians it can be a mystery how sincere they are and how much is opportunism. *If the locals say Trump won and I'm running for office, then Trump won!* The only thing I could think of to help was keeping lines of communication up and the conversation going.

Later, in a "fireside chat" with Purdue's president, Mitch Daniels, a student asked about something I'd written years ago—that presidential nominees always look alone up there on stage, like lone cowboys acting out some kind of personal destiny. I said yes, it had been a while since a candidate looked as if he had an ideological movement behind him, a fully thought-through political philosophy that propelled supporters. Such a movement implies mass, a force that came up from the people. Mr. Daniels said movements get things done; they will political change into being. He threw up a quote from my first book, 32 years ago, that said liberals in the media don't dislike conservatives.

That was true when I wrote it, I said, but it seems less true now. In the seven years since Donald Trump came down the escalator, mainstream media has changed its nature. I understand why they thought they had to stop Mr. Trump—our big media come largely from New York,



CHAD GROVE

which had known him for more than 30 years and saw him not as the commanding presence on "The Apprentice" but as a con man who always seemed to operate one step ahead of the law. They felt they had to oppose him, but that very opposition left them not "reporting" but becoming what only some of them wanted to be, openly activist and of the left. This too contributed to polarization: people who more or less used to trust them to throw the ball straight no longer do, and find other news sources, some of which are specious indeed.

I went home to New York and, on Wednesday night, to interview Mr. Kissinger. With a book out and crises brewing he's on the scene and, at 99, treated as what he is, a legend. I think here Henry's friend Bill Buckley might have fun and call him the biggest thing since Bismarck. Mr. Kissinger is grave about the current moment. The evening was informally off the record, but I don't think he'd mind my saying I asked him about broad feelings of anxiety about the world. Is it unrealistic to

be experiencing this moment as uniquely dangerous? During his answer—no, he doesn't think it unrealistic—he reflected that he's been thinking a lot about World War I and how the leaders of the nations engaged in that conflict had no idea, at the beginning, the magnitude of the losses coming, that they just stumbled in and stumbled on.

His advice seemed to echo what we discussed at Purdue: In tough times, keep all lines of communication up and operating. You never know what might come in on the wires. Keep the conversation going.

On Thursday night, I gave the main speech at the Al Smith Dinner. A little more than 600 people gathered in the Park Avenue Armory, every politician of note in the state and city, and business figures and philanthropists, many on the broad dais in white tie and tails or gowns. The trick at the dinner is to be funny as possible while training your fire equally on both parties. The assumption is everyone's better when they're laughing. I did my best. Chuck Schumer's been in Congress

so long that medically he's considered a pre-existing condition. Kevin McCarthy told me at the last national prayer breakfast that Jesus loves America best, that's why the Bible is in English.

Will President Biden run for re-election? He's showing telltale signs of aging. Held a state dinner and insisted it start at 5 p.m. so he could get the early-bird special. Afterward he invited the visiting prime minister to go upstairs and watch "Hogan's Heroes." Then he spent a half hour trying to rewind Netflix. A month from now he turns 80 but the White House has been playing down any celebrations. Internal memos about it have such a high security classification that copies have been found at Mar-a-Lago. But personally I prefer age to some of the younger congressmen and—women, who are, basically, airheads. I've interviewed them. They think Machiavelli is a clothing designer. They think bilateral and trilateral are muscles you work in the gym.

And there's Ted Cruz. When Ted ran for president, he called me and asked me for advice. I said, "Ted, just be yourself." That was mean of me.

Then there's Mike Pence, a good man. But hearing him give a speech is proof that the dead are trying to contact us.

And so my Buckley-like week: the questioning young at Purdue, the wisdom of a great statesman in New York, and on to the Park Avenue Armory for the Catholic Church raising money for kids and immigrants by teasing itself and others. A good thing in life is not to get jaded but to see that even in a world of trouble life is moving, stimulating, even splendid, that you're lucky to be here and doing what you're doing. I think Bill Buckley would have enjoyed himself.

## Boris Johnson May Be the Last Best Hope of the Conservative Party

By Dominic Green

The resignation of Liz Truss after only 45 days in office and even fewer in power means that by next Friday, Britain will have had three prime ministers in a single year for the first time since 1827. This rapid turnover at the top has happened before in Britain through the sudden death of the incumbent (George Canning in 1827, Andrew Bonar Law in 1922). It hasn't happened through dishonor since 1782, when Lord North resigned as a delayed casualty of the Battle of Yorktown, leaving first Lord Rockingham and then Lord Shelburne to negotiate an end to the American Revolution. It would be even more remarkable if two of this year's three prime ministers were to be the same person: Boris Johnson.

Political parties in the modern sense barely existed in Lord North's day; there were only factions. And there isn't much of a Conservative Party now, only factions. This isn't only because the Conservatives are out of ideas and talent after 12 years in power, with cabinet offices held by the competent but inexperienced or the experienced and incompetent. In 1770, Edmund Burke, the brains of Rockingham's proto-party, described a party as "a body of men united, for promoting by their joint endeavors the national interest, upon some particular principle in which they are all agreed." In 2022 Conservative members of Parliament no longer agree on any principle beyond holding power.

Parliamentary Conservatives don't split only into Brexiters and Remainers. They also divide between free-market, small-government libertarians in the Thatcher tradition and an older lineage of interventionist, big-government paternalists. These twin divisions don't align; they are crosshatched. The result is faction, backstabbing, instability and paralysis.

The party's head, the parliamentary Conservatives, are working

against the party's body, its membership. The membership lives in the shires and the outer suburbs—Labour and the Liberal Democrats control the inner cities—but the MPs live and work in the Westminster Bubble. The membership is much older than the MPs, and they are also more likely to support Brexit and Thatcherism. They never asked Conservative MPs to get rid of Boris Johnson in July, and they still prefer Mr. Johnson to the MPs' choice, Rishi Sunak.

More than half of Conservative members of Parliament, however, voted against Brexit in the 2016 referendum. Many of them fear Mr. Johnson's charisma, cleverness and unscrupulousness. They accepted him as prime minister in 2019 because the alternative was to lose a general election. He won them an 80-seat majority, the biggest since Thatcher in 1983.

Mr. Sunak's supporters repaid Mr. Johnson by overthrowing him last summer after a whisper campaign in the media about Covid lockdown

violations. The scandal resounded in the bubble. It baffled the party members, however, and angered first-time Conservative voters who, having trusted Mr. Johnson in 2019, once more found themselves overruled by the arrogant Tories from London.

### Today's Tories are riven into factions and united around no principle apart from the pursuit of power.

The economic and experiential gap between the country and the city was a feature of 18th-century British politics and 19th-century French novels. In the U.S., it recurs in the Great Sorting, whereby blue-state big-city coasts sandwich a red-state small-town hinterland. In Britain, that gap is still "North and South," as Mrs. Gaskell's novel of 1854 had it. The Thatcher revolution

widened the gap between London and the rest of Britain. In the North, Thatcher's reforms replaced the rusty Victoriana of industry with a patchy service economy. In the South, the Big Bang deregulation of the City of London unleashed waves of prosperity.

The pro-Brexit vote topped 50% in the 2016 referendum because it was a coalition. A single principle united the followers of two perhaps irreconcilable futures: "Big Bang 2.0" and "Singapore-on-Thames" for the South, and welfare and protectionism for the losers of globalization up North. In 2019 Mr. Johnson promised to close the gap between them by "leveling up" disparities of wealth, opportunity and infrastructure. His victory created a new Conservative coalition, between affluent Southerners, who profit from access to London and global markets, and disenfranchised Labour voters, who want protection from the global economy.

Only a charmer such as Mr. Johnson could float above the obvious

contradictions. Still, despite the pandemic and economic headwinds, the Conservatives led Labour in the polls only a year ago, because Mr. Johnson's policies honored his electoral promises to the North. Mr. Johnson's overthrow broke the Conservative alignment of 2019. The Truss fiasco has blocked any chance of reversion to an earlier, Thatcherite alignment. The result is faction in Westminster, chaos in the markets and freefall in the polls.

"When bad men combine, the good must associate," wrote Burke. Only Boris Johnson holds a "mandate," as British politicians now say, from both the voters and the Conservative grass roots. Only Mr. Johnson can reunite the Conservatives' parliamentary factions around the principles of his 2019 manifesto. He might still lose the next elections, but he might also save his party.

*Mr. Green is a Journal contributor and a fellow of the Royal Historical Society and the Foreign Policy Research Institute.*

## Western World's Energy Folly in a New York Nutshell



BUSINESS  
WORLD  
By Holman W.  
Jenkins, Jr.

That is: everything wrong with an approach that consists of throwing money at green business interests in defiance of any practical consideration. If you think something else is going on, such as abating climate change, think again.

To meet a legislated goal of emissions-free electricity by 2040, New York will need up to 45 gigawatts of what it delicately calls DEFRs, or dispatchable emissions-free

resources. Not only is that more than the state's total current generating capacity of 37 gigawatts, these DEFRs, which are carbon-free like wind and solar yet not interruptible like wind and solar, don't exist and have no prospect of existing in the next decade. Starting very much sooner than 2040, New York's real choice will be Third World electricity reliability vs. paying fossil-fuel operators large fees to keep their plants up and running in a highly inefficient part-time fashion.

Many involved in the state's energy "transition" might question whether purging the last 10% or 5% of fossil fuels from the system is worth the exorbitant cost. Don't expect anyone to admit the bigger problem: The transition won't likely do much to reduce global emissions.

This is the great unmentionable. When New Yorkers use less coal, oil or gasoline because of environmental mandates, the market price transmits the benefit to other global users, who then use more. Even more unspeakable is the corollary: Emission-spewing activities simply relocate from one part of the world to another. China's emissions growth, from half the U.S.'s to almost 300% of the U.S.'s in 30 years, is partly the product of a transplant of emissions from the U.S. and Europe.

If pressed, Biden officials will privately revert to gobbledygook about carbon taxes that appear immaculately without anyone having to advocate them. The media fill the gap with wishful thinking and Soviet econometrics, confusing inputs with

outputs. Yes, world-wide investment in renewables in the past two years has exceeded investment in fossil fuels. Supposedly this proves fossil fuels are on their way out. No, it proves fossil fuels are a better deal, consuming less investment to meet their share of the world's growing power needs.

### Why should Europe have all the fun? The Empire State tries to sabotage its grid with renewables.

Again, the Biden administration quietly acknowledges the truth. Its own studies show that solar delivers 25% of its rated output in electricity, wind 35%, and natural gas 57%. As recently as 2010, coal delivered 67% but has fallen precipitously to 40%. Why? According to the National Energy Technology Laboratory, America's coal plants increasingly are operated in inefficient, stop-start fashion to support wind and solar, magnifying the national risk of breakdowns and blackouts, which are also highlighted in the New York state report.

New England may well experience blackouts this winter. For the Europeans, of course, everything is worse, having pretended that generous wind and solar handouts made them green while relying on cheap Russian gas to slow the transfer of heavy industry to China. Kaboom. The ironies are not small. Profit-

oriented energy providers already have an incentive to incorporate low-cost solar and wind in ways that meet customer demand for cheap, reliable energy. It's the pie-in-the-sky mandates concocted by legislators that drive utilities to adopt renewables in senseless ways unless the goal is to make every homeowner buy a carbon-spewing emergency generator.

For another day is the role of the Obama administration's calculations about the political salability of green subsidies vs. carbon taxes; how climate change became a politics of personal transformation and utopianism; the high priestess Greta.

With its latest "assessment report," the U.N. climate panel actually lowers its estimated odds of worst-case warming; it sees emissions flattening sooner than previously thought. By multiple models, the costs will be unwelcome but manageable. This good news goes unreported but reaches New York Times readers indirectly, as when podcaster Ezra Klein gently scolds his yuppie listeners that climate change isn't an argument to forgo procreation. "No mainstream climate models suggest a return to a world as bad as the one we had in 1950, to say nothing of 1150. . . . Nothing in our near future looks so horrible that it turns reproduction into an immoral act."

The track of future emissions and related costs might be further reduced with well-designed carbon taxes if doing so fitted with today's dishonest, showy green politics, which it doesn't.

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## THE NEW WORKPLACE WARS



ILLUSTRATION BY TAYLOR GALLERY

## Big Rally Gives Dow A Win for 3rd Week

By **GUNJAN BANERJI**  
AND **CHELSEY DULANEY**

The Dow Jones Industrial Average raced to its best three-week stretch since November 2020, boosted by the prospect of a slower pace of interest rate increases and the latest batch of corporate earnings.

Major indexes started Friday with declines before turning higher, finishing the session near their highs of the day. The Dow added 748.97 points, or 2.5%, to 31082.56. The S&P 500 added 86.97 points, or 2.4%, to 3752.75. The technology-focused Nasdaq Composite added 244.87 points, or 2.3%, to 10859.72.

All three major indexes ended with weekly gains of at least 4.7%, a reprieve after a prolonged period of volatility that has been marked by big swings for stocks and bonds around the globe. The Dow and S&P 500 finished their best weeks since June, while the Nasdaq closed with its best week since July.

Major indexes turned higher and Treasury yields paused their climb as The Wall Street Journal reported that Federal Reserve officials are set to raise interest rates by 0.75 percentage point at their Nov. 1-2 meeting but are poised to debate shifting to a smaller increase in December.

Worries about the pace of interest-rate increases—and whether they will help drive the U.S. into a recession—have driven a sharp selloff throughout the year. “I think we’re in the final innings of peak Fed hawkishness,” said Christian Hoffmann, a portfolio manager at Thornburg Investment Management. *Please turn to page B11*

## Whirlpool Cuts Output To Counter Falling Sales

By **BOB TITA**

Whirlpool Corp. slashed production of refrigerators, dishwashers and other home appliances by more than a third in its most recent quarter to shrink inventories as consumer demand diminished, executives said.

The Benton Harbor, Mich.-based company cut its profit forecast for 2022 by about half, warning that high costs were likely to persist into next year as appliance demand remains muted.

“Demand is down and cost is up,” Chief Executive Marc Bitzer said during a conference call. “You would expect costs to come down in a recessionary environment. We’re operating in unprecedented times.”

Whirlpool is among dozens of U.S.-based multinational companies confronting weakening consumer demand. High costs for materials, energy and other expenses are squeezing the company’s profit margins at the same time sales are falling. Unfavorable currency-exchange rates *Please turn to page B2*

Employees at General Motors Co. balked at a request to return to the office. At Meta Platforms Inc., bosses are asking workers to get more done with fewer resources. Some CEOs say things are so tense that handing out modest raises can spark a backlash in an era of rising inflation.

The workplace is in the middle of an unusual collision between what bosses and workers want. Employees feel empowered after two years of changing their work habits and leverage gained in a tight labor market. Employers are under increasing pressure to cut costs and boost performance as inflation soars, markets plunge and a possible U.S. recession looms. The result is a battleground at many companies.

Some have already backed down on their September return-to-work policies, facing pushback from employees. Others are leaving jobs unfilled because they can’t afford what employees think they should be paid. Middle managers are in-

**Pay. Productivity. Commuting. Rarely have bosses and workers been so at odds over so much. Inside the conflict over what work looks like—and who defines how it gets done.**

**By Chip Cutter, Katherine Bindley and Kathryn Dill**

creasingly caught between these conflicting priorities as they try to keep bosses and workers happy.

“Leaders always think, you guys should be moving faster and doing more and employees always think, you should be giving me a medal for what I’m doing now,” said executive coach Alisa Cohn. “I’m positive that has gotten worse.”

### Where work gets done

At the center of some disputes is a debate over where work should be performed. Some employees are happy to be back in an office so they can share ideas in person, network and socialize. They prefer the type of hybrid schedules many companies are adopting that allow for some time at home during the workweek.

Other workers want more flexibility, insisting that being in the office won’t improve their performance.

After GM sent a memo in September outlining a plan to bring salaried em- *Please turn to page B6*

## Technicalities, Not Teen Vaping, Led to Juul Ban

E-cigarette brand prepares for possible chapter 11 bankruptcy as it appeals

By **JENNIFER MALONEY**

When the Food and Drug Administration ordered Juul Labs Inc.’s e-cigarettes off the U.S. market in June, politicians and parents who had lobbied for a crackdown on underage vaping hailed their victory.

But it turns out, the FDA didn’t cite a risk to children as the basis for the ban. The agency ordered Juul off the market because of technical issues, according to correspondence between Juul and the agency and other FDA documents viewed by The Wall Street Journal.

The ban was put on hold while Juul appealed. Since then, the company’s sales have slowed. It faces thousands of lawsuits alleging that it marketed to children and teenagers. The first trial—a

case brought by San Francisco’s Unified School District—is set to begin next month. Other cases are set to go to trial next year. Juul has said it never targeted underage users.

In recent weeks, Juul has been preparing to file for chapter 11 bankruptcy while searching for an alternative—such as a sale, investment or loan—that could stave off a filing, according to people familiar with the matter. The uncertainty around the FDA ban has made it difficult to secure financing for legal settlements, they said.

Juul, the second-largest e-cigarette maker in the U.S., says the FDA’s decision was flawed and influenced by federal lawmakers who publicly pressed the agency to ban Juul. The FDA based its mar-

keting denial order on four unresolved questions related to toxicology data in the application that Juul had submitted to keep its products on the U.S. market. The FDA’s unresolved questions, Juul told the agency, could have been cleared up in “a mere phone call.”

The FDA says it assesses each e-cigarette application fairly and evaluates them on the same public-health standard. “All FDA decisions and actions are grounded in science and data,” an agency spokeswoman said.

The agency hasn’t taken a position against vaping itself—in fact, FDA officials say it is significantly less harmful than cigarette smoking. The FDA has authorized some e-cigarettes and is reviewing others.

*Please turn to page B4*



The FDA’s questions, Juul told the agency, could have been cleared up in ‘a mere phone call.’

GABBY JONES/BLOOMBERG NEWS

## THE SCORE

THE BUSINESS WEEK IN 7 STOCKS

## NETFLIX INC.

More watchers are tuning into Netflix. The streaming giant on Tuesday said it added 2.4 million new subscribers in the third quarter—more than twice as many as expected. The latest results end the company's recent trend of customer defections amid increased competition in the larger world of streaming. Netflix is in the process of executing two major strategic shifts as part of an effort to increase its revenue and boost its subscriber base—rolling out its first tier of ad-supported content and cracking down on password sharing. Netflix shares **surged 13% Wednesday.**

## TESLA INC.

Tesla's ambitious delivery plans for 2022 lack enough acceleration. The finance chief for Elon Musk's electric-vehicle maker said Tesla expects to fall just shy of its target this year of boosting vehicle deliveries by 50%. Tesla also reported its highest quarterly revenue but missed analysts' sales estimates. The company said results were affected by a strong dollar, higher raw material costs and inefficiencies associated with getting factories in Texas and Germany up to speed. Tesla has repeatedly raised its vehicle prices as parts became more expensive. Tesla shares **lost 6.7% Thursday.**

## PERFORMANCE OF AIRLINE STOCKS THIS WEEK

Source: FactSet



## UNITED AIRLINES HOLDINGS INC.

Air travel is still flying high. U.S. carriers United and American Airlines Group Inc. reported record revenue for the latest quarter and expect resilient demand to drive profit through the end of the year, offsetting concerns of an economic slowdown and persistent inflation. Executives say travel demand, including for leisure trips, has held up into the fall, and corporate travel is starting to rebound. United shares **gained 5% Wednesday.**

## PROCTER &amp; GAMBLE CO.

The stronger dollar is weakening Procter & Gamble. The maker of Tide detergent and Gillette razors said the currency's run-up erased most of its sales gains for the latest quarter and is on track to lead to P&G's first annual sales decline in half a decade. The consumer-products giant plans to return to pre-Covid cost-cutting levels, trimming expenses such as marketing and overtime, its finance chief said. But the company isn't planning a substantial head-count reduction after adding thousands of employees to keep up with pandemic demand. P&G shares **added 0.9% Wednesday.**

## UNION PACIFIC CORP.

Higher costs and labor strife threaten to derail Union Pacific. The railroad on Thursday posted rising quarterly profit as it shipped more cargo, but reported continued pressure on its operations from higher costs of equipment, fuel and labor. The results come amid the threat of a national labor strike, as two labor unions began voting on whether to ratify a tentative bargaining agreement. Rail executives are also bracing for a slowdown in business, and Union Pacific lowered its full-year outlook on volumes and share repurchases. Union Pacific shares **fell 6.8% Thursday.**

## AT&amp;T INC.

AT&T is sending stronger signals about new customers than rival Verizon Communications Inc. The telecommunications giant on Thursday said its core wireless business overshot expectations during the third quarter, driving higher revenue and profits despite lingering worries about inflation. AT&T said it added 708,000 postpaid phone connections. Verizon on Friday said its earnings slipped 23% in the quarter as retail customers balked at price increases. It reported a net gain of 8,000 wireless retail postpaid connections in the latest quarter. AT&T shares **gained 7.7% Thursday.**

## SNAP INC.

Snap's ad sales haven't snapped back. The parent of the Snapchat app reported quarterly sales growth that slowed as advertisers cut spending, saying it expects no revenue growth in the current period. Several social-media firms are struggling to respond to an ongoing ad market slump and privacy policy changes Apple Inc. introduced last year that make it more difficult to target ads. The companies also face fierce competition for ads, particularly from ByteDance Ltd.'s short-video app, TikTok. Snap shares **plummeted 28% Friday.**

—Francesca Fontana

## ON THE CLOCK | CALLUM BORCHERS

## Which Leaders Get Second Chances

Reviving a career after a public failure is tough but specific tactics help; a 'glass cliff' for women



Liz Truss's stint as U.K. prime minister barely lasted longer than Tom Brady's retirement from football, and her next challenge

may be the same as the struggling quarterback's: figuring out how to mount a comeback.

Reviving a career—whether the arena is sports, politics or business—is one of the hardest things to pull off, especially after tumbling from the pinnacle, where stakes are high and competition is fierce. It's possible to get back on top, but convincing yourself that you're still the winner who rose in the first place can be tougher than persuading others, leadership experts say.

Despite the obstacles, some spectacular rebounds have followed dramatic falls. Hello, Martha Stewart!

Steve Jobs was famously fired from Apple only to return and rescue the company. (Former British Prime Minister Boris Johnson might be hoping to follow in his footsteps as he weighs his aspirations to the title he resigned in July.) Few thought Adam Neumann, the hard-partying WeWork chief executive, would ever resurface after he was ousted in 2019 so the company could go public. This past summer, Mr. Neumann, flush with \$350 million in venture-capital investment, launched a new real-estate startup.

In politics, former Israeli Prime Minister Benjamin Netanyahu and former Brazilian President Luiz Inácio Lula da Silva, after a stint in prison, appear to have real shots at second electoral chances. House Speaker Nancy Pelosi reclaimed her post eight years after her first tenure had ended with Democrats getting trounced in the 2010 midterm elections. Assistant Speaker Katherine Clark lost a bid for the state Senate in Massachusetts in 2004 but rallied to win a congressional seat nine years later.

A common thread among them all: massive confidence (or, at least, the ability to overcome self-doubt).

A year ago Jamie Grant, mourning the early end of his tenure as CEO of the McCallum Theatre in Palm Desert, Calif., knew he needed an attitude adjustment. He'd moved halfway across the country for what seemed like a dream job, only to clash with the board over long-term strategy. He was let go after 13 months.

"It was truly lousy," he says. "I was mopey and trying to figure out what had gone wrong. What I discovered—and it took some time; I didn't discover it in five minutes—is that it wasn't a good fit. And I felt better."

Mr. Grant says a friend, a professional hockey coach who's been fired many times, helped him real-



Liz Truss, above, after announcing her resignation after 45 days as U.K. prime minister. Steve Jobs, below left, was fired from Apple. Tom Brady, below right, has seen the Buccaneers drop to 3-3 this season.



ize that being pushed out wasn't necessarily an indictment of his skill. He's started an independent consulting practice and says business is so good that he's turned down C-suite roles at other theaters.

More executives are having to recover from swift goodbyes. The average duration of CEOs' tenures was trending down in the years

before the pandemic, and ultra-short stays have risen sharply in the Covid-19 era.

Roughly 2% of CEOs who left their roles in 2019 lasted less than a year, according to Challenger, Gray & Christmas, which tracks executive departures. The rate jumped to 5.6% in 2020 and 6.4% in 2021, as the pandemic compounded management challenges.

Don't feel too sorry for the flameouts. CEOs who are dismissed without cause often collect millions of dollars in severance packages. A public servant such as Ms. Truss, 47, is eligible to receive as much as £115,000 (about \$129,000) a year for the rest of her life, thanks to Britain's Public Duty Cost Allowance.

For overachievers, the steepest cost of failure is not financial. "Psychologically, it can be the kind of thing that is so devastating that it could rip your entire career apart," says Jeff Cohn, a corporate-leadership adviser who helps private-equity firms select

### For another shot, a leader needs to show humility and growth, executive recruiters say.

executives for portfolio companies, which are themselves unsentimental about yanking leaders. "It really does depend on how you deal with it."

Few careers go unblemished, and big mistakes aren't always terminal. A decade-long study of 2,600 business leaders, published by the Harvard Business Review in 2018, found that 45% had suffered major setbacks such as blowing a large deal or getting fired. Among those who faltered, more than three-quarters still went on to become CEOs.

Mr. Cohn says the firms he advises actively seek executives who have experienced and—this is the important part—learned from disappointments.

Men generally have an easier time coming back from big failure than women do, says Brooke Skinner Ricketts, co-founder of Beyond Barriers, a women's leadership academy.

Women tend to be picked for top roles when a company is in turmoil, a well-studied phenomenon known as the "glass cliff." Researchers from Germany and the U.S. found 62% of participants in an experiment chose a man to head a company that was performing well, while 69% chose a female candidate when the company was in crisis. Ms. Skinner Ricketts, a former chief marketing officer at Cars.com, says the phenomenon could apply to Ms. Truss, who inherited an economy mired in stagflation.

Whatever the reason for a bad ending, a leader hoping for another shot needs to show humility and growth, says Jim Citrin, who leads the CEO practice of executive-search firm Spencer Stuart.

Yet humility isn't always enough, he cautions. He says he recently recommended a short-lived former CEO to a client who immediately dismissed the candidate as "damaged goods." To even have a chance, ex-executives better be ready to answer pointed questions, he says.

"We always ask: What happened?" says Mr. Citrin. "What could you have done differently? The ability to take responsibility—that's the key to recovering."

## Whirlpool Cuts Output As Sales Fall

Continued from page B1

caused by a strengthening U.S. dollar further eroded Whirlpool's third-quarter revenue when sales in foreign currencies were converted to dollars.

Whirlpool said cutting production volume by 35% across the company in the third quarter reduced appliance inventories by \$300 million. The company said the magnitude of the production decline matched the drop-off that occurred in early 2020 when Covid-19 idled production.

The lower output combined with higher costs and inventories made factories less efficient and eroded profit margins from the quarter, executives said. Whirlpool's net profit from the quarter fell by nearly 70% from the period last year.

In North America, Whirlpool's largest market, sales fell 7.7% from last year's period, while profit from the region plunged 49%.

Whirlpool shares slid 1.9% in late-morning trading Friday but recovered by the end of the session to close flat. The company's shares fell about 5% on Thursday.

The company said it is engaged in the final negotiations to sell its remaining business in Europe, the Middle East and Africa, after divesting its plants and sales operations in Russia to Arceclik AS for about \$225 million earlier this year. Whirlpool reported a loss of \$28 million from the region during the quarter as sales declined 28.1% from the year-earlier period. The company attributed most of the sales drop to unfavor-

### The company anticipates revenue for this year to decline by about 9% from 2021.

able currency-exchange rates.

Mr. Bitzer said he expects cost inflation to persist through the first half of 2023 before easing later in the year as supply contracts are reset. Whirlpool said it expects to earn about \$5 a share this year, down from \$9.50 to \$11.50 a share forecast in July, and after earlier in the year forecasting \$24 to \$26 a share.

The company anticipates revenue for this year to decline by about 9% from 2021 to \$20.1 billion. The company in July forecast a 6% decline.

For the three months ended Sept. 30, the company reported profit of \$143 million, or \$2.60 a share, down from \$471 million, or \$7.51 a share, in the same period last year. Adjusted earnings for the period came in well below analysts' estimates. Net sales from the quarter dropped 13% from last year to \$4.8 billion.

## Watch a Video



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BUSINESS NEWS

# Verizon's Profit Falls 23% as Price Increases Slow Growth

By Drew FitzGerald and Dean Seal

**Verizon Communications Inc.** on Friday unveiled a new cost-cutting plan after higher corporate costs and rising interest rates ate into its third-quarter profit.

The largest U.S. cellphone carrier by subscribers reported a net gain of 8,000 phone connections under postpaid billing plans during the September quarter, a sign that recent rate increases had prompted many of its most reliable customers to leave the service. Rival AT&T Inc. on Thursday reported a net gain of 708,000 such connections over the same period.

Shares fell 4.5% to \$35.35 Friday. The stock has lost nearly a third of its value so far this year, compared with a 21% drop

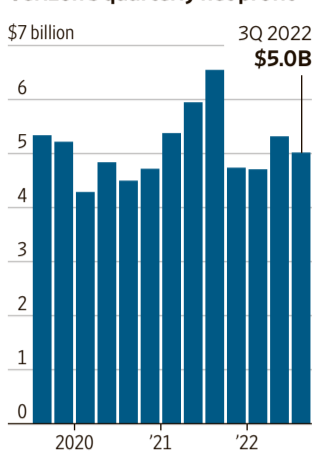
in the S&P 500 index.

Verizon executives nevertheless said that the price increases for certain cellphone plans were paying off, noting that overall wireless service revenue grew over the third quarter. Verizon and AT&T both raised fees for certain plans over the summer in response to rising costs for other consumer goods. "We saw all the actions we took in the quarter having a positive impact," Chief Executive Hans Vestberg said.

Among those next steps was a new cost-cutting program that executives said will save \$2 billion to \$3 billion a year by 2025. The company didn't detail how the initiative would trim expenses or how many, if any, jobs the move would affect.

Verizon's overall net income, excluding profits from interests

Verizon's quarterly net profit



Source: S&P Capital IQ

in noncontrolling entities, fell nearly 24% to \$4.9 billion in the September quarter. Higher overhead costs and interest ex-

penses contributed to the weaker earnings, though the company's adjusted profit still topped Wall Street analysts' expectations, according to data from FactSet.

Overall revenue climbed 4% to \$34.24 billion, surpassing analyst expectations of \$33.76 billion. The increase included a 10% jump in wireless service revenue mostly driven by Verizon's purchase of the TracFone prepaid wireless business.

Finance chief Matt Ellis said that the improving profitability in Verizon's core wireless business showed that its strategy was pointing it in the right direction. Many subscribers were paying their bills on time and upgrading to more expensive plans over the past quarter despite signs of stress in the broader economy, he added.

# Google, Nvidia In Talks to Invest In AI Startup

By Berber Jin and Miles Kruppa

**Alphabet Inc.'s Google** is in talks to invest at least \$200 million into artificial intelligence startup Cohere Inc., according to people familiar with the matter, another sign of the escalating arms race among large technology companies in the sector.

Founded in 2019, Cohere creates natural language processing software that developers can then use to build artificial intelligence applications for businesses, including tools for chatbots and other features that can understand human speech and text. Last November, the company announced a multiyear partnership with Google to have its cloud division supply the computing power needed for Cohere to train its software models.

As a part of the negotiations, Cohere also held discussions with chip maker Nvidia Corp. about a potential strategic investment, the people said. The talks between the companies are continuing and could fall apart, some of the people said.

Cohere's valuation from any potential new funding couldn't be learned.

Google and Nvidia declined to comment. Cohere, based in Toronto, didn't respond to requests for comment.

Other technology giants are also looking to bet more on artificial intelligence. Microsoft Corp. is in advanced talks for a new funding round in OpenAI, another startup that is racing to create software models to achieve artificial general intelligence, or the ability for a machine to understand anything a human can, within years.

OpenAI already uses Azure, Microsoft's cloud service, as its exclusive partner and has agreed to give priority to Mi-

crosoft when bringing technologies to market. Microsoft invested \$1 billion in OpenAI in 2019.

Google CEO Sundar Pichai has emphasized the importance of AI to the company since taking over the top role in 2015. Alphabet purchased the AI research company DeepMind in 2014. Google's research division, Google Brain, is also one of the most closely followed publishers on large language models and other AI topics.

Cohere CEO Aidan Gomez previously was an intern at

**The talks between the companies are continuing and could fall apart.**

# In Kroger Deal, Key Is Local Overlap

By Jaewon Kang

**Kroger Co. and Albertsons Cos.** said their \$20 billion deal to create a new supermarket giant will help them compete with larger rivals in an evolving grocery industry dominated by Walmart Inc. and targeted by Amazon.com Inc.

The antitrust authorities who review the planned merger, however, may be more focused on the supermarket down the street, according to lawyers and industry officials.

Kroger's plan to acquire rival Albertsons, announced last week, would combine the biggest and second-biggest supermarket companies in the country by sales, which operate a combined total of about 5,000 stores stretching from California to Washington, D.C.

The companies' combined market share of 13% of U.S. grocery sales would rank below Walmart's 22%, and their combined annual sales of more than \$200 billion would remain below the nearly \$500 billion generated by Amazon, which has been pushing into the U.S. grocery market via its 2017 deal for Whole Foods Market and other services.

"The merger will accelerate our position as a more compelling alternative to larger and nonunion competitors," Kroger Chief Executive Rodney McMullen said when the deal was announced, without naming specific rivals. Kroger and Albertsons said that merging will give them more of a national footprint and a wider network of suppliers, in addition to greater manufacturing capabilities.

U.S. Sens. Amy Klobuchar (D., Minn.), Richard Blumenthal (D., Conn.) and Cory Booker (D., N.J.) this week urged the Federal Trade Commission to investigate the proposed merger, warning about



Antitrust enforcers have tended in other merger cases to examine potential impacts at a local level.

its potential effect on consumers. Ms. Klobuchar, chairwoman of the Senate Judiciary Subcommittee on Competition Policy, Antitrust and Consumer Rights, and Sen. Mike Lee (R., Utah) said they would hold a hearing on the proposed deal next month.

FTC representatives declined to comment.

The antitrust enforcers who could decide the Kroger-Albertson deal's fate have tended in other cases to examine potential impacts at a local level, according to antitrust lawyers and industry advisers. That includes considering market share and overlaps in specific geographic regions, including some big-box retailers that sell groceries along with other goods, they said.

Benjamin Dryden, a partner at Foley & Lardner LLP, said that competition authorities have typically looked within a radius of between two to 10 miles to measure grocery markets and exclude discounters, such as dollar stores, from their analysis. "The FTC is going to take this very seriously," he said.

The companies have said that they believe they have a path to regulatory approval with divestitures. When announcing the deal, they said that they are prepared to establish a subsidiary with 100 to 375 stores that would be spun off to Albertsons shareholders and that they have agreed to determine which

stores to potentially divest. The companies have agreed to sell up to 650 stores.

In some markets, Kroger and Albertsons-owned supermarkets compete head-to-head for shoppers' dollars. Kroger in Southern California operates Ralphs supermarkets while Albertsons runs its eponymous chain as well as Vons. In Chicago, Kroger runs the Mariano's chain and Albertsons operates the competing Jewel-Osco stores, and in Seattle, Albertsons owns Albertsons and Safeway while Kroger runs Fred Meyer and QFC.


Kroger and Albertsons would compete more effectively as a combined entity, the companies said, as new competitors push into the market and shoppers increasingly buy groceries online.

Kroger and Albertsons likely had anticipated a lengthy and thorough antitrust review and are trying to get ahead of issues the FTC may be concerned about, said Alexis Gilman, a partner at Crowell & Moring LLP who previously spent seven years at the agency.


The agency would likely look at the range of stores that Kroger and Albertsons will propose selling, and the executive teams of those stores, antitrust lawyers said.

"The FTC is a lot more rigorous in their review of remedy packages and divestiture buyers," Mr. Gilman said, ver-

sus how the agency approached deals under administrations over the past few decades. He said there is a heightened chance the agency chooses to litigate a case, rather than settling it.



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## EXCHANGE

KEYWORDS | CHRISTOPHER MIMS

# The Headlong Sprint Toward Our Passwordless Future

Your smartphone's ability to scan your face is the key to better online security



Passwords have long been the linchpin in the machinery protecting our online accounts. Increasingly, they are seen instead as a weak link—one that some companies want to do away with entirely.

Following the current advice on how to securely log in to our accounts can feel like trying to keep up with how many blades are on the latest disposable razor. The guidance has changed over the years, from simple, memorable passwords to unpronounceable strings of characters customized for each account, and stored in password managers. Most recently, we've been admonished that every login needs a second proof of identity, known as two-factor authentication—usually a number sent by text or email.

It's clear now—before most people have started using two-factor authentication—that even that is merely another speed bump for hackers who want to get into our personal and work accounts. Even relatively unsophisticated hackers can rent systems by the hour that can get past such defenses. One such attack led to the theft of login credentials from almost 10,000 people across 130 organizations this summer, despite those accounts being protected by two-factor authentication, according to a report from cybersecurity firm Group-IB.

I wrote recently about how big tech companies are embracing “zero trust” approaches to security, and these trends are related. Companies and their networks can no longer trust when we enter our password and two-factor code that we are who we purport to be.

That's partly because humans are trusting—gullible, even—and partly because the efforts to exploit that trait are constantly increasing. The number of unique websites used for so-called phishing attacks, which are designed to trick people into revealing their passwords, reached an all-time high in the second quarter of 2022, topping 1 million sites, according to a report by the Anti-Phishing Working Group, a tech-industry nonprofit. That's a fourfold increase from the number of unique domains used in phishing attacks in early 2020.

Measured another way: “We are now seeing north of 1,000 password attacks per second in our systems,” says Alex Weinert, director of identity security at Microsoft.

Which is why Microsoft, Apple, Amazon, Google and hundreds of other tech companies are collaborating on closing this truck-size hole in internet security by doing something counterintuitive: For most of us, in most circumstances, they propose eliminating passwords altogether.

Login systems that rely on human-readable information—pass-

words, push codes and the like—are all hackable no matter how many secret pieces of information we use to secure them, or which big tech company is responsible, says Ofer Maor, chief technology officer and co-founder of cybersecurity incident-response company Mitiga.

“In the last few months, everything that came to us started with a circumvention of two-factor authentication,” says Mr. Maor. Big companies or small, “it doesn't matter, they all fall to the same adversary-in-the-middle and push-fatigue attacks.”

**Passwordless systems eliminate the weakest link—the human—from the login process.**

Adversary-in-the-middle is industry parlance for phishing attacks that trick users into entering their password and a second factor—like a code sent via a push alert or a text message—on a fake website that looks like the real thing. And

push fatigue is what happened in the recent Uber Technologies hack. A contractor with access to Uber's systems got tired of being spammed by push alerts requesting authorization to login to an account, and finally approved one.

In a passwordless system, things are different. No human-readable information is transmitted between any device and the internet. All communication is encrypted. Your identity is verified when your device—say, a smartphone—sends a one-use code that only that phone could have generated. In this way, your device becomes your password.

The reason no one can just steal your phone and log into your accounts is, of course, that it's secured with some kind of biometric—like your face or fingerprint. This is one reason why biometric readers are making their way into laptops, desktops and a variety of other devices.

Such a system eliminates the possibility of a phishing attack, says Andrew Shikhar, executive director of the FIDO Alliance, short for “Fast Identity Online.” It does this by completely removing the weak

link—the human—from the login process. The FIDO Alliance, a who's who of consumer tech companies, has for more than a decade been collaborating on passwordless—really, device-based—login systems. Alliance members like Apple, Google and Microsoft say they are close to rolling them out in the real world.

Device-based authentication that can eliminate passwords isn't new. For more than a decade, some companies with especially secure systems have had users plug a USB-based device into their work laptops, which wouldn't connect to corporate or government networks without them. Still, only 16% of companies offer their employees the option of a passwordless login, according to a report earlier this year from Hypr, which sells such systems.

What's making the broad rollout of passwordless systems possible now is, primarily, that biometric sensors that can recognize us have become nearly ubiquitous, says Todd McKinnon, CEO of identity-management company Okta.

“Ten years ago you didn't have Touch ID, and Face ID, and Win-

dows Hello,” he adds. “Ten years ago you had some weird thing that you plugged into your USB port. Is a normal user going to use that?”

In addition, we all have devices on our person at all times that are capable of the cryptographic calculations required to make a secure connection to systems on the internet, says Mr. Maor of Mitiga. The combination of the two—devices always at hand, and biometrics to easily log us into them—make passwordless login systems not just possible but convenient, he adds.

Depending on how secure an organization wants to make its systems, a “passwordless” login can be just the beginning of a process that can involve, well, passwords. At various points in the login process—starting with unlocking the phone itself—it's possible to prompt users for a PIN, or a password, or to analyze their location, to make sure they're not trying to log in from someplace that wouldn't make sense for that person. It's also possible to analyze a user's actions to make sure they're not behaving out of the ordinary, say by attempting to access things they normally wouldn't.

One reason organizations might do all this is to determine whether a person is being coerced into accessing their account. Another is that sometimes employees go rogue, and a login system can be part of neutralizing an internal threat. As a result, Microsoft already does behavioral analysis of the more than 100 billion login events a day its systems handle, says Mr. Weinert.

Passwordless systems will also create new kinds of inconveniences. For example, how do you retrieve a lost password if you never had one in the first place? If this process is too difficult, employees can get locked out of their accounts and be unable to do their work.

On the other hand, if an account recovery process is too easy, it can become another way to hack into systems. Many companies are discovering that their processes for handing out credentials in the first place are weak, says Mr. Weinert. “For a lot of companies, it's that you call the help desk and claim to be the person,” he adds. That opens up the possibility that attackers could sidestep even the most secure passwordless login system by simply convincing a human or some other system to enroll their own devices in the company system—no theft of credentials necessary.

Mr. Maor believes that passwordless login systems are better than what we have now, but that the ingenuity and motivation of hackers are bottomless.

“I have been doing this for almost 30 years now, and the reality is that for almost every solution we come up with, the balancing between security and usability means hackers can get in,” he adds.

LAURA LUEDO

## Technicalities Led to Banning of Juul

Continued from page B1

“I'm frustrated,” Juul's chief executive, K.C. Crosthwaite, told staff in an all-hands meeting this month. “I'm frustrated that outside forces create constant barriers between our innovation and those who deserve it.”

When Juul's founders introduced the sleek vaporizer in the U.S. in 2015, they entered an e-cigarette market that was unregulated. There were no limits on how much nicotine its devices contained or the flavors it could offer. It used marketing, including social media and billboard ads, that big tobacco companies couldn't use.

Juul's sales took off in 2017. By the following year, it had become a teen status symbol. In a 2018 government survey, about 20% of high-school students said they had used e-cigarettes. Alarmed by the surge in underage vaping, the FDA and other federal agencies began investigating the fast-growing startup.

Juul was causing a decline in cigarette sales. Altria Group Inc., the U.S. maker of Marlboro cigarettes, bought a 35% stake in the startup in a deal that valued Juul at \$38 billion. All but a couple hundred million dollars of Altria's \$12.8 billion cash injection was paid out in bonuses and dividends to Juul's employees and shareholders. The company decided not to keep more of the cash because sales were strong, it already had cash on hand, and it could raise more money in the future if it ever needed capital, according to people familiar with the matter.

The Trump administration in 2019 said it would ban the sweet and fruity e-cigarette flavors that appealed to children. And Congress later that year passed legislation raising the minimum age to buy tobacco products, including e-cigarettes, to 21.

Juul attempted to repair its relationship with government offi-

cial, bringing on a new CEO in 2019, halting most of its U.S. advertising and voluntarily ending the sale of its fruity flavors ahead of the federal ban.

The FDA asserted regulatory authority over e-cigarettes in 2016 but gave manufacturers a grace period of several years to submit their products for review to stay on the market. Concerned about youth vaping, public-health groups filed a lawsuit to force the FDA to move up the date. The court set a deadline of September 2020.

Juul submitted scientific research to demonstrate that its e-cigarettes exposed users to fewer carcinogens than cigarettes and that the benefit of helping adult smokers switch to a safer alternative outweighed the potential harm of hooking young people on nicotine. The research included a study that followed about 17,000 cigarette smokers for a year after they first bought Juul. After 12 months, about 58% had switched from cigarettes to Juul.

Making its way through millions of applications, the FDA rejected most of them but authorized tobacco-flavored e-cigarettes made

by Reynolds American Inc., NJOY Holdings Inc. and Japan Tobacco Inc.

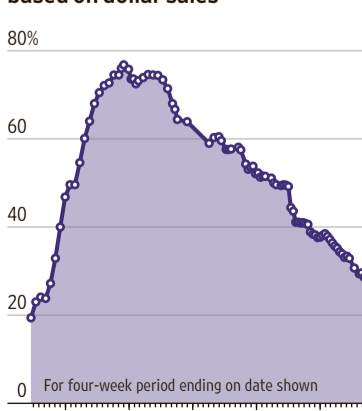
Juul said it was hopeful that at least some of its products would be authorized as well. Once it had authorization to remain on the U.S. market, it hoped to raise money to settle litigation and expand in other countries, according to people familiar with the matter. FDA authorization could even have bolstered Juul's defense in some of the pending court cases, the people said.

The FDA's ban on Juul—and the agency's reasoning—came as a shock.

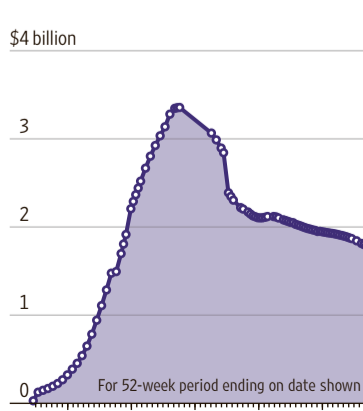
Some industry observers and public-health groups had expected the agency to find that Juul posed too great a risk to children. But youth use of Juul has plummeted. Middle- and high-school students who vape now prefer disposable brands such as Puff Bar.

The reason the FDA gave when ordering Juul off the market was that the company hadn't sufficiently answered the agency's questions on the toxicology data Juul had submitted, the documents show.

Juul's e-cigarette market share based on dollar sales



Juul's e-cigarette sales



Source: Nielsen data via Wells Fargo Securities and Goldman Sachs Equity Research



James Monsees, right, and Adam Bowen, seen in 2018, founded Juul.

“It is the applicant's burden to make a ‘showing’—with sufficient supporting information—that permitting the marketing of a new tobacco product would have a net benefit to public health,” Matthew Holman, then-director of the office of science at the FDA's Center for Tobacco Products, wrote to Juul on June 23. Because Juul hadn't provided sufficient information, he wrote, the agency was unable to make a determination.

The denial letter cited four unresolved questions, or deficiencies, in Juul's application, all related to the toxicology analyses Juul had done to assess whether its hardware, nicotine liquids or aerosols might expose users to chemicals that could pose a health risk. The letter said there could be deficiencies in other areas of Juul's application but that the four questions cited were enough to form the basis for a denial.

The FDA had previously sent these and other questions in writing to Juul, and Juul had responded with answers. Juul's written reply hadn't answered the toxicology questions to the FDA's satisfaction, Mr. Holman wrote.

Juul submitted its appeal to the FDA in late July. Juul said the

agency had many more rounds of correspondence, calls and meetings with other tobacco-product applicants—including Philip Morris International Inc., Swedish Match AB and Japan Tobacco—than it did with Juul.

The FDA, in anticipation of an avalanche of e-cigarette applications due in September 2020, decided to streamline the review process, according to people familiar with the matter. Applications in earlier years—such as those cited by Juul—involved more back-and-forth because the process was new at the time and the agency was still refining it, these people said.

The FDA said that Juul's e-cigarettes were judged solely on the strength of the company's application.

“No political appointee in any administration ever said anything to me about what should or shouldn't happen on an individual application,” said Mitch Zeller, who retired in April as director of the FDA's Center for Tobacco Products. “There was external noise. But my job was to run interference, to take the blows and let the office of science do what it was going to do.”

## EXCHANGE

SCIENCE OF SUCCESS | BEN COHEN

## When the U.S. Military Played 'Shark Tank'

The four-star general leading Central Command listened to a 24-year-old soldier; good ideas can be found in unlikely places



**Tampa, Fla.**  
Mickey Reeve stood up one morning last week and did something the young Army sergeant never thought he would do:

He told the four-star general in charge of U.S. Central Command how to fix an issue facing the American military.

Gen. Michael Erik Kurilla sat in the center of a secure conference room and took a sip from his Centcom mug as he listened to Sgt. Reeve discuss the deadly threat of enemy drones. He was flanked by senior military officials and tech executives, but Gen. Kurilla's attention was focused on this nervous soldier with a fraction of his authority who had flown over from the Middle East for this moment. He wanted to hear more.

"This is a significant problem," he said. "You've come up with an idea to help us solve that problem."

That was the reason Sgt. Reeve was there. He was one of five service members chosen from hundreds of applicants stationed around the world to participate in the first pitch competition of its kind—Centcom's version of "Shark Tank." The contest was held in the headquarters of the military's premier operations command, a place where phones are banned and clocks display the time in Afghanistan and Iraq, but the animating spirit of the event was one that applies to every business.

There are good ideas to be found in unlikely places for anyone willing to look.

They might be on a base in Saudi Arabia or hiding in plain sight one floor away. They can tackle existential risks. They also mitigate the risks that nobody else knew existed.

The only way for the military to find them was to flatten the chain of command. That doesn't come easily for troops—deference is necessary for success, and defiance is how failure happens—and it can be hard for any company. But temporarily breaking rank and empowering Sgt. Reeve to address Gen. Kurilla was a recognition that innovation doesn't just come from the top down. It also rises up from the bottom.

"The people closest to the problems are the ones seeing and feeling the pain points firsthand," said Brig. Gen. John Cogbill, the deputy operations director for Centcom. "But they don't have the resources or authorities to implement those solutions. Our four-star boss does."

Sgt. Reeve's pitch was a perfect example of how good ideas can get lost in hierarchy.

Sgt. Reeve, a 24-year-old infantryman in the Massachusetts Army National Guard, was deployed last year to the Prince Sultan Air Base



and assigned to the Counter-Unmanned Aircraft Systems team. He knew from his experience on the ground that operators needed a better system to practice disrupting, tracking and defeating hostile aerial drones. What they wanted was a universal C-UAS training simulator. What they had was a laptop with some PowerPoint slides.

He felt that even a basic training tool would help prepare the service members whose skills have never been so valuable for what defense officials have called a top priority in the Middle East. So he built one himself.

His desk was a locker door. His equipment was an eight-year-old laptop. His internet connection was unreliable.

Sgt. Reeve spent more than 100 hours of his free time coding this rudimentary training program, which allows C-UAS operators to construct scenarios they might encounter and improve their decision-making. When he learned about the Centcom event called Innovation Oasis, he accelerated the software's development, cycled through 10 drafts of his pitch and rehearsed the presentation in front of his superiors.

The executives from Google, Microsoft, NASA and Blue Origin could see the promise in his crude prototype, and the military brass whispered that it was amazing they didn't already have something like this. Gen. Kurilla told the experts around him that he had visited every C-UAS site in the region and there was definitely a market for



Central Command leader Gen. Michael Erik Kurilla sits with other judges, top; Sgt. Mickey Reeve, above, told Gen. Kurilla about the need for training; Capt. Kendra Kirkland, right, revealed inefficiencies in taking attendance at Centcom.



Sgt. Reeve's universal trainer.

His little project could make a big difference with Centcom's backing, they believed, and nobody outside Sgt. Reeve's base would have known about it before this contest.

Gen. Kurilla brought his own idea from his previous role leading the 18th Airborne Corps. When he took control of Centcom this year, he didn't take long to announce Innovation Oasis—the logo was a bunch of palm trees inside a lightbulb—with a call for submissions from across the military and De-

partment of Defense. The prize was the chance to see a theory come to life.

My favorite project came from the mind of Kendra Kirkland. A captain in the Air Force working a few hundred feet away at Centcom, she provided an important lesson in not overlooking the obvious. For all the technical challenges and moral complexities of war, even the military needs help fighting the banalities of work.

Capt. Kirkland focused on personnel accountability—or, as it's

known outside the walls of Centcom, taking attendance. What she told the judges astonished them. This organization that values precision was wasting time chasing busy people around the office because they forgot to check in.

It was an obvious inefficiency to anyone paying attention. But nobody was—except Capt. Kirkland. She figured there had to be a simpler way.

"How did you get into the building today?" she asked. "You badged in."

Her idea was to automatically mark employees present as soon as they swiped their badges. That was it! The sharks were smitten. This sort of tedium was so far beneath everyone in the room that it had never occurred to them. Many of them didn't even realize someone was spending time signing them in until Capt. Kirkland was in front of them.

They wanted solutions to known problems. This was a solution to a problem they didn't know they had.

They had searched the globe for good ideas only to discover one staring them in the face. There

were times during Innovation Oasis when the whole thing seemed a bit too cute for a war-fighting operation and I wished Gen. Kurilla would order everyone to stop using buzzwords. Yet in that moment I understood why a command responsible for dangerous corners of the planet had plans to keep hosting a game show several times a year.

"It's finding those good ideas," said Col. Melissa Solsbury, commander of the 513th Military Intelligence Brigade, "and encouraging people to have them."

The challenge for every government bureaucracy and sprawling corporation is what to do next. If a good idea is hard to find, it's much harder to apply.

That's now the duty of Centcom after the judges deliberated for an hour, the dramatic theme music of "Shark Tank" played and Gen. Kurilla awarded a meritorious service medal and four-day pass to...Sgt. Mickey Reeve.

The satisfaction of small change was enough of a reward for Capt. Kirkland. She didn't have to win a contest to win over her bosses. She was confident they would implement her solution now that they knew about the problem. "Otherwise," she said before going back to work, "I'll be reminded of it every day."

## THE INTELLIGENT INVESTOR | JASON ZWEIG

## Beware! The Fees for Your Cash Are Back

With rates rising, expenses at money-market funds are shooting higher too. Here's what you can do.



It's payback time. Savers weren't the only ones who suffered from low interest rates for most of the past decade-plus. Some asset managers suffered, too—but those days are gone.

The Federal Reserve slashed short-term interest rates in 2008—and kept them at next to nothing, except for a brief interlude, until early this year.

With interest rates so low, asset managers had little choice but to forgo collecting most of their fees on money-market mutual funds. Otherwise, investors would often have earned a negative return after the managers took their cut.

Between 2009 and 2021, asset-management firms waived more than \$53 billion in these fees, according to the Investment Company Institute.

They're quickly recouping those forgone fees. That's crimping investors' returns.

At the end of 2021, not a single U.S. money-market fund was charging more than 0.18% in annual expenses, according to Crane Data, a firm in Westborough,

Mass., that monitors money-market funds and other cash investments.

As of Sept. 30, 210 money funds—fully one-fourth of the total—were charging at least 0.5% in annual expenses, according to Crane. Nearly two dozen weighed in at 1% or more.

That helps explain why, with one-month Treasury bills and commercial paper yielding about 3.2% this week, the average money fund yielded just under 2.8%.

That's way better than the pathetic 0.02% that money funds were yielding as of Dec. 31. But it isn't good enough.

Let's put these costs in perspective by comparing money funds to other types.

Back in the 1990s, total fees at stock mutual funds averaged roughly 1%.

Since then, fees at stock funds have fallen sharply under fierce competitive pressure from Vanguard Group, the index-fund giant, and from cheap exchange-traded funds.

Weighted by size, the average stock mutual fund charged 0.47% in annual expenses in 2021, according to the Investment Company In-



stitute. Stock ETFs were even cheaper, at an average of 0.16%.

What happened to money-market fees over the same period? In 2008, taxable money funds charged an average of 0.48% in annual expenses, with the 100 largest charging 0.37%, according to Crane. As of Sept. 30 this year, the average expense was 0.39% among all taxable money-market funds and 0.26% among the 100 largest.

Instead of falling by more than half, like the fees on stock funds, the expenses on money funds have declined by less than one-third—thanks to their steep rise this year.

Even though their portfolios tend to look alike, money funds still do pick each investment by hand rather than passively replicating an entire market, as stock and bond index funds do. That has kept their costs relatively steep.

Money funds with higher fees are likely to have lower net returns; every penny the manager

takes out is one penny less for you. Those with annual expenses of at least 0.5% yield an average of 2.18%, versus 2.76% for the 100 largest money funds.

All else equal, higher-cost funds must have lower yields—unless the managers take extra risk to try overcoming the drag of bigger fees.

On average, the funds with expenses higher than 0.5% own securities with maturities 10% longer—18 days versus 16 days for all money-market funds.

That makes those with the highest fees ever-so-slightly riskier. To be sure, because all money funds hold short-term, high-quality debt, it isn't likely that any will fall below their standard value of \$1 per share.

But one, the Reserve Primary Fund, did "break the buck" in 2008, dropping to 97 cents per share—a 3% decline in assets that investors expected to remain 100%

safe. Why take even the remote chance of a repeat when you want your cash to be perfectly secure? Steering clear of money funds with high expenses should lower not only your costs, but your risk.

The recent rise in fees raises a larger question: Are money-market funds worth owning anymore?

They still hold \$4.58 trillion. That's partly because money-market mutual funds are convenient. You get free checkwriting, transfers to and from your bank, exchanges in and out of other mutual funds, and withdrawals at any time without penalty.

However, financial advisers may charge their own annual management fees on cash you keep in a money fund—which they typically don't on your holdings of Treasury bills or certificates of deposit at your bank. That fee stream gives them an incentive to recommend, or leave in place, a money fund even if it might not be the best option for you.

Brokerage firms may pinch even more of your pennies. So-called sweep options, where a brokerage automatically routes any cash you earn from dividends, interest or sales, generally yield under 0.5%.

Banks, brokers and fund companies are counting on you to leave your money where it is, enabling money funds to remain one of the last bastions of high fees.

You might have to keep some cash in money funds for the sake of convenience. But you can lift your return on cash above 3% by buying Treasury bills directly, investing in CDs from online banks or using a rate-shopping service like MaxMyInterest.com.

Investments are finally producing income again. You can, and should, be getting your fair share.

## EXCHANGE

# The New Workplace Wars

Continued from page B1

ployees to the office three days a week later this year, some employees said the move was a reversal from earlier plans that emphasized long-term flexibility. The auto maker backtracked, saying in an email four days later that its message generated “questions, concerns and misconceptions,” and that a return to in-office days wouldn’t be required before the first quarter of next year.

GM is now planning to bring people back as of Jan. 30, according to a person familiar with the situation.

The average office occupancy in 10 major U.S. cities rose to 49% as of Oct. 12, up from 44% this past summer, according to data from Kastle Systems, which tracks badge swipes. Those attendance figures are still well below pre-pandemic levels.

Other companies are holding firm despite some resistance. One is Apple Inc., where plans to increase office time this fall to three days a week at its California headquarters prompted a petition from the group Apple Together that currently has more than 1,100 signatures—a fraction of Apple’s global workforce of more than 165,000. Apple moved ahead. Tuesdays and Thursdays are mandatory and the third day is determined by individual teams.

Another is Alphabet Inc.’s Google, which called its workers back this year on a hybrid schedule that requires most to be in the office three days a week. Some employees complained about the policy, saying it could feel arbitrary because it was implemented based largely on local managers’ discretion.

One Google worker who relocated away from her office in New York City when the pandemic hit said she received an email in early October giving her about one month to move back so she could start coming into the office at least part of the time. The email, which was seen by The Wall Street Journal, gave her a few other options to avoid termination, including finding another job internally that was designated as a fully remote role.

This worker decided she didn’t want to move back and said she

## ‘This relationship between an employee and an employer has to change.’

wasn’t able to get another job within the company. She said she now has a job with a competitor that allows her to work remotely.

More than 20,000 Google employees globally have requested to go fully remote or transfer to a new location, and 85% of those requests have been approved, according to a spokeswoman. “Our approach to hybrid work is based on employee feedback and designed to maximize flexibility while fostering in-person collaboration, innovation and communities,” she said.

## Who gets paid

Pay is another point of tension between bosses and their workers as the labor market loosens and the economy slows. In an era of roughly 8% inflation, traditional annual corporate pay raises of 3% to 4% can effectively look like a pay cut to workers, some executives and corporate advisers say.

Compensation is always a contentious subject, but what makes this period more complicated for bosses is that employees are increasingly open about their salaries with each other. In recent months, employees at companies including Airbnb Inc. have publicly posted their current salaries and pay history on social-media sites like LinkedIn. Recently passed salary transparency laws in states such as California, Washington and Colorado, along with major cities like New York, also will require employers to list pay ranges on job postings.

“There’s been an enormous shift within the last couple of years,” said Christine Hendrickson, vice president of strategic initiatives at Syndio Inc., an analytics platform that helps employers identify and fix pay and other workplace discrepancies.

Some companies are now more openly talking about pay internally. The retailer Macy’s Inc. held an event for employees this past summer that included a session where workers could learn about the pay ranges for roles across the



Some managers at Salesforce, above, have a scoreboard ranking their performance. Mark Zuckerberg’s Meta Platforms, left, is pushing for productivity gains.

even as people are working more than ever,” said Colette Stallbaumer, general manager of Microsoft’s Future of Work team. “Clearly there’s a disconnect.”

Microsoft laid off some employees this week, becoming the latest tech company to show signs of concern about future demand. It didn’t give a figure for the number of layoffs.

## Managing from the middle

The job of monitoring productivity puts additional strains on what is a particularly tough role at many companies: middle management.

Middle managers have noticed they are in the crosshairs: 43% of managers surveyed feel more pressure to produce results than they did a year ago, according to an August study of more than 1,000 U.S. workers by software maker Qualtrics.

Jamey Walls, a former director of talent development with Universal Orlando Resort, said he felt

organization. It was widely attended, according to Macy’s human-resources chief, Danielle Kirgan, who spoke about it at an industry event in September.

“This topic of transparency of compensation, it’s a little uncomfortable,” Ms. Kirgan said at the event. “This relationship between an employee and an employer has to change. It has to be more of a partnership. You have to respect that relationship in a different way.”

Ken VanLuvane, president and chief executive of Facet Life Sciences Inc. outside Philadelphia, said he encountered shifting worker expectations on pay during a recent search to fill positions at his company, which employs roughly 15 people and helps small biotech, pharmaceutical and medical device companies seek product approvals from the Food and Drug Administration.

Candidates with advanced degrees and two to three years of experience insisted on base salaries of \$250,000, with guaranteed bonuses of 40% to 60%, he said. That is about \$50,000 to \$75,000 above what employees at such a level would typically make.

“We can’t hire people at what we think is a reasonable price,” he said. “So, we essentially wind up turning work away.”

## The productivity paradox

Another emerging divide between bosses and workers as the U.S. economy slows is productivity. Some companies are openly pushing for gains as they face pressure to produce results during an increasingly challenging time.

Google CEO Sundar Pichai recently said he wants to make the com-

pany 20% more productive. Meta Platforms CEO Mark Zuckerberg also told employees to operate with greater intensity and to get more done with fewer resources.

At Meta, some middle managers have been pressured to identify employees whose performance needs improvement, according to a person familiar with the matter, as the company freezes hiring and looks to hold down costs. The company has started to nudge out some staffers by reorganizing departments and giving affected employees a limited window to apply for other roles within the company. As part of its own cost-cutting measures, Google has also required some employees to apply for new jobs if they wish to remain at the company.

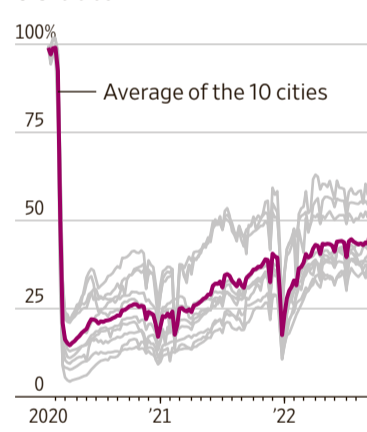
There are dramatic differences in how workers and bosses view productivity as hybrid work schedules take hold. Software giant Microsoft Corp., in a recent survey of more than 20,000 people, found that 87% of employees say they are productive at work, while only 12% of leaders have confidence that their workers are being productive.

“So we have this paradox as to how can you sort of see the same thing in two different ways?” Microsoft CEO Satya Nadella said at a leadership conference known as Masters of Scale this past Wednesday in San Francisco.

Microsoft has also analyzed trillions of anonymized productivity signals from its products and found that for the average worker, meetings, chat, and after-hours and weekend work have all increased over the past two years.

“Leaders are worried whether or not people are being productive

Office occupancy rates for 10 major U.S. cities



Source: Kastle Systems

pressure to deliver results while being asked to do more with less. He resigned from his job in June, and has started his own organizational management consulting business.

“I was working longer hours with fewer resources...and I think what started to be missing was the why,” said Mr. Walls.

Some companies are stepping up training for middle managers, pushing them to increase commu-

nication between colleagues or urging them to more quickly identify underperformers on their teams so they can be shaped up or managed out.

Cloud software giant Salesforce Inc. launched a new management training program last year that allows both new managers and experienced bosses to select courses based on skills they believe they need for managing in the hybrid world. More than 24,000 managers have voluntarily signed up.

Internal employee polling at Salesforce reinforced the growing importance of direct manager communication: While employees once considered top executives their most-trusted source of company information, that dynamic flipped during the pandemic. Now, employees rate their immediate supervisor as most important to understanding the organization and its priorities, above the executive team.

“What became really important is: What is my manager saying?” said Brent Hyder, president and chief people officer at Salesforce.

With that increased importance comes additional scrutiny. Salesforce managers with more than five employees can see an internal scoreboard that ranks their effectiveness compared with other managers in the company, based on twice-annual surveys among a manager’s direct reports. Since the company began tallying its “great leadership score” two years ago, Mr. Hyder said, ratings have improved: About 90% of employees now say their bosses are doing what they need to do to make employees successful.

## ‘We can’t hire people at what we think is a reasonable price,’ said one CEO.

“It puts a lot of pressure on our managers to make sure they are holding their one-on-ones” with employees and managing them appropriately, Mr. Hyder said. “Managers,” he added, “have always been important, but they’ve never been this important.”

## New questions for the corner office

A reset in the relationship between employees and employers is presenting new challenges for bosses, even at companies that have no trouble attracting new workers. Bob Sternfels, the top executive at consulting firm McKinsey & Co., said he encounters employees who now consider the expectations of their jobs compared with their own interests, or “what I want to do.”

The global managing partner said new workers also want a commitment that they will be able to learn new skills. “I’m hearing that louder than ever.”

Dave Regnery, CEO of heating-and-air-conditioning manufacturer Trane Technologies PLC, said he became aware of the changing dynamic between companies and employees when a call with about 350 interns took an unexpected turn.

The executive spent more than an hour explaining Trane’s values and answering questions. He told the young professionals to think of their internships as extended job interviews.

Near the end of the call, he said one intern told him: “I want you to know that this is also a long interview” for the company.

“Has the relationship changed?” Mr. Regnery said. “Yeah. I think it’s changed in a positive way.”



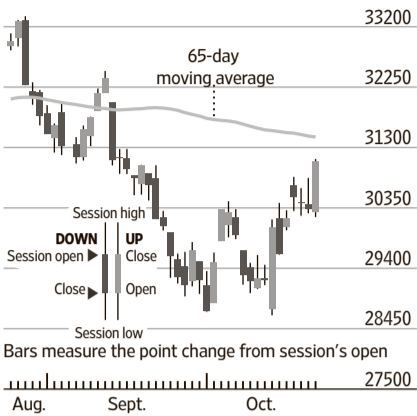
A GM engineering building in Warren, Mich. GM backtracked on plans to bring back salaried employees to the office this year.



MARKETS DIGEST

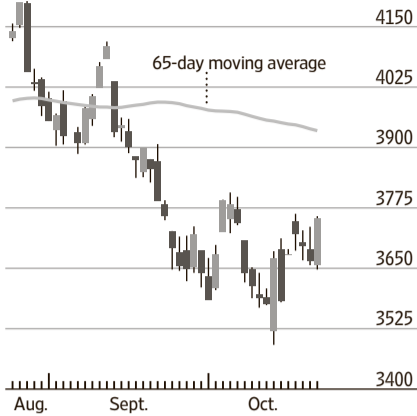
Dow Jones Industrial Average

31082.56 Last 19.32 Year ago 23.49
P/E estimate \* 16.77 18.93
Dividend yield 2.31 1.81
Or 2.47%
All-time high 36799.65, 01/04/22
Current divisor 0.15172752595384



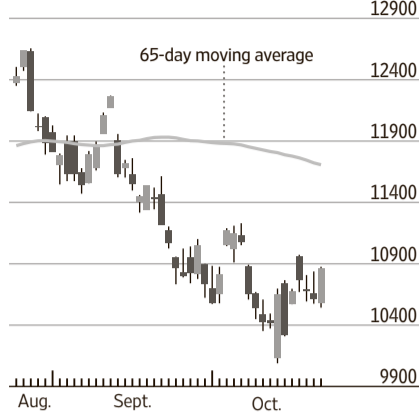
S&P 500 Index

3752.75 Last 18.27 Year ago 30.45
P/E estimate \* 16.57 22.17
Dividend yield \* 1.79 1.32
All-time high 4796.56, 01/03/22



Nasdaq Composite Index

10859.72 Last 23.07 Year ago 35.47
P/E estimate \*\* 20.97 28.95
Dividend yield \*\* 0.99 0.68
All-time high: 16057.44, 11/19/21



Weekly P/E data based on as-reported earnings from Biriny Associates Inc. † Based on Nasdaq-100 Index

Major U.S. Stock-Market Indexes

Table with columns: Index, High, Low, Latest Close, Net chg, % chg, 52-Week High, Low, % chg, YTD, 3-yr. ann. Includes Dow Jones, Nasdaq Stock Market, S&P, and Other Indexes.

Trading Diary

Table showing trading volume, advancers, decliners, and block trades for NYSE and NYSE Arca.

Track the Markets: Winners and Losers

A look at how selected global stock indexes, bond ETFs, currencies and commodities performed around the world for the week.

Table listing various market indices and commodities with their percentage changes, such as S&P 500 Energy (+8.08%), Euro area euro (+1.46%), and Nymex natural gas (-23.15%).

International Stock Indexes

Table of international stock indexes by region/country, including MSCI ACWI, S&P/TSX Comp, FTSE 100, and others.

Percentage Gainers...

Table of percentage gainers in the market, listing companies like Huadi International, Veris Residential, and others.

Percentage Losers

Table of percentage losers in the market, listing companies like Immunic, Tenet Healthcare, and others.

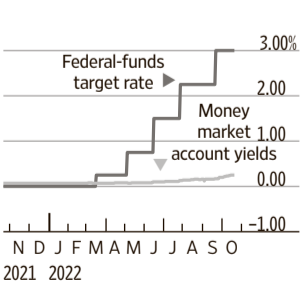
Most Active Stocks

Table of the most active stocks, including ProShares UltraPro QQQ, Snap, and Mullen Automotive.

Consumer Rates and Returns to Investor

U.S. consumer rates

A consumer rate against its benchmark over the past year

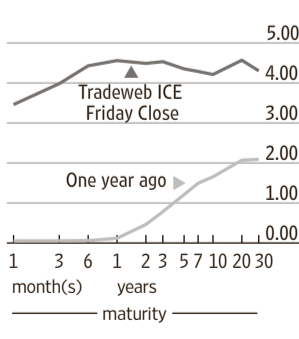


Selected rates

Table of selected rates for various banks and services, including Bankrate.com avg, TAB Bank, and others.

Treasury yield curve

Yield to maturity of current bills, notes and bonds



Forex Race

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Corporate Borrowing Rates and Yields

Table of corporate borrowing rates and yields for various companies and indices, including U.S. Treasury, Aggregate, and others.

Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Table of U.S.-dollar foreign-exchange rates for various countries and currencies, including Argentina, Brazil, Canada, and others.

Commodities

Table of commodity prices and changes, including DJ Commodity, Refinitiv/CC CRB Index, Crude oil, and others.

Sources: FactSet (indexes, bond ETFs, commodities), Tullett Prebon (currencies).

Methodology: Performance reflects price change (except DAX, Bovespa, and Tel Aviv 35, which reflect total returns). Commodities are represented by the continuous front-month futures contract.



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Bankrate.com rates based on survey of over 4,800 online banks. \*Base rate posted by 70% of the nation's largest banks. † Excludes closing costs.

Sources: FactSet; Dow Jones Market Data; Bankrate.com

Sources: J.P. Morgan; Bloomberg Fixed Income Indices; ICE Data Services

BIGGEST 1,000 STOCKS

Table with 10 columns: YTD %Chg, 52-Week High, 52-Week Low, Stock, Yld, PE, Net, and Net Chg. Lists top 1,000 stocks by market capitalization.

Stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Friday, October 21, 2022

Table with 10 columns: YTD %Chg, 52-Week High, 52-Week Low, Stock, Yld, PE, Net, and Net Chg. Lists top 1,000 stocks.

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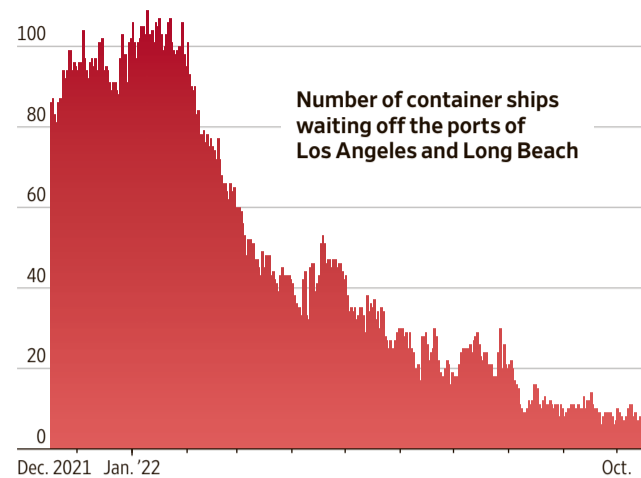
BUSINESS & FINANCE

Container-Ship Bottleneck In Southern California Ends

By PAUL BERGER

The backup of container ships off Southern California's coast that was at the heart of U.S. supply-chain congestion during the Covid-19 pandemic has effectively disappeared.

The queue of ships waiting to unload at the ports of Los Angeles and Long Beach fell from a peak of 109 ships in January to four vessels this week, according to the Marine Exchange of Southern California.



Note: Data as of Wednesday Source: Marine Exchange of Southern California

Bottlenecks continue to delay cargo at other major U.S. seaports and at inland freight hubs, but the end of the backup at the big ports in California signals broader supply-chain tangles that have been troubling retailers and manufacturers are unwinding.

Clearly it is good given how much these supply-chain constraints were drivers of inflation last year," said Sameera Fazili, a deputy director of the National Economic Council who leads the White House Task Force on supply-chain disruptions.

Port and Biden administration officials point to a range of factors that have helped ease congestion, including a tighter queuing system that had ships lining up farther out in the Pacific, new container yards that freed up space on docks, and government initiatives that fostered better collaboration between retailers, ports, railroads and truckers.

The biggest gain likely has come from fewer boxes reaching the busiest U.S. seaport complex for container imports. U.S. import volumes are declining, according to trade data analysts, and a growing share of the shipments are heading to ports on the East

and Gulf coasts as importers ship away from the Southern California backup.

The ports of Los Angeles and Long Beach together handled 686,133 loaded import containers in September, down 18% from a year earlier and the lowest level since June 2020, according to port figures.

Ports including Savannah, Ga., Houston and New York and New Jersey have coped with backups triggered by the diverted cargo. But in recent months, big-box retailers have canceled many orders after a rush of orders earlier in the year and shifting consumer buying patterns left the merchants overstocked.

Descartes Datamyne, a data analysis group owned by supply-chain software company Descartes Systems Group Inc., says container imports to the U.S. in September declined by 11% from a year earlier and by 12.4% from August.

With demand slowing, shipping lines have canceled between 26% to 31% of their sailings across the Pacific over the coming weeks, according to Sea-Intelligence, a Denmark-based shipping data group, signaling that carriers

are preparing for a continued drop in bookings.

The Southern California backup began on Oct. 15, 2020, when the Marine Exchange reported five ships were queuing to unload at the Los Angeles-Long Beach complex, an unusual number compared with the one or two ships that sometimes have to wait. The queue swelled to dozens of ships, and shipping containers spilled out from the overfilled ports as Americans stuck at home under Covid-19 restrictions ordered massive volumes of household goods, office equipment and electronics that spurred a 20% surge in imports in 2021.

Port of Los Angeles Executive Director Gene Seroka said that at one point he surveyed the scene by helicopter from the port complex to Ontario, Calif., nearly 60 miles from the coast. "You could see containers piled up everywhere. It was amazing," he said.

Backups also hit other U.S. ports, and seaports in Europe and Asia, as delays cascaded across shipping and tied up vessels as companies sought space to move their goods. By January 2022, only 31% of container ships arrived at ports on time, down from about 70% before the pandemic, according to Sea-Intelligence.

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Futures Contracts | wsj.com/market-data/commodities

Metal & Petroleum Futures

Table of Metal & Petroleum Futures contracts including Copper-High, Gold, Silver, Crude Oil, and NY Harbor ULSD with columns for Open, High, Low, Settle, Chg, and Open interest.

Agriculture Futures

Table of Agriculture Futures contracts including Corn, Oats, Soybeans, Soybean Meal, Soybean Oil, Rough Rice, Wheat, and Cocoa with columns for Open, High, Low, Settle, Chg, and Open interest.

Interest Rate Futures

Table of Interest Rate Futures contracts including Ultra Treasury Bonds, Treasury Bonds, Treasury Notes, 5 Yr. Treasury Notes, 2 Yr. Treasury Notes, 30 Day Federal Funds, and 10 Yr. Del. Int. Rate Swaps.

Currency Futures

Table of Currency Futures contracts including Japanese Yen, Canadian Dollar, British Pound, Swiss Franc, Australian Dollar, Mexican Peso, and Euro.

Index Futures

Table of Index Futures contracts including Mini DJ Industrial Average, Mini S&P 500, Mini S&P Midcap 400, Mini Nasdaq 100, and U.S. Dollar Index.

Source: FactSet

NOTICE TO READERS Due to a production constraint, global bonds and corporate bonds will appear in Monday's edition.

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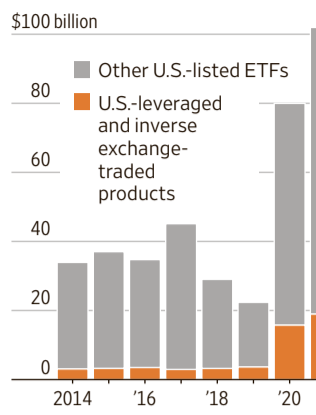
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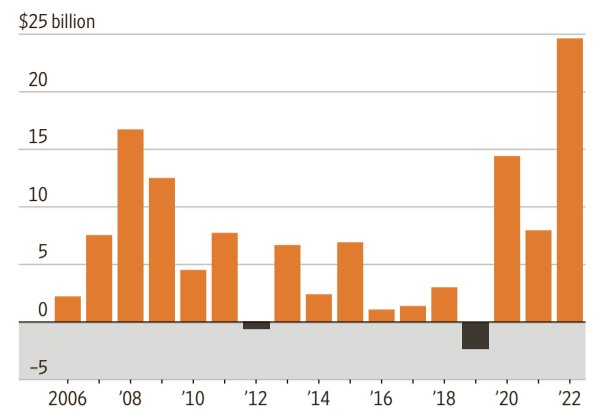
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## MARKETS

Retail investor flows into exchange-traded products\*



Flows into leveraged and inverse exchange-traded products†



\*Data for 2022 through Oct. 19 † Data for 2022 through Sept. 30 Sources: VandaTrack (retail investor flows); Morningstar Direct (flows)

## Risky ETFs See Demand Jump Amid Market Turmoil

By ERIC WALLERSTEIN

Investors are plowing record amounts of cash into risky funds that turbocharge investment bets during a market rout that is roiling stocks and bonds.

Nearly \$25 billion has flowed into leveraged and inverse exchange-traded funds this year, according to Morningstar Direct. This is already above 2008's record haul of \$17 billion.

Inverse and leveraged ETFs are complex vehicles typically meant for short-term trades. Inverse funds seek to provide the opposite movement of an underlying index, asset or derivative. Some, for example, move inversely to the Nasdaq-100 index, allowing investors to wager the technology benchmark will lose ground.

Inverse funds also often use leverage, or borrowed money, as do leveraged funds. This can magnify an investment's return, although leverage can also amplify losses. Depending on the amount of leverage, such funds seek to boost daily returns by up to three times.

To be sure, this is a niche area of the ETF market. And most investors are searching for places to hide from the market storm prompted by Federal Reserve interest-rate

rises, fears of global recession, war in Ukraine and an energy crunch.

Government-bond funds, for example, have taken in more than \$112 billion in 2022, more than double the previous annual record of \$51 billion in 2018, according to Strategas Research ETF strategist Todd Sohn. Still, the contrarian inflow into inverse and leveraged funds represents 6.1% of the net \$403 billion added to exchange-traded funds this year, according to Morningstar Direct. In 2021, such flows accounted for less than 1% of overall ETF additions and 2.9% in 2020.

And while these products are inherently risky, some investors say they offer a chance to hedge against further big market moves.

Carter Randolph, chairman of investment-advisory firm The Randolph Company, said he uses the products to diminish volatility in his portfolio. He said inverse ETFs allow him to reduce his equity exposure without incurring taxes by selling some of his stockholdings.

"We have used the [inverse and leveraged] products a lot more this year than in the past," said Mr. Randolph, whose firm manages roughly \$800 million in assets, primarily for families and foundations.

He added that one inverse, leveraged Nasdaq fund represents a little less than 5% of his portfolio, a position the firm has maintained for months.

Individual investors are also embracing such funds. Five of the 10 most popular funds among individual investors this year are leveraged, according to Vanda Research's VandaTrack, which monitors trading activity among individual investors. Meanwhile, only one bond fund managed to crack the top 10.

Two of the most popular funds among individual investors this year have been triple-leveraged wagers from ProShares on the daily returns of the Nasdaq-100—one betting on the index and the other against it. And those funds underscore the risk inherent in these products. The ETF offering three times the daily return of the Nasdaq-100 index is down around 75% this year versus an around 31% loss for the index. The fund that offers a leveraged bet on a decline of the index is up nearly 82% this year—but is down nearly 100% since its 2010 inception.

Part of the reason such products are so volatile is that they seek a return of multiple times the performance of an underlying benchmark for just one day.



Twitter shares slid 4.9% after a news report that Biden administration officials are discussing whether the U.S. should subject some of Elon Musk's ventures to national-security reviews.

## Stocks End Week With Big Rally

Continued from page B1

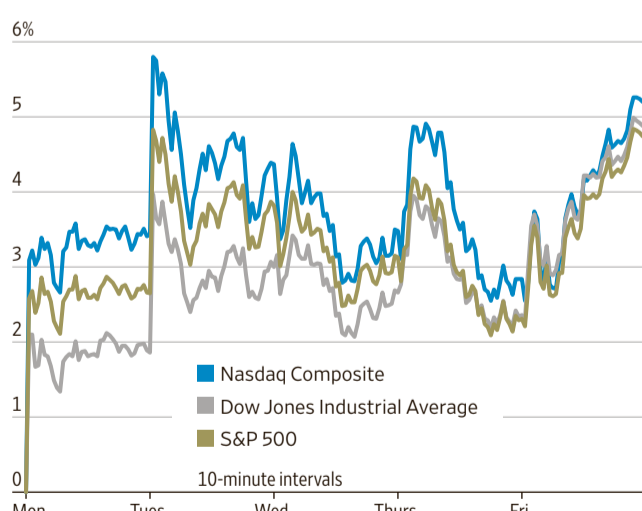
agement overseeing bonds. The yield on the 10-year Treasury note slipped Friday but climbed for a 12th consecutive week, notching its largest gains over such a stretch since 1987. The yield on the benchmark note ended the week at 4.212%, near its highest levels of the past decade.

The yield on the two-year Treasury note, which is typically more sensitive to interest-rate expectations, also slipped Friday, ending the week at 4.489%.

Investors have been closely watching earnings for clues on how rising rates, a strong dollar and high inflation are affecting company profits. Results for the third quarter have thus far been a mixed bag. U.S. banks helped boost markets earlier this week with better-than-expected results, but cracks are showing elsewhere. So far, the net profit margin of S&P 500 companies in the third quarter is set to decrease for the fifth consecutive period.

Snap shares tumbled \$3.03, or 28%, to \$7.76, after the company reported a further slowdown in sales growth and sig-

Index performance this past week



Source: FactSet

naled the digital-ad market could remain lackluster for some time. "The reality is that we see weak growth, higher inflation, and earnings surprising to the downside. It's a pretty difficult combination," said Luca Paolini, chief strategist at Pictet Asset Management. "This earnings season is going to still be OK. The worry is for the next two, in a way."

Twitter shares slid \$2.55, or 4.9%, to \$49.89, after Bloomberg News reported that Biden administration officials are discussing whether the U.S. should subject some of Elon Musk's ventures to national-security reviews.

Still, the week has been dotted by several signs that the U.S. economy is stronger than many initially feared. Several

corporate leaders—from those at JPMorgan Chase to Delta Air Lines—have expressed confidence that the consumer remains strong. And fresh data on Thursday showed that the jobs market is still healthy.

In the U.K., markets came under pressure Friday as investors wondered who will win the race to become the country's next prime minister after the resignation of Liz Truss on Thursday.

Her election and resignation have driven sharp swings in the country's currency and bonds. The U.K. 10-year gilt yield rose to about 4.05% from 3.860% Thursday. Bond yields rise as prices fall.

The U.K.'s FTSE 100 index rose 0.4%. The pan-European Stoxx Europe 600 fell 0.6%.

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