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REVIEW



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What's News

World-Wide

Ukraine's forces swept into the key southern city of Kherson after Russian troops completed their withdrawal from the regional capital, in one of the largest strategic and symbolic defeats for the Kremlin since it launched its invasion. **A1**

◆ **Sen. Mark Kelly** prevailed in his re-election bid against GOP challenger Blake Masters in Arizona, according to the AP, boosting Democrats' prospects of maintaining their Senate majority. **A4**

◆ **China eased** pandemic controls, as the country's leaders seek to lessen the pain of a stringent zero-Covid policy that has exacted a heavy economic toll and stoked growing public resentment. **A7**

◆ **Biden is moving** to tighten restrictions on emissions of methane and boost funding for developing countries to adapt to the effects of climate change and transition to cleaner technologies. **A8**

◆ **The head** of U.S. Customs and Border Protection is being forced out of his job, according to three officials familiar with the situation. **A5**

◆ **Demonstrators** in Iran clashed with security forces as they gathered to mourn the deaths of dozens of people killed during antigovernment protests. **A6**

Business & Finance

◆ **Cryptocurrency platform** FTX filed for chapter 11 protection in the largest crypto-related bankruptcy ever and CEO Bankman-Fried resigned, a demise remarkable for its swiftness as well as its size. **A1, B11**

◆ **Disney CEO Chapek** announced companywide cost-cutting measures and told division leaders that layoffs are likely, according to an internal memo viewed by The Wall Street Journal. **A1**

◆ **SoftBank reported** a profit of more than \$21 billion for the latest quarter after it aggressively unwound its stake in e-commerce giant Alibaba, interrupting two quarters of losses. **A1**

◆ **Twitter appears** to have stopped offering its paid subscription service after people were using it to impersonate companies, brands and celebrities, sowing confusion on the platform. **B1**

◆ **Stocks capped** a volatile week with the biggest gains in months, as the S&P 500, Nasdaq and Dow advanced 5.9%, 8.1% and 4.1%, respectively, over the five sessions. **B1**

◆ **The U.K. economy** shrank in the three months through September, as high energy prices and rising interest rates push the country toward what policy makers expect will be a long-lasting recession. **A6**

NOONAN

Maybe Republicans Will Finally Learn **A13**

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Still images from videos show Ukrainians celebrating on Friday in Kherson's Freedom Square before the nation's military forces swept into the key southern city and jubilant residents greeting the first troops to arrive in the square.

Ukraine's Forces Enter Kherson As Russia Leaves Southern City

BY JARED MALSIN AND ANN M. SIMMONS

Ukraine's forces swept into the key southern city of Kherson on Friday after Russian troops completed their withdrawal from the regional capital in one of the largest strategic and symbolic defeats for the Kremlin since it launched its invasion.

Cheering Ukrainians welcomed the arriving troops and raised their national flag in a public square in the center of Kherson, the only regional capital that Russia had seized since February, according to videos posted online by Ukrainian officials. A crowd of jubilant residents hoisted Ukrainian soldiers on their



shoulders. Residents also raised a European Union flag, a sign of many Ukrainians' longstanding aspirations to forge closer ties with the bloc. "Glory to heroes. Death to enemies. Ukraine above all!" shouted the crowd. Ukrainian President Volodymyr Zelensky said the Ukrainian forces entering Kherson

on Friday were special military units and that more would follow, saying that the occupying Russian forces had left explosives rigged to key infrastructure and that demining would be an early priority. Mr. Zelensky also warned Russian soldiers and Ukrainian collaborators left behind in

Crypto Platform FTX Says It's Bankrupt

Calamitous week ends with chapter 11 filing and \$8 billion shortfall; Investors out of luck

Beleaguered cryptocurrency platform FTX filed for bankruptcy protection Friday, and Chief Executive Sam Bankman-Fried resigned, a demise remarkable for its swiftness as well as its size.

By Caitlin Ostroff, Vicky Ge Huang and Alexander Gladstone

FTX and a bevy of affiliates said they had more than 100,000 creditors and tens of billions of dollars in assets and liabilities. It is the largest crypto-related bankruptcy ever.

Just a week ago, FTX was an industry titan, and Mr. Bankman-Fried its smiling public face. In January, FTX raised money from Silicon Valley's most sophisticated investors, at a valuation of \$32 billion. A few weeks ago, Mr. Bankman-Fried was publicly musing about raising more, to get even bigger.

That is all gone. The bankruptcy will likely wipe out billions of equity value, leaving

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◆ FTX collapse ensnares traders, industry lenders... B11
◆ Crypto platform's customers face uncertain future..... B11

Kelly Wins Arizona Race



Democratic Sen. Mark Kelly, above, defeated GOP opponent Blake Masters, according to the Associated Press. **A4**

Disney Tightens Belt And Signals Layoffs

BY ROBBIE WHELAN

Walt Disney Co. Chief Executive Bob Chapek announced companywide cost-cutting measures on Friday and told division leaders that layoffs are likely, according to an internal memo viewed by The Wall Street Journal.

The austerity measures, which include a ban on all but essential work travel and a freeze on new hires for all but a few critical positions, come days after Disney reported lackluster quarterly earnings and a \$1.5 billion quarterly loss at its streaming business,

significantly wider than Wall Street analysts had predicted.

In the memo, which was addressed to all executives at the senior vice president level or above, Mr. Chapek said a task force, led by finance chief Christine McCarthy and general counsel Horacio Gutierrez, would review marketing, content and administrative spending across the entire company and recommend cuts.

"I'm fully aware this will be a difficult process for many of you and your teams," Mr. Chapek said in the memo. "We are going to have to make tough

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In Days, FTX Chief Went From Golden Boy to Villain

Sam Bankman-Fried's downfall casts shadow on broader use of crypto

BY GREGORY ZUCKERMAN AND ALEXANDER OSIPOVICH

In a matter of days, Sam Bankman-Fried has gone from crypto hero to villain.

His billion-dollar fortune has collapsed. He is facing Justice Department and Securities and Exchange Commis-

sion investigations. His firm, FTX, is bankrupt, and with it many hopes for the future of crypto itself.

An outwardly genial 30-year-old commonly referred to as SBF, Mr. Bankman-Fried was until this week the industry's leading champion. His

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SoftBank Logs Profit Despite Startup Losses

BY MEGUMI FUJIKAWA AND ELIOT BROWN

TOKYO—Masayoshi Son's SoftBank Group Corp. posted a profit of more than \$21 billion last quarter after it aggressively unwound its stake in e-commerce giant Alibaba Group Holding Ltd.

The enormous gain, reported in SoftBank's earnings Friday, interrupted two quarters of losses and more than offset the continued negative impact of SoftBank's other tech holdings.

The shift away from Alibaba leaves SoftBank increasingly reliant on its startup investment unit, the Vision Fund, where losses continue to deepen. The unit posted a \$10 billion loss in the three months through September.

That was due partly to slumping shares of companies including WeWork Inc., real-estate brokerage Compass Inc. and DoorDash Inc., as well as

its holdings of private startups that have fallen in value more gradually.

SoftBank took a \$5.8 billion markdown on its holdings of more than 300 startups, which include companies in an array of areas including biotech, autonomous driving and cryptocurrency.

SoftBank's chief financial officer said Friday the company had an investment of about \$100 million in FTX. Multiple FTX investors have said they expect the value is now zero as the cryptocurrency exchange is seeking billions of dollars in rescue financing.

Problems in the Vision Fund were overshadowed by the Alibaba sell-down, however. Exiting much of its Alibaba stake marks the end of an era for Mr. Son. SoftBank led a

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◆ Alibaba's annual shopping event logs soft growth..... B3

For Seahawks, Germany Feels Like Home

* * * NFL game in Munich thrills diehard local fans

BY DAVID UBERTI

Like many Germans, Lukas Spiess loves football. Like a lot fewer Germans, he means the American kind, and the Seattle Seahawks in particular.

He likes the Seahawks so much that he flew nearly 5,200 miles from Stuttgart to Seattle to take in the spectacle of his team's season opener in September.

"It's very different from the classical European sports event," he said, pointing to extravagant pregame tailgating and opposing fans commingling in the stands. "Maybe there's a bit of smack talk," he

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MACRI COLOR
"A CHROMATIC BEAUTY"

U.S. NEWS

THE NUMBERS | By Josh Zumbrun

Three Diseases Don't Make a Pandemic



Over the course of the Covid-19 pandemic, arm-chair epidemiology became a national hobby, with ordinary Americans scrutinizing and becoming conversant in daily case counts, viral reproduction rates and herd-immunity thresholds.

Now that two traditional viruses, influenza and respiratory syncytial virus, or RSV, are on the rise, it's tempting to turn that same battery of metrics on them. That has led to warnings of a tripledemic of traditional viruses and Covid hitting at once.

This might be causing unnecessary alarm. The metrics that everyone has grown accustomed to with the novel coronavirus aren't the standard metrics doctors have used for years to track flu and RSV.

"Every respiratory pathogen season we have high rates of all the winter viruses, but this time the public is attuned to looking at dashboards," said Monica Gandhi, an infectious-disease physician and professor of medicine at the University of California, San Francisco. "Tripledemic is the phrase that's being used. We can look at this more soberly."

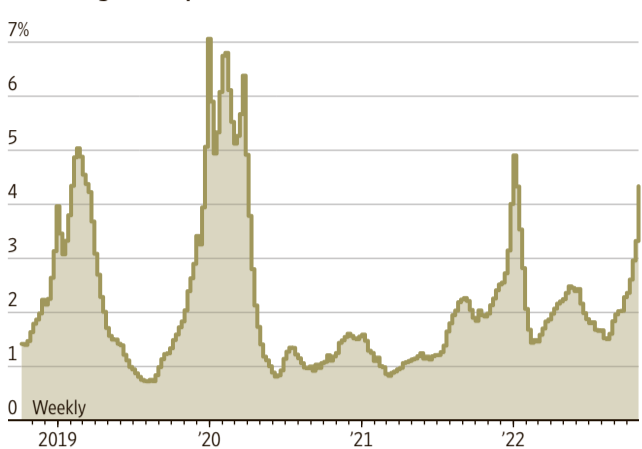
somewhat different picture from the nightmarish scenario of three pandemics striking at once.

The first line of surveillance for the flu and RSV is a network of about 400 public-health and clinical laboratories across the U.S. that regularly test specimens for diagnostic purposes. Before the Covid pandemic, people weren't routinely tested for colds and mild coughs, so most cases were never systematically measured. Health officials didn't publish daily estimates of flu and RSV cases. But the labs reported how many of their tests were coming back positive—a useful, seasonal sign of when a virus is on the rise.

This year, those scattered positivity reports were the first sign of concern. The Centers for Disease Control and Prevention reports that the percentage of RSV tests coming back positive climbed from below 5% in August to above 15% as of late October. For the flu, 9% of tests are coming back positive, up from just over 1% a month ago.

The CDC also tracks the percentage of people who show up at the doctor for outpatient visits for fever and cough, or sore throat, which are considered influenza-like illness. In the final week of

Percentage of outpatient medical visits for influenza-like illness



Note: Until Oct. 3, 2021, known Covid-19 cases weren't included. Source: CDC

October, the figure was 4.3% of visits, unusually high for this early in the season.

Covid trained Americans to interpret a rise in positivity as foreshadowing a potentially devastating new wave of infections. That, however, isn't the case here.

The CDC hasn't used or promoted the term tripledemic—and in a call with reporters last week, CDC officials clarified that for now their data shows an unusually early start to the flu season but not necessarily an unusually dire one.

With flu, "pandemic" typically refers to a global outbreak of a new strain, such as swine flu in 2009 or other strains in 1957 and 1968. This

year, most flu viruses detected have been a familiar strain: H3N2. Such a strain can be serious but not at the scale of pandemics.

Lynnette Brammer, an epidemiologist in the CDC's flu division, said: "What we know right now is that we are seeing an early season. As far as how severe the season will be, we're just going to have to wait to follow the season. But right now we're not seeing anything that would lead us to believe that it is more severe. It is just early right now."

In the absence of reliable, comprehensive testing results (with Covid-19, home test results are typically not reported to health authori-

ties), epidemiologists focus on hospitalizations as an indicator of severe illness.

Although daily state-by-state hospitalization totals aren't available for every disease nationwide, the CDC collects some detailed data from two programs: the Emerging Infections Program and the Influenza Hospitalization Surveillance Network. For RSV, 12 states participate. For the flu, 13 do. The burden of Covid, RSV and the flu can be compared by looking at hospitalizations per 100,000 people in participating regions.

This metric underscores why CDC officials have cautioned that this is an early season but not yet a severe one. In the last week of October, 2.6 out of 100,000 people were hospitalized with RSV and 1.2 out of 100,000 for flu.

In each of the two winters before the pandemic, beginning in 2018 and 2019, there were at least 12 weeks in which seasonal hospitalization rates were as high. They just weren't so early. The CDC cautions that the numbers are likely to be revised higher as more cases are reported.

Hospitalizations aren't a perfect measure. For instance, most hospitals routinely test every patient for Covid-19, regardless of why

he or she was admitted. A car-crash victim might be recorded as a Covid patient if he or she had the virus a few weeks earlier and still tested positive on a PCR test.

By contrast, the CDC cautions that RSV might be undercounted for the opposite reason: It isn't routinely tested for. Similarly, flu isn't automatically tested for in the way Covid has been since 2020.

Things could change quickly, which would be reflected in the metrics, particularly hospitalizations. Individual hospitals can still be overwhelmed, even if national numbers remain in check.

Doctors are quick to advise that flu vaccines and Covid boosters have been effective at keeping people out of the hospital. The number of people who get vaccinated could influence the severity of the season.

But some doctors would like to hold off on the more-alarming rhetoric.

"I just don't see what the point is really of labeling this confluence of seasonal viral infections as a triple threat or a tripledemic," said Jake Scott, a clinical professor at Stanford University and an infectious-disease physician. "I think we have to be sensitive and mindful not to stoke fears more than is necessary."

U.S. WATCH

SOUTHEAST

Nicole Dumps Rain, Leaves Damage

Heavy rain from the remnants of Hurricane Nicole covered the eastern U.S. from Georgia to the Canadian border Friday while hundreds of people on a hard-hit stretch of Florida's coast wondered when, or if, they can ever return to their homes.

Parts of otherwise intact buildings hung over cliffs of sand created by pounding waves that covered the normally wide beach in Wilbur-by-the-Sea, near where Nicole made landfall. Dozens of hotel and condominium towers as tall as 22 stories were declared uninhabitable in Daytona Beach Shores and New Smyrna Beach after seawater undercut their foundations.

As Nicole's leftovers pushed northward, forecasters issued multiple tornado warnings in the Carolinas, although no touch-downs were reported immediately.

Downgraded to a depression, Nicole was expected to dump as much as 8 inches of rain over the Blue Ridge Mountains, forecasters said, and there was a chance of flash and urban flooding as far north as New England. —Associated Press



VETERAN'S PARADE: Army veteran Devon Kessenger, left, was helped by his brother David Murphy as students at Foust Elementary School in Owensboro, Ky., cheered him on Veterans Day. Alicia Kessenger walked behind her husband.

LABOR DEPARTMENT

Agency Says Minors Cleaned Meat Plants

Dozens of minors, some as young as 13, were illegally em-

ployed to clean meat-processing plants in Minnesota and Nebraska, federal authorities said.

The Labor Department filed a federal complaint in Nebraska asking for a nationwide temporary restraining order and injunction

against Packers Sanitation Services Inc., a food-safety company that provides contract sanitation services, over the allegations.

U.S. District Judge John M. Gerrard, of the District Court of Nebraska in Lincoln, issued the

temporary restraining order Thursday, a Labor Department spokeswoman said.

PSI said Friday that its policy prohibits the employment of anyone younger than 18 years old and it has zero tolerance for violations.

The Labor Department said Wednesday its Wage and Hour Division found PSSI has employed at least 31 children working in hazardous jobs. Children ages 13 to 17 years old worked overnight shifts with dangerous powered equipment at plants owned by JBS USA Holdings Inc. in Grand Island, Neb., and Worthington, Minn., and at another facility owned by Turkey Valley Farms LLC in Marshall, Minn., it said.

The investigation found several of the children, including one 13-year-old, suffered caustic chemical burns and other injuries, according to the department.

PSI said it was surprised by the department's court filing. The company said it has successfully completed multiple audits with the agency that found no issues.

PSI employs 17,000 people across more than 700 locations, the company said. It said it uses a government E-Verify system and other procedures to confirm the identity of its employees.

JBS worked with an independent third-party to audit sanitation providers at its facilities after it was made aware of the allegation against PSSI, said Michael Koenig, chief ethics and compliance officer at JBS.

Turkey Valley Farms said it is conducting an internal review. —Talat Ansari

SoftBank Reports Big Profit

Continued from Page One

\$20 million investment round in Alibaba in 2000. A few years ago, SoftBank held more than 30% of Alibaba, and the stake at its peak was worth more than \$200 billion.

Mr. Son's relationship with Alibaba's founder, Jack Ma, was one of the most fruitful of the past two decades, as

shares of both companies surged upward. The ties eroded over the past two years as SoftBank began edging out of Alibaba while Mr. Ma, and Alibaba shares, came under pressure from Chinese regulators.

Once making up most of SoftBank's overall value, Alibaba's falling share price and SoftBank's sales leave it at just 15% of SoftBank's assets, the company said. SoftBank has raised cash from some of that remaining stake through prepaid forward contracts, which analysts believe is a prelude to a sale.

At the earnings release, Mr. Son delivered an abbreviated

presentation in what he said would be his last—for a while—of a whimsical ritual in which he flips through slides that have previously featured flocks of unicorns and charts with arrows zooming upward. The company had earlier said the billionaire would only make short remarks.

Mr. Son said that he was pivoting his focus to Arm, a SoftBank-owned chip-design company that he hopes to spin off in a public offering next year. SoftBank had previously attempted to sell Arm to Nvidia Corp., but the deal was abandoned over concerns it wouldn't gain antitrust approvals.

The shift away from Alibaba leaves SoftBank more reliant on startups.

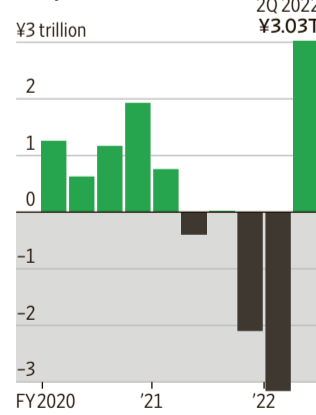
"I will devote myself to the explosive growth of Arm for at least the next couple of years," Mr. Son said in his 30-minute opening remarks. "This is my excitement and happiness. It is also the best for growth of SoftBank if I focus on Arm and related businesses."

SoftBank's share price has

shot higher in recent weeks, propelled by the company's promise to buy back its shares. The company said this past week that it made substantial share repurchases over the past six weeks, spending more than \$3.5 billion.

The company's share price has risen more than 26% this year, much of that in the past month, making it an outlier in the otherwise bleak tech sector. SoftBank has also benefited from currency effects. The dollar has risen sharply this year against the yen, the company's reporting currency. Most of its assets are valued in dollars.

SoftBank's quarterly net profit/loss



Notes: FY2Q 2022 ended Sept. 30; ¥1 trillion = \$7.09 billion. Source: the company

CORRECTIONS & AMPLIFICATIONS

The hospitality group In-House says its Blantyre resort in Massachusetts will reopen to the public in spring 2024, and it is developing its Paramount Estate property in Los Angeles as an undetermined project. An article in the November issue of WSJ Magazine about the launch of In-House incorrectly said Blantyre would reopen in fall 2023, and it referred to the Paramount project as a hotel. Additionally, one of In-House's managing directors, Philip Pavel, was incorrectly identified as a house manager.

The Paramount Pictures film "Babylon" is set to be released on Dec. 23. An article about one of its stars, Margot Robbie, in the November issue of WSJ Magazine incorrectly said the film would be released on Christmas Day.

Saint Laurent and its chief executive, Francesca Belletini, have said that the company's medium-term goal is to reach \$5 billion in annual sales. An article in November's WSJ Magazine about Anthony Vaccarello, Saint Laurent's creative director, incorrectly said

Ms. Belletini aimed to reach that target by 2026.

Actor Maya Rudolph said she didn't have a good time during her first talk-show appearance. An article about her in November's WSJ Magazine incorrectly said she was referring to an interview on "The Late Show With David Letterman."

The National Security Archive is a nonprofit, nonpartisan, nongovernment organization that uses Freedom of Information Act requests to

get historical records declassified and made public. An article in November's WSJ Magazine about the artist Jenny Holzer incorrectly said that the National Security Archive is a government entity, and it implied that the archive itself censors documents.

The 2013 Chevrolet Volt is a plug-in hybrid. A U.S. News article on Nov. 1 about some communities in California's wine country banning construction of new gasoline stations didn't make clear that the vehicle isn't fully electric.

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U.S. NEWS

Kids Learn First Aid for Shootings

By DAN FROSCH

CANTON, Ohio—Don Ackerman was checking on some vacant homes that his church is refurbishing when a 6-year-old boy in the neighborhood began talking about how gunfire doesn't frighten him.

"My mom tells me to stay back, because gunshots can go through the wall," the boy said, standing in his yard strewn with bikes and toys on a recent October afternoon. "I don't get scared at all. They're not very loud."

Mr. Ackerman, a United Methodist pastor, said it is common to hear such stories from children in this city of 70,000.

Feeling overwhelmed by the problem, he began organizing first-aid trainings this past summer for kids as young as 3, aiming to teach them how to care for people who have been shot with dressings and pressure to stanch bleeding.

Similar efforts are popping up in communities grappling with gun violence, all intended to give young residents the means to help their neighbors, friends and loved ones survive a shooting.

"It gives kids and parents here the agency to do something about these challenges as opposed to sitting around and feeling hopeless," said Mr. Ackerman, who served 10 years in the Army before joining the ministry.

The gun homicide rate in the U.S. rose to the highest levels in 26 years in 2020, according to the Centers for Disease Control and Prevention. The rise continued in 2021, preliminary data show.

In Canton, there were 49 shootings last year, nearly double the number in 2018, and 21 homicides, the highest tally in at least a decade, according to police data.

A booming manufacturing hub decades ago, some 30% of Canton residents and about half the city's children now live in poverty, according to census data.

The first-aid program took shape last spring when Mr. Ackerman was speaking to a group of children in the Shorb Avenue neighborhood, where



Latoya Dickens-Jones, top, ran recent training sessions for kids in Canton, Ohio, in which each received a first-aid kit, above.

boarded-up buildings sit not far from the sprawling Pro Football Hall of Fame complex. A girl about 12 casually described listening to gunshots ring out by her home, the 36-year-old pastor recalled. When she wandered outside, she said

Children as young as 3 are taught how to care for people who have been shot.

she saw a dead body in the street.

"I wondered, 'Am I really having a conversation with a child right now?'" he said.

Haunted by the girl's story, Mr. Ackerman and the non-profit he runs, Canton for All

People, organized three first-aid sessions at parks in neighborhoods where the group is restoring run-down houses.

Groups of kids between ages 3 and 12 learned how to use gauze to apply pressure to a gunshot wound until an adult arrives, said Latoya Dickens-Jones, a nurse who ran the trainings. After Ms. Dickens-Jones demonstrated on a child's arm, the kids practiced on each other while she chimed in with pointers.

Many of the kids were too young to learn how to fashion a tourniquet, she said, but all had heard gunshots before.

Ms. Dickens-Jones then gave the children a scenario where they are playing with a friend at home when a bullet whizzes through the window and hits the friend in the arm. The group eagerly repeated what they had learned, she

said: "Go get my mom. Get our kit. Hold pressure."

The approximately 60 kids total who attended the training went home with first aid kits filled with bandages, gauze and an eye-patch.

"These are kids who should be able to run outside and play and not have to worry about if they hear a gunshot or if one of their friends is going to get shot," Ms. Dickens-Jones said. "But they have to be wiser."

Mr. Ackerman said when he started the trainings in Canton, he wasn't aware some other cities were offering their own versions.

In Durham, N.C., the fire department has helped run "Stop the Bleed" courses developed by the American College of Surgeons, teaching dozens of young teens how to treat gunshot wounds and other injuries, said Fire Capt. Elaine Towner.

In Chicago, the violence prevention group GoodKids MadCity trains young people how to stanch bleeding from gunshot wounds with whatever they have on them—a credit card, driver's license, socks—until help arrives.

Carlil Pittman, the organization's co-founder, said the sessions double as therapy for traumatized young people who take on different roles as part of the training: shooter, victim, witness.

"It's mind-blowing that they even have the capacity to sit and laugh and talk about stuff like this," Mr. Pittman said. "But it just shows how it is become the norm."

José Salinas sent his three children—ages 5, 7 and 9—to a session with Mr. Ackerman. Mr. Salinas, 28, said he wanted his kids prepared for anything in their neighborhood, where they sometimes heard gunshots. He said they now show him proper techniques when he patches up their paper cuts.

Groups in other cities said several children who took their trainings had used what they learned to save gunshot victims. That hasn't happened yet in Canton, said Mr. Ackerman.

"I can't take guns away from people," he said. "I'd rather train the next generation to be healers."

U.S. Prolongs Covid-19 Emergency Status

By STEPHANIE ARMOUR

The Biden administration gave no signal to state officials on Friday of plans to end the Covid-19 pandemic's status as a public-health emergency, in turn leaving the designation in place past January.

The Department of Health and Human Services previously told states they would get 60 days' notice before the public-health emergency is lifted. The designation was renewed in

October through Jan. 11. The lack of notice to states means the public-health emergency may extend until the spring.

"The Covid-19 public-health emergency remains in effect and as HHS committed to earlier, we will provide a 60-day notice to states before any possible termination or expiration," said Sarah Lovenheim, assistant secretary for public affairs at HHS.

The public-health emergency was first declared in

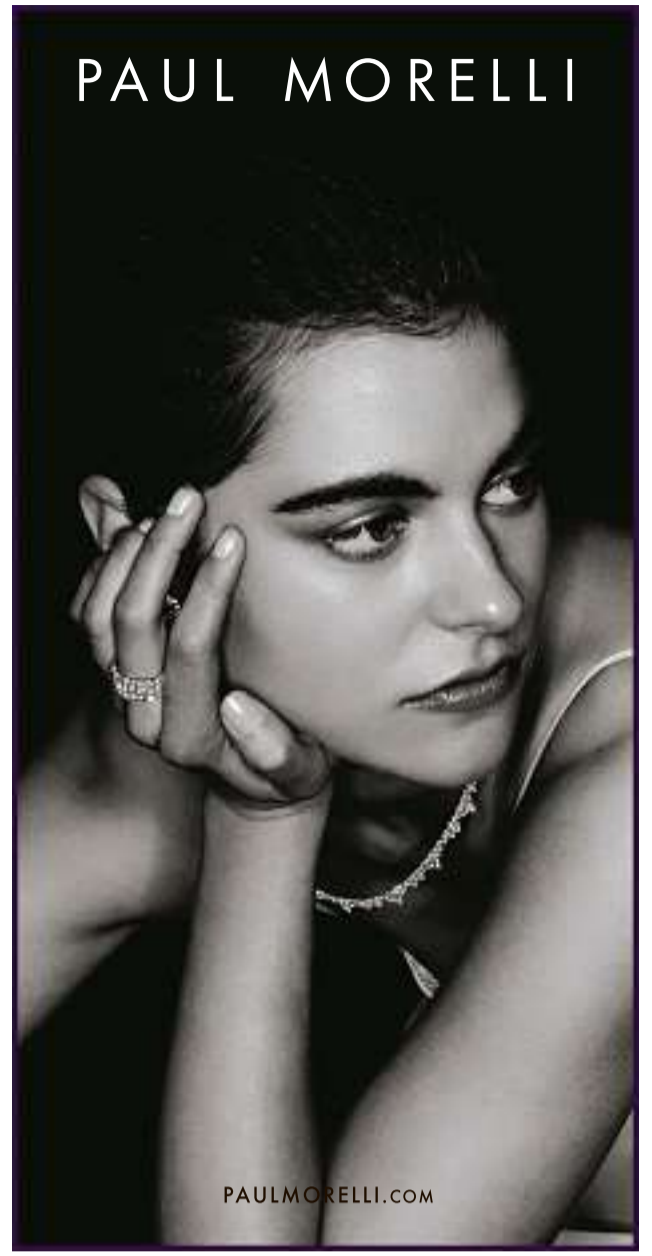
January 2020 and has been renewed by 90 days every time it was due to expire.

The designation enables certain Covid-19 measures, such as the suspension of eligibility renewals for people on Medicaid and the prescription of controlled substances via telehealth, which will remain in place for now. States are bracing for a massive effort to redetermine individuals' Medicaid eligibility once the designation is lifted, and public-health lead-

ers say millions of beneficiaries could lose coverage.

The designation has also enabled states to receive enhanced federal payments for Medicaid and for pharmacists to give Covid-19 shots.

The U.S. saw a weekly average of 289,000 new Covid-19 cases as of Nov. 9, up from a weekly average of about 265,000 for the week ended Oct. 12, according to the Centers for Disease Control and Prevention.



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PARIS

U.S. NEWS



Election workers opened mail-in ballots Friday in Phoenix. Sen. Kelly beat GOP challenger Blake Masters, giving each party 49 seats. Two seats remain to be filled.

Georgia Runoff Kicks Into High Gear

By JOSHUA JAMERSON AND LINDSAY WISE

Republican Senate candidate Herschel Walker began his Georgia runoff bid the same way he ended his general election campaign earlier this week: with a bus tour. On Thursday evening, it began with a stop in Canton, Ga., featuring Sen. Ted Cruz (R., Texas).

"We're in overtime," Mr. Walker, a former Heisman Trophy winner at the University of Georgia, said. "I was built for this. God prepared me for this moment right here."

Democratic Sen. Raphael Warnock spoke to media and supporters in Atlanta on Thursday, telling Georgians "to do what you've done before. I need you to show up and vote."

The Democratic Senatorial Campaign Committee on Thursday said it would put \$7 million into field organizing in support of Mr. Warnock. Quentin Fulks, Mr. Warnock's campaign manager, said in a memo Thursday that Mr. Warnock's campaign would increase digital-advertising and door-knocking efforts that helped him win in a 2021 runoff election. The National Republican Senatorial Committee declined a request for comment.

Mr. Walker raised \$3.3 million in the first day since the runoff started, according to a person familiar with the matter. A spokesman for Mr. Warnock didn't respond to a request for comment on his fundraising.

Messrs. Walker and Warnock were forced into a Dec. 6 runoff after neither man earned 50% of the vote, as required by state law. It is the second time in two years that Georgia has featured a Senate runoff race. The stakes in their showdown depend on the outcome of one other race.

As of Friday evening, the only remaining state to be called by the Associated Press beyond Georgia was Nevada, after the AP projected that Democratic Sen. Mark Kelly had defeated Republican challenger Blake Masters in Arizona. If Sen. Catherine Cortez Masto defeats GOP opponent Adam Laxalt in Nevada, the Democrats will have 50 Senate seats, thanks to Sen.-elect John Fetterman's win over Republican Mehmet Oz in Pennsylvania. Mr. Fetterman will replace retiring Republican Sen. Pat Toomey.

If Ms. Cortez Masto wins, that would ease the pressure for the party in the Georgia race. If the Democrat loses in Nevada, the Peach State will once again become a national battleground for control of the Senate. Each campaign is now readying their final arguments to voters.

It is the second time in two years that the state has featured a Senate runoff race.

In his memo, Mr. Fulks noted that Mr. Walker vastly underperformed Gov. Brian Kemp, a Republican incumbent who defeated Democratic challenger Stacey Abrams on Tuesday by nearly 8 percentage points.

The Senate Leadership Fund, a super PAC aligned with Senate Minority Leader Mitch McConnell (R., Ky.), Thursday reached a roughly \$2 million agreement with the Kemp campaign to use its get-out-the-vote resources to help Mr. Walker.

Georgia Secretary of State Brad Raffensperger on Wednesday said neither candidate reached the required 50% support under state law, largely because of the presence of Chase Oliver, a Libertarian Party candidate, on the ballot. Mr. Oliver received enough votes to prevent one of the major-party candidates from winning outright.

Mr. Warnock and now-Sen. Jon Ossoff triumphed in runoff elections in January 2021 that gave the Democratic Party narrow control of the U.S. Senate.

—Siobhan Hughes and Cameron McWhirter contributed to this article.

Democrats Keep Arizona Senate Seat

By JOSHUA JAMERSON AND ELIZA COLLINS

Arizona Democratic Sen. Mark Kelly prevailed in a closely fought re-election bid against Republican challenger Blake Masters, according to the Associated Press, boosting Democrats' prospects of maintaining their Senate majority.

Mr. Kelly's victory, which the AP called Friday night, means that Democrats need to win one of two outstanding Senate races to keep their majority, while Republicans must win both races to take control of the chamber.

In the House of Representatives, the GOP remained on track toward winning a narrow majority, outside analysts said, but the final outcome still hinged on races that were too close to call as of Friday, and both parties were girding for results that might not be known for days.

The two remaining Senate races are in Nevada, where Democratic Sen. Catherine Cortez Masto is locked in a close contest with Republican challenger Adam Laxalt, and Georgia, where Democratic Sen. Raphael Warnock is facing GOP rival Herschel Walker

in a Dec. 6 runoff election. Mr. Kelly, a former astronaut and Navy veteran, beat Mr. Masters, an ally of billionaire Peter Thiel, in a race that became highly competitive in the final weeks. Arizona will continue to have two Democratic senators.

This is Mr. Kelly's second win in two years. He won his seat in 2020 to serve the remainder of the late Republican Sen. John McCain's term.

Arizona was long seen as a reliably Republican state until the last few elections, which Democrats have won statewide with the help of a coalition of Democrats and disaffected Republicans and independents. Registered Republican voters are still the state's largest voting bloc, but they are followed closely behind by independents and Democrats.

With the Arizona race settled, Democrats and Republicans will control 49 Senate seats each in the new Congress. Republicans would gain a 51-seat majority with wins in Nevada and Georgia. Democrats need to win just one of those contests to keep control of the chamber with 50 seats, because the party controls the White House and the vice pres-

ident casts a tiebreaking vote. Tuesday's election-night roller coaster, with Democrats faring much better than either party expected, has morphed into a multiday slog. Republicans and Democrats were awaiting results in uncalled races while poring over various scenarios on how either party could capture a majority.

On the House side, the focus was on seats located mostly in Western states where contests remained tight and some elec-

Democrats must win Nevada or Georgia for a majority. The GOP needs both.

tion officials were taking longer to count votes. In California, where several races were ranked as tossups by the non-partisan Cook Political Report, results could be days or weeks away.

Republicans had won 211 seats, according to the Associated Press, short of the 218 needed for control, though analysts said the party was on track

to cross that threshold. Democrats had 201 seats, including two in districts where only Democrats are on the ballot.

Jacob Rubashkin, an analyst with Inside Elections, a non-partisan publication that studies campaigns, called California and its unresolved House seats the "elephant in the room."

Dave Wasserman of the Cook Political Report said Friday he sees about two dozen remaining House races where the expected winner is unclear. If those races were to break evenly, he said, Republicans would win a 222-213 edge. He noted that result would effectively be a "mirror image of Democrats' current margin in the House," which stands at 220-212, with three absences.

Mr. Wasserman identified 11 seats in California that were unresolved. Of those, Cook Political Report rated the GOP as favored in four, Democrats favored in three, and four as tossups.

Among the high-profile House races in California, GOP Rep. Mike Garcia held a lead over Democrat Christy Smith in a race that favors the Republican; Democratic Rep. Josh Harder held on to a healthy lead over Republican

Tom Patti in a race that favors the Democrat; and Democratic Rep. Katie Porter, a rising star in the party, held a narrow lead over Republican Scott Baugh in a nail-biter.

Mr. Rubashkin said that the GOP was still favored to win the chamber. "For the House majority, Democrats need a lot of things to go right," he said.

Several other House races in Oregon, Washington, Colorado and Arizona hadn't been called and results could take days. Some undecided races were close, while other contests were considered to be uncompetitive but have been held up by slow counting.

In Arizona, Republican Rep. David Schweikert, who has held a House seat since 2013, was hoping for enough ballots to beat Democrat Jevin Hodge.

In Colorado, GOP Rep. Lauren Boebert was facing an unexpectedly strong challenge from Democrat Adam Frisch for her largely rural district. In Washington, D.C., on Thursday, she said a lack of enthusiasm for other Republicans on the ballot might have cost her support.

—Chad Day, Tarini Parti and Katy Stech Ferek contributed to this article.

DeSantis's Momentum Stokes Trump Rivalry

By JOHN McCORMICK AND ALEX LEARY

WEST PALM BEACH, Fla.—Gov. Ron DeSantis's huge win in Florida, a standout for Republicans amid disappointments, is fueling a surge in support for his presidential prospects from party leaders, donors and activists in the GOP's Donald Trump-averse wing, as well as fresh attacks from the former president.

Candidates Mr. Trump endorsed in some pivotal races for Senate and governorships lost Tuesday, hurting GOP efforts to regain congressional majorities and control of statehouses. That has prompted some Republicans to more openly call for the party to move past the former president.

If he decides to run, Mr. DeSantis isn't expected to announce a bid until after his state's legislative session ends in early May, people familiar with the early discussions said.

Republican activists in Iowa, where the party's presidential nomination process will start with caucuses in early 2024, said they are eagerly anticipating an eventual visit from the 44-year-old Florida governor.

"I would love to see DeSantis run and would back him 100%," said Kevin Van Otterloo, a former GOP chairman in one of Iowa's most conservative counties. "There are a lot of people who are tired of Trump and looking for something new, and DeSantis doesn't make everybody mad all the time."

But Mr. Trump is sticking with plans to try to lock in early support by announcing another presidential bid on Tuesday night, despite some pressure from supporters to delay that until after Georgia's Dec. 6 Senate runoff.

The former president's team has for months anticipated a challenge by Mr. DeSantis and would prefer that others get in the race so support in the non-Trump wing of the party is splintered.

Mr. Trump has wasted no



Florida Gov. Ron DeSantis, shown with his wife Casey DeSantis, won re-election by 19 points.

Early Rising Stars Get No Guarantees

Ron DeSantis's victory over Charlie Crist, a former Republican governor of Florida who later became a Democrat, was a rout. But there's no guarantee his stock will keep rising.

Other GOP governors in recent presidential nomination races—including Jeb Bush of Florida and Scott Walker of Wisconsin—were also seen as hot prospects, before seeing

time in going after the governor and Thursday night issued a lengthy statement attacking him as disloyal and taking credit for his political rise, thanks to an endorsement in the 2018 gubernatorial primary. Recalling his own 2016 battle in a crowded primary field, Mr. Trump relished how he "easily knocked them out, one by one. We're in exactly the same position now. They will keep coming after us, MAGA, but ultimately, we will win," he said, using his Make America Great Again slogan.

Despite not appearing on the ballot, Mr. Trump held dozens of packed rallies during the midterm election cycle. Such a following has fueled his small-dollar fundraising machine. His unconventional style and celebrity attracted new voters to the party and candidates up and down the ballot adopted his policies. Past predictions of his political demise, including in the aftermath of the Jan. 6 Capitol riot, didn't materialize.

"People love President Trump," said Michael Barnett,

their campaigns collapse.

Still, Mr. DeSantis won 62 of Florida's 67 counties and became the first GOP candidate for governor since 2002 to win Miami-Dade County, which is majority Hispanic. Statewide, Mr. DeSantis won more than half of the Latino vote, according to an AP VoteCast survey.

After winning his second term by 19 percentage points, Mr. DeSantis delivered a victory speech that underscored his political ambition. His supporters gathered in Tampa responded with chants of "two

more years"—a reference to the 2024 presidential election.

So far, Mr. DeSantis hasn't engaged in a back and forth with the former president.

"DeSantis has the high ground coming off a fantastic win this past week, and if he were to start engaging in counterattacks or responding to Trump, then he'd only be lowering himself into all the muck," said Ron Bonjean, a GOP strategist. "If he takes the bait on all these attacks that Trump is trying to escalate, a lot of people will be turned off by it."

chairman of the Palm Beach County GOP, adding he thinks there's a place in the party for both men. "I love DeSantis. We worked our hearts out for him. However, we love him for governor and for president in 2028. I think he needs to wait his turn."

The DeSantis campaign declined to comment.

The governor has sketched a second-term agenda that includes targeting what he calls "woke capital"—entities that are part of the environmental, social and corporate gover-

U.S. NEWS

Border Agency Chief Pressured To Step Down

By MICHELLE HACKMAN

WASHINGTON—The head of U.S. Customs and Border Protection is being forced out of his job, according to three officials familiar with the situation, in the first apparent shake-up of the Biden administration following the mid-term elections.

Chris Magnus, the agency's commissioner since December 2021, was asked by Homeland Security Secretary Alejandro Mayorkas this week to resign his post or risk being fired, the people said.

Mr. Magnus has told some media outlets that he wouldn't resign. He didn't respond to requests to comment. A spokesman for the Department of Homeland Security declined to comment.

The clash brought into public view a long-running rift between Mr. Magnus and other top immigration officials in the Biden administration, who in the past year have increasingly come to distrust him and exclude him from key decisions, according to people familiar with the matter.

The internal push against Mr. Magnus comes less than a year after the Senate confirmed him to the post, mostly along party lines, over Republican objections. Both Messrs. Magnus and Mayorkas have faced calls from Republicans to resign their posts in the face of more than two million apprehensions at the southern border last year, the most of any year since the government began keeping records.

President Biden nominated the 62-year-old Mr. Magnus in April 2021 to lead the 60,000-person agency, which oversees the U.S. borders along with customs and immigration processing at the nation's airports and land and sea ports of entry. He served as the agency's

first confirmed commissioner since 2019 and its first openly gay leader.

As commissioner, Mr. Magnus gave priority to attempting to overhaul the culture of the Border Patrol. Earlier this year, he disbanded internal Border Patrol investigative bodies known as critical incident teams, which were accused by immigration advocates of being more focused on protecting Border Patrol agents rather than fully investigating serious incidents.

But Mr. Magnus was increasingly cut out of administration meetings on immigration, which routinely include officials from the White House, DHS and other immigration agencies including U.S. Immigration and Customs Enforcement, according to people familiar with the matter.

Mr. Mayorkas has a close working relationship with Border Patrol Chief Raul Ortiz, who technically reports to Mr. Magnus but often speaks directly with Mr. Mayorkas, the people said.

Mr. Magnus publicly broke with the administration on several occasions. In one August tweet, he criticized the continued implementation of Title 42, a pandemic-era border policy allowing migrants to be immediately expelled after crossing the border, saying, "it comes at a heavy cost to many asylum seekers."

On Nov. 1, 16 House Republicans sent Mr. Biden a letter demanding Mr. Magnus be fired, after a Politico article days before portrayed the CBP commissioner as isolated and disengaged from his work, sometimes even nodding off in meetings. Mr. Magnus told Politico that fatigue was a side effect of his multiple sclerosis, and he had adjusted his medications to address the problem.



Activists in August called for debt cancellation. The U.S. has stopped accepting applications for the program after a federal judge blocked it.

Biden's Student-Loan Relief Faces Mounting Legal Hurdles

By GABRIEL T. RUBIN

The Biden administration faces a complicated legal path for jump-starting its mass student-debt cancellation plan after a federal judge in Texas blocked it on Thursday.

In light of the ruling, the Education Department has stopped accepting applications for the program after nearly 20 million people submitted their income information in recent weeks. The administration immediately moved to appeal the decision and could file a motion that seeks to stay the Texas ruling for now. But even if that request were successful, the White House is still facing a roadblock in a separate case pending in a different jurisdiction.

The St. Louis-based Eighth U.S. Circuit Court of Appeals already had placed the program on hold in a temporary order last month, in a case brought by Republican officials in six states. An additional ruling from that court is expected in the coming days.

On Wednesday, before the debt-relief plan was struck

down, President Biden singled out the issue as a top one that motivated young voters to turn out for the midterms in "historic numbers."

"We will continue to keep borrowers informed about our efforts to deliver targeted relief," Education Secretary Miguel Cardona said in a statement Friday. "Separately, we remain committed to taking

The administration has immediately moved to appeal the judge's decision.

other actions to fix longstanding issues in the student loan forgiveness system and hold schools accountable for leaving students with mountains of debt and without the skills and preparation to find good jobs."

Biden administration officials have been quietly preparing for the possibility that a court would strike down the program, according to adminis-

tration officials, and have been discussing both legal and policy responses to such a move.

In particular, it remains unknown whether the administration will seek to extend the pandemic-era pause on student-debt payments. Interest has been frozen and payments have been suspended since March 2020, but the administration was planning to end the pause as of Jan. 1.

An online petition from the Student Debt Crisis Center, a borrower-support organization, had accrued more than 20,000 signatures as of late Friday morning, asking Mr. Biden to extend the pause until all roadblocks to receiving debt relief have been removed.

The Biden debt-cancellation plan would forgive up to \$10,000 for federal student-loan borrowers who make under \$125,000 a year, or \$250,000 for married couples. Pell Grant recipients would qualify for an additional \$10,000 in relief.

Thursday's ruling from U.S. District Judge Mark Pittman called the Biden administration's plan an "unconstitu-

tional exercise of Congress's legislative power" and said that borrowers hadn't been able to weigh in on the merits of the program through a rule-making process. The lawsuit was supported by the Job Creators Network Foundation, a conservative group founded by Home Depot Inc. co-founder Bernie Marcus.

The Education Department said it was ready to immediately move to forgive debt for 16 million borrowers whose applications for relief have already been processed, "when allowed by the courts."

Several lawsuits have been filed in courts around the country challenging the student-debt program. Until Thursday, none had any success in attacking the program's legality.

The Republican-led case pending at the Eighth Circuit focused on the preliminary issue of whether GOP leaders have standing to challenge the debt-relief on behalf of their six states. A U.S. District Court judge in St. Louis who originally considered that question said they didn't.



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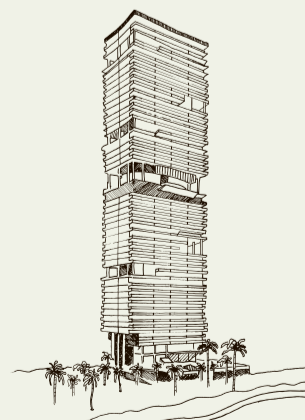
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WORLD NEWS

U.K. Economy Slides Toward Recession

Britain appears set to be the only G-7 nation where output declined in the third quarter

By PAUL HANNON

The U.K. economy contracted in the three months through September, as high energy prices and rising interest rates mark the beginning of what policy makers expect will be a long-lasting recession, part of a downturn that is likely to affect much of Europe in coming months.

The country's gross domestic product was 0.7% lower on an annualized basis in the third quarter compared with the three months through June, the U.K.'s Office for National Statistics said Friday. That was the first decline in output since the first three months of 2021, when large parts of the economy were in lockdown to contain a surge in

Covid-19 infections.

The drop means the U.K. is almost certain to enter into recession—defined as two consecutive quarters of declining output—before any other member of the Group of Seven countries in the aftermath of the Russian invasion of Ukraine. So far, other rich countries have reported economic slowdowns in recent months but not a sustained contraction.

Much of Europe is likely to follow the U.K. into recession this quarter, according to new forecasts released by the European Union on Friday. However, it expects the bloc's downturn to be shorter lived.

The commission expects Germany's economy to be among the hardest hit by high energy costs, with GDP in Europe's manufacturing powerhouse set to fall by 0.6% in 2023, compared with a 0.4% expansion in France.

Reaction on U.K. financial markets was mixed. The yield on the benchmark 10-year gov-

ernment bond rose to 3.307%, reflecting higher U.K. government borrowing costs, while the pound rose 0.29% to \$1.1749.

The U.K.'s contraction was partly because of one-off factors, including a period of mourning following the death of Queen Elizabeth II. It also reflects the sharp rise in energy prices since Russia began halting energy supplies in retaliation for Western support for Ukraine—driving up prices and leaving consumers with less to spend on other goods and services.

But the U.K. economy also has been hobbled by unique factors, including a shortage of workers that is due in part to a surge in long-term illness in the wake of the pandemic, and the longer-term impact of the country's departure from the European Union, which has seen business investment stagnate.

"A series of unfortunate events and policy choices have cut U.K. potential growth," said Robert Wood, an econo-

mist at Bank of America.

As a result of the third-quarter contraction, the U.K. economy is now 0.4% smaller than in the final three months of 2019, before the pandemic struck. It is the only major industrialized economy to have failed to return to prepan-

'Unfortunate events and policy choices have cut U.K. potential growth.'

demic output. By the end of September, the U.S. economy was 6.3% larger, while France's economy was 1.1% larger and Italy's 1.8% bigger.

Signs of a weak economy are growing, despite very low unemployment and surprisingly robust third-quarter earnings from U.K. companies. U.K. house prices fell in Octo-

ber for the first month since June 2021, according to the Nationwide Building Society, a leading mortgage lender. Company closures were close to a high during the three months through September, as owners of construction companies, retailers and hotels and restaurants opted to close, government statistics show.

Widening labor strikes might also deepen the recession as workers begin to press for pay rises that match inflation. Transportation workers have been staging one-day walkouts for months, with the latest action closing London's metro Thursday. And for the first time in its history, members of the U.K.'s nursing union have voted to go on strike.

Adding to pressure on the economy, the government plans next week to announce a series of tax increases and spending cuts to narrow a shortfall in government finances following years of borrowing during the pandemic, as well as a new

subsidy program to protect households and businesses from crippling energy bills. The tax rises and lower government spending will deepen the downturn by hurting demand further, economists say.

The government says the belt-tightening is needed to start lowering its debts later this decade. New Prime Minister Rishi Sunak has made it a priority to persuade investors that the government is willing and able to limit its borrowing after his predecessor spooked financial markets with a large package of unfunded tax cuts in late September.

The Bank of England has forecast that the U.K. economy could shrink by as much as 2.9% overall in the coming recession, with only a modest return to growth in 2025, meaning that a return to its pre-pandemic size could be delayed until 2026 or later. The size of the decline, it said, would depend on how high it sets its key interest rate to control high inflation.

Ukrainians Sweep Into Key City

Continued from Page One

Kherson and other cities in the south to surrender. "We guarantee that you will be treated in accordance with the law and international standards," he said. "And to those Russian soldiers who have put on civilian clothes and are hiding somewhere, I want to say that there is no point in hiding. We'll find you anyway. Don't drag it out."

The Russian Defense Ministry said Friday that it had completed the transfer of troops to the east bank of the Dnipro River, which is adjacent to the city. It couldn't immediately be determined whether any Russian soldiers remained on the western bank.

Russia's withdrawal from Kherson marks a severe military setback for President Vladimir Putin, who claimed to have absorbed the region around the city into Russia's own territory in September. A strategic port city on the Black Sea, Kherson was also central to Russia's attempts to capture Ukraine's vital economic centers early in the war.

The Ukrainian advance is the second sudden shift in the war in less than three months, after Ukraine's forces recaptured a swath of territory in the country's northeast in September. It also likely ends Russia's prospects of advancing toward Odessa, Ukraine's largest coastal city and port. Ukraine wants to push far-



A Ukrainian soldier sat on captured Russian mortar shells in the village of Blahodatne in the Kherson region on Friday.

ther and liberate more territory, including the Crimean Peninsula to the south of Kherson, which Russia seized in 2014, and other occupied lands in the east and south. Kyiv has managed to keep Moscow's forces off balance using precise, long-range Western artillery and swift commando raids, but fresh gains will prove challenging because of winter conditions, tougher terrain and better-prepared Russian defenses.

The focus of fighting is now expected to shift to the east. Ukraine is seeking to capitalize on its fall offensive in the northeast while Russia is

throwing men and machines into assaults around its eastern stronghold of Donetsk.

Ukraine can now redeploy thousands of troops that had been ranged around Kherson. But Russia, too, can send the 20,000 or so troops it evacuated from the city elsewhere, and it is likely to try to expand its control in the east.

U.S. officials have been circumspect in their response to the Russian withdrawal, saying they wanted to watch how the movements of troops and materiel unfold. They have also maintained that they wouldn't dictate a diplomatic course to Kyiv following its

apparent success on the battlefield, but would continue to supply military, economic and humanitarian assistance.

"It's not the end of the war," White House national security adviser Jake Sullivan said Thursday. "As Russia continues to occupy parts of Ukrainian territory, we are continuing to support the Ukrainians in their effort to defend their sovereignty and territorial integrity."

For Ukrainians, the advance was an important morale boost after months of fighting to roll back occupying Russian forces. In Bilozerkha, a town just outside the city of Kher-

son, Ukrainians could be seen tearing down a billboard that read "Russia is here forever," according to a video tweeted by Ukrainian Foreign Minister Dmytro Kuleba.

Ukrainian forces retook 41 settlements as they advanced toward Kherson, Mr. Zelensky said in his nightly address late Thursday.

"Many are now checking almost every hour where our units have reached and where else our national flag was raised," said Mr. Zelensky.

Russia seized Kherson in March in the opening phase of its full-scale assault on Ukraine, marking one of its

most important early combat successes. The capture set in motion months of fighting in which Ukrainian forces battled to eventually retake it.

For months, Ukrainian forces sought to sever Russian supply lines to troops on the West bank of the Dnipro, using U.S.-supplied long-range artillery to cut off Moscow's forces in the area and eventually force a Russian retreat while saving the city from the death and destruction of full-scale urban fighting.

The capture of Kherson also puts Ukrainian forces in a better position to strike deeper into parts of Ukraine occupied by Russia, military analysts said.

"Liberating Kherson eliminated the prospect of a Russian campaign along Ukraine's southern coast," said Michael Kofman, director of the Russia studies program at CNA, a think tank in Virginia.

Russian Defense Ministry officials said Friday that more than 30,000 military personnel and 5,000 pieces of arms, military hardware and property had been transferred to the east bank of the Dnipro. They said that after regrouping in the Kherson area, Russian forces were continuing to pound Ukrainian troops on the west bank.

The Kremlin's propaganda machine has put on a brave face over Russia's retreat, casting it as a wise and necessary step, while some conservative hard-liners have condemned relinquishing Kherson. Mr. Putin, who said in September that residents of the Kherson region and three other Ukrainian territories at least partly under Moscow's control had become Russian citizens forever, has remained silent on the order to retreat.

Mourning Iranian Protesters, Police Clash

By SUNE ENGEL RASMUSSEN

Demonstrators in southeastern Iran clashed with security forces as they gathered to mourn the deaths of dozens of people during the antigovernment protests that have swept across the country, in one of the most serious challenges to the clerical establishment in decades.

More than 82 people died on Friday, Sept. 30, as security forces cracked down on demonstrations in Sistan-Baluchistan, rights groups say. The province is one of the largest and poorest in Iran, and home to an ethnic Sunni Muslim minority.

In recent days, hundreds of people have gathered in the provincial capital of Zahedan to mark 40 days—an important period in Islamic mourning—since the incident, which protesters have called "Bloody Friday."

Protesters gathered in front of Zahedan's main mosque chanting "death to Khamenei," the country's supreme leader, and "death to Basiji," a paramilitary militia tasked with protecting the Islamic Republic against domestic dissent, according to social-media footage verified by Storyful, which is owned by News Corp, the parent company of The Wall Street Journal.

Other videos featured the sound of gunfire that activists attributed to security forces opening fire on protesters.

At least 16 were killed last



Iranian men flash the victory sign during protests in Zahedan city.

week in Khash, another city in Sistan-Baluchistan, according to Iran Human Rights, a watchdog based in Oslo. More than 300 people, including about 40 minors, have been killed across the country since the protests began in September, Iran Human Rights said this week.

Now, commemorations are adding fresh momentum to a protest movement that was sparked by the Sept. 16 death in police custody of Mahsa Amini, a young woman arrested for allegedly violating Iran's strict Islamic dress code.

The failure to suppress protesters across the country is a

sign that the movement remains a stark challenge to the Iranian leadership. Initially centered on demands to abolish the mandatory Islamic veil, or hijab, the movement morphed into calls to overthrow the Islamic leadership.

In some parts of the country, such as the western Kurdistan province where Ms. Amini was from, protesters gather almost daily. Elsewhere, such as the capital Tehran, rallies are held a couple of times a week, often in or around universities.

In the past week, 227 of the 290 lawmakers in Iran's parliament called on the country's

judiciary to issue and carry out the death penalty for protesters. Iranian Chief Justice Gholamhossein Mohseni-Ejei asked judges to intensify and speed up sentences for hundreds of arrested protesters.

Authorities have sought to intimidate Iranians from participating in rallies by putting plainclothes police in the crowds to arrest protesters.

One 32-year-old protester in Tehran said Friday she had been arrested twice by security forces in civilian clothing who pulled her out of a crowd. The first time she was held and interrogated for 10 hours, while police officers kicked her face and body. She was released when they didn't find any compromising material on her phone. The second time she was released more quickly, she said because the prisons were full.

"They are very dangerous," she said about the plainclothes police, her voice breaking. "But that's not enough to stop us from protesting."

The protests in Sistan-Baluchistan have been different in nature from rallies elsewhere in the country. The province is home to a Sunni minority and a separatist movement that the government in Tehran views as a terrorist organization. Separatist slogans appear to have been largely absent from recent rallies in the province, but they have faced a more violent crackdown than elsewhere, activists say.

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WORLD NEWS

China Loosens Some Covid Rules

By AUSTIN RAMZY

HONG KONG—China eased pandemic controls, as the country's leaders seek to lessen the pain of a stringent zero-Covid policy that has exacted a heavy economic toll and stoked growing public resentment.

The newly appointed Politburo Standing Committee of the nation's top leaders, in one of its first major decisions, set out new rules to "optimize and adjust" the policy to minimize its impact on economic growth and people's lives, as well as further open the country's borders to foreign visitors, according to a release Friday by the National Health Commission.

The new guidance shortened the mandatory quarantine time for inbound travelers and for those identified as close contacts, but notably didn't end policies intended to vanquish Covid, insisting that the country "firmly stick to the dynamic zero-Covid policy."

Even so, the changes fueled a surge of Chinese and Hong Kong stocks, which also were boosted by signs of easing U.S. inflation. Hong Kong's benchmark Hang Seng Index jumped 7.7% in its biggest single-day rally since March, taking its rise so far this month to about 18%.

The Shanghai Composite closed 1.7% higher on Friday, while China's CSI 300 gauge of the largest mainland-listed stocks rose 2.8%. U.S. listed China stocks also gained.

Interest in flights to China climbed, with Chinese online travel agency Trip.com reporting that bookings doubled Friday compared with the same period Thursday.

While the market was buoyant, economists generally were more restrained. Goldman Sachs described the moves as "marginal," amounting to little more than "fine-tuning."

"The impact of such changes on domestic economic activity is likely to be limited as long as the zero-Covid policy remains," the investment bank told clients in a note.

The easing of controls came even as China confronted its worst outbreak in more than six



Epidemic-control workers waited outside a locked down community in Beijing on Friday.

months, with infections spread across the country. Nationwide, new cases topped 10,000 on Thursday, a number not seen since Shanghai was placed under strict lockdown for two months from late March.

It wasn't immediately clear how the changes would affect continuing efforts to curb the spread of Covid, and whether those facing lockdown in some

state media reported. Xi Jinping, China's leader, signaled at a Communist Party congress last month that the country's strict zero-Covid policies helped it weather the pandemic, and would continue. But the economic impact has forced adjustments to ease the burden on businesses and citizens, analysts say.

Under the new measures, temporary bans on routes operated by airlines found to have brought passengers infected with Covid-19 into the country have been dropped. Travelers from other countries must now quarantine for eight days—five in a hotel or government center and three days of home health monitoring—down from a total of 10 days, it said. Passengers would have to take only one test before boarding a flight.

At home, the scope of close contacts subject to isolation and mass testing has been narrowed, a move that could alleviate one of the biggest sources of resentment among the many millions of residents who have been subject to stay-at-home orders simply for being in proximity to someone who was close to a positive case. Quarantine for close contacts was cut to eight days from 10.

The designation of areas at

risk—the basis for restrictions on people's movements—also has changed, the health commission said, with high-risk areas limited to residential blocks rather than entire districts.

Covid controls have continued to disrupt the economy in recent days, with the Beijing International Automotive Exhibition, the country's biggest auto show, saying Thursday it would cancel this year's event. Its rival Guangzhou show, set to open this month, was postponed because of the outbreak there.

Apple Inc. warned this week of delays in shipments for some new iPhones after lockdowns at supplier Foxconn Technology Group's main plant in Zhengzhou, which accounts for more than half of global shipments of the handsets.

One concern driving zero-Covid policies has been fears that a severe outbreak could cause widespread deaths among the elderly, who are less likely to be vaccinated. At the Politburo Standing Committee meeting on Thursday, Mr. Xi said that more effort must be placed on developing vaccines and inoculating vulnerable populations.

◆ Chinese stocks surge as Covid curbs are eased..... B11

U.S., India to Boost Economic Relations

By ANDREW DUEHREN

NEW DELHI—Top U.S. and Indian officials pledged to deepen their economic ties during meetings Friday, as the two countries seek to overcome differences over Russia and work together to counter China's manufacturing dominance.

Mutual concern about China has drawn the U.S. and India closer, particularly on military and national security issues. Treasury Secretary Janet Yellen and Indian Finance Minister Nirmala Sitharaman worked during an annual forum to extend that collaboration to the economic sphere, even as both countries largely abstain from opening formal trade barriers.

Ms. Yellen repeatedly emphasized her concept of "friendshoring," a term used to describe an effort to reorient supply chains away from geopolitical adversaries such as China. She has said the U.S. must avoid relying too heavily on a small group of suppliers, a dynamic that helped to create bottlenecks during the pandemic, and to push up prices.

India, Ms. Yellen said, was

one viable alternative to China, along with Vietnam and other countries. "I think India has a lot of potential as a place where one can expand manufacturing," she said.

During a public discussion with Ms. Yellen, Ms. Sitharaman said investors in the U.S. should make more commitments in India.

"We are continuously engaged with the U.S. administration and most of our business leaders also do business in the U.S.," she said.

Russia's invasion of Ukraine has put fresh pressure on the U.S.-India relationship this year. India has deep historical and military ties to Russia, and has stayed largely neutral during the conflict, while increasing its purchases of Russian oil.

Ms. Yellen said that ending the war is "the single best thing we can do to help the global economy." Still, she didn't call on India to change its relationship with Russia.

"The strength of Indo-U.S. relationship lies in mutual understanding of each one's necessities and respecting differences," Ms. Sitharaman said.

Canada Has Shortage Of Children's Pain Pills

By VIPAL MONGA

TORONTO—Canada is confronting a shortage of children's Tylenol and Advil as flu season begins and the nation's hospitals are struggling with a surge of pediatric respiratory viruses.

The shortage is forcing the government to issue emergency orders to allow for the import of acetaminophen and ibuprofen supplies from the U.S. and Australia.

No other countries are experiencing similar shortages, said Mark Parrish, president of the International Federation of Pharmaceutical Wholesalers. In

Canada, supply-chain slowdowns have been exacerbated by increased demand for the medicines during unseasonable times, which has hobbled manufacturers' efforts to keep up, say regulators. Further complicating the situation for imports are regulations that require medicine labels to be written in English and in French. Officials are looking into relaxing the rules.

According to Canadian regulators and healthcare professionals, demand increased amid an unusual uptick in cases of the flu and respiratory syncytial virus, or RSV, during the summer.

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SPLENDOR IN THE GARDEN

CHILDE HASSAM

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Childe Hassam's *The Artist's Wife in a Garden, Villiers-le-Bel* captures his favorite muse—and new bride—Maude relaxing in a lush garden in France. Intimate and idyllic, this original work epitomizes the quiet serenity of the couple's romantic years abroad. A notable display of the artist's technique, Hassam's loose brushstrokes and warm palette convey a sense of *joie de vivre*. This significant painting has been exhibited widely at museums including the Museo di Santa Giulia in Brescia, Italy and the Chrysler Museum of Art in Norfolk, Virginia, among others. Painted 1889. Signed (upper left). Canvas: 31 3/4" h x 51 1/4" w. Frame: 47 1/4" h x 66 1/2" w. #31-6005

This work is currently on view in our exhibition, *Revolutionaries: The Impressionists and Post-Impressionists*. Scan for details.

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WORLD NEWS

U.S. Will Tighten Methane Restrictions

The EPA will require firms to monitor production facilities for leaks and fix them

By ERIC NILER

SHARM EL SHEIKH, Egypt—President Biden is moving to tighten restrictions on emissions of methane, a potent greenhouse gas, and boost funding for developing countries to adapt to the effects of climate change and transition to cleaner technologies, according to the White House.

Mr. Biden announced the measures in a speech before a United Nations climate conference, known as COP27. The measures include plans for the Environmental Protection Agency to require oil-and-gas companies to monitor existing production facilities for methane leaks and repair them, administration officials said.

Methane is 80 times as potent at trapping heat from so-

lar radiation as carbon dioxide over its first 20 years in the atmosphere. It is responsible for about half a degree Celsius of global warming since the preindustrial era, and its levels are rising fast, according to measurements made by the National Oceanic and Atmospheric Administration.

The planned rules affect hundreds of thousands of U.S. wells, storage tanks and natural-gas processing plants, and require companies to replace leaky, older equipment and buy new monitoring tools.

EPA Administrator Michael Regan said flaring—a technique used by gas producers to burn off excess methane from oil and natural-gas wells—would be reduced at all well sites under the planned rules. Owners would be required to monitor abandoned wells for methane emissions and plug any leaks, he said.

The American Petroleum Institute, which represents U.S. oil and gas producers, said it is reviewing the proposed rule.

“Federal regulation of methane crafted to build on industry’s progress can help accelerate emissions reductions while developing reliable American energy,” said Frank Macchiarola, API’s senior vice president of policy, economics and regulatory affairs.

Rachel Cleetus, lead economist for the Union of Concerned Scientists, a nonprofit advocacy group, said the EPA had “taken an important step forward by issuing a robust standard for methane emissions from oil-and-gas operations.”

The White House said Mr. Biden is expected to announce an additional \$100 million for the United Nations Adaptation Fund, which helps countries adapt to floods, droughts and storms that climate scientists say are increasing in frequency and severity as the Earth’s atmosphere and oceans warm. The U.S. has yet to pay the \$50 million it pledged to the fund at last year’s climate talks in Glasgow.

The U.S. also owes \$2 billion to the U.N. Green Climate Fund,



President Biden spoke Friday at the United Nations climate conference, known as COP27, in Egypt.

which finances renewable energy and climate adaptation projects in the developing world. The administration has asked for \$1.6 billion for the fund in the fiscal 2023 budget.

The White House said Mr. Biden would also pledge \$150 million to a U.S. fund for climate adaptation and resilience across Africa; \$13.6 million to the World Meteorological Organization to collect additional weather, water and climate ob-

servations across Africa; and \$15 million to support the deployment of early-warning systems in Africa by NOAA in conjunction with local weather-forecasting agencies.

The U.S. pledges don’t address demands from poorer nations to provide money for damage they say is the result of climate-related weather events—a new category of funding known as “loss and damage.” This week at the summit,

Belgium and Germany pledged a combined 172 million euros, equivalent to \$176 million, to support loss-and-damage payments to developing countries. Scotland pledged \$5.8 million and Ireland pledged \$10 million.

U.S. negotiators are concerned the concept exposes wealthier nations to spiraling liability. There is also the scientific uncertainty of determining which effects can be tied to human-induced climate.

Gabon Targets a Huge Payday With Carbon Credits

By PHRED DVORAK

The African nation of Gabon, one of the most densely forested on earth, is launching the world’s biggest sale of carbon-offset credits. The plan could net the country billions of dollars and upend the fast-growing market for carbon credits.

Gabon, which sits on Africa’s west coast, is 88% forest. It has slowed the cutting of those trees and is seeking to sell credits for the emissions decline it has achieved. The trees pull carbon dioxide from the atmosphere, reducing greenhouse gases.

“In a self-interested way we’re looking at the money,” said Lee White, a U.K.-born zoologist and naturalized Gabonese citizen who is the country’s environment minister. “But then we’re also looking at potentially being an example of how it can work so that we can actually get this scale” needed to help curb global emissions growth, he said.

Gabon’s move comes as countries from Indonesia to India attempt to take control of the potential revenue generated by emissions-reduction activities within their borders. Many, like Gabon, are looking for new ways to issue and sell large volumes of carbon credits. In the coming weeks, Gabon likely will try to sell 90 million credits, which is nearly the same as the total of similar credits issued last year.

“If Gabon can do it, Congo can do it and DRC [Democratic Republic of Congo] can do it,



Elephants in Gabon’s Loango Park, part of an extensive national park system that also absorbs millions of tons of carbon dioxide.

and Suriname can do it,” said Mr. White, who for years ran the Wildlife Conservation Society’s Gabon program and the country’s national park system.

These countries are trying to better manage credit issuance and revenues, which often have been in the hands of private project developers. They are hoping to keep a bigger slice of the profits and ensure they can use the credits toward their own emissions-reduction promises. Some countries including

Indonesia, Papua New Guinea and Honduras have halted crediting or sales from the private conservation projects.

The market for carbon credits is booming as businesses and investors buy them to offset their emissions or potentially resell them at a profit. Rich governments are increasingly looking to the carbon markets to increase private funding for climate-related projects in developing nations. The U.S. proposed a new carbon-crediting

program at the United Nations climate conference in Egypt that aims to help developing nations wean themselves off fossil fuels.

Mr. White and the head of Gabon’s sovereign-wealth fund have been meeting with banks and potential buyers to talk up the credits.

Gabon historically has made most of its money from oil and gas, and it is looking to its forests to provide a much bigger share of national revenue as the globe shifts from fossil fuels.

The country wants to build a sustainable timber and wood-products industry that can earn revenue while continuing to generate credits, Mr. White said.

Gabon’s sale is controversial. Each of its credits represent one metric ton of carbon emissions that the country has reduced by actions, such as halting illegal logging, during the nine years through 2018. But Gabon isn’t selling its emissions reductions through the standard channels, where developing nations often

get a relatively low price of \$5 a ton for credits. Instead, Gabon is hoping to get higher prices and better terms by going directly to a swath of potential buyers, including private-sector companies that until now generally have purchased forest-conservation credits on a much smaller scale. Similar credits to Gabon’s on the voluntary market can fetch \$15 a ton or more.

Gabon’s planned sale is roiling the carbon markets. Established players such as analysts, brokers and other industry executives are raising concerns about whether Gabon’s credits have been properly audited, and how the market would absorb such a big sale. Carbon credits usually are audited to make sure their claims about reducing greenhouse gases are valid. Preserving forests that were never going to be cut shouldn’t generate carbon credits.

Because of the size of Gabon’s effort, even small errors could produce large numbers of extraneous credits, said Guy Turner, chief executive of data provider Trove Research Ltd. The company issued a warning that Gabon’s method had too many “red flags” and is unlikely to find many corporate buyers. Gabon’s credits have been vetted under strict U.N. standards and are worth far more in terms of environmental benefits than anything else on the market, Mr. White said.

Gabon is considering ways to ensure the revenue from credits is managed well and transparently, he added.

FROM PAGE ONE

Disney Announces Cost Cuts

Continued from Page One and uncomfortable decisions.”

Mr. Chapek said in the memo that in the process of reviewing all of Disney’s costs, the company will “look for every avenue of operations and labor to find savings.” He added, “we do anticipate some staff reductions as part of this review.”

The company didn’t indicate the number of possible layoffs in the memo, but said that travel should be limited and would require approval from executives.

Companies across the media and technology sector have been announcing layoffs and purse-tightening measures as big bets on streaming and the metaverse made during the coronavirus pandemic show signs of unraveling.

Since launching its flagship Disney+ service in late 2019, Disney’s streaming business has gained 235 million subscribers globally across all its video platforms, which include Hulu, ESPN+, the Star service in Europe and Hotstar in Asia.

The growth transformed Disney into a massive player in the streaming world, capable of taking on Netflix Inc. and



Disney reported lackluster quarterly earnings this past week.

other rivals in dozens of markets around the world.

That growth, though, has come with a big cost: Disney’s streaming segment has lost more than \$8 billion in the last three years. Mr. Chapek has long insisted that Disney+ would be profitable in 2024 but has reduced his projections for the number of subscribers the service will sign up. This past week he said the profitability target assumes there are no meaningful shifts in economic conditions.

During an earnings call with investors Tuesday, Ms. McCarthy, the finance chief, said that Disney would aggressively pursue spending cuts, and that “some of those are going to provide some near-term savings and others are going to drive longer-term

structural benefits.”

Ms. McCarthy also referenced steps the company took at its theme parks division during the Covid-19 pandemic. Then, with parks shuttered, the company laid off thousands of employees and began work on new technologies to manage workers more efficiently.

Meta Platforms Inc., the parent company of Facebook, said this past week it would eliminate 11,000 positions after growth in its virtual-reality platforms was slower than it had hoped.

Warner Bros. Discovery Inc., owner of Hollywood’s oldest film studio and the premium streaming service HBO Max has cut more than 1,000 positions as the company struggles to get out from under a hefty debt load.

Comcast Corp.’s NBCUniversal also is looking to reduce its head count and is offering buyouts to employees who are over the age of 57 and have been with the company at least 10 years, people familiar with the matter said.

Disney shares have fallen about 40% since the start of the year. Friday, they closed at \$95.01 a share, having climbed 5% on the day after a rout earlier this past week in the wake of its earnings report.

Mr. Chapek has faced challenges since his tenure as chief executive began in February 2020. He has managed through a global pandemic that shut the theme parks and cruise line business. He also has been pressured by activist investor Dan Loeb, whose Third Point LLC took a new stake during the summer.

Mr. Loeb called on Mr. Chapek to make several changes to Disney, and high on his list was more aggressive cost cutting. He also called for an overhaul of the board to include more media and digital advertising expertise and for Disney to purchase Comcast’s minority stake in Hulu. In September, Disney added Carolyn Everson, a veteran tech and media executive, as a director, and Mr. Loeb agreed to a standoff over the makeup of the company’s board.

In June, the board of Disney voted to renew Mr. Chapek’s contract for another three years.

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OBITUARIES

EVELYN DE ROTHSCHILD
1931 - 2022

Banker Preserved Rothschild Legacy

After Britain opened its capital markets to freer competition in the 1980s, foreign institutions began swallowing up once-mighty investment banks such as Morgan Grenfell and S.G. Warburg. One of the few storied names that survived was N.M. Rothschild & Sons.

That was largely because of Evelyn de Rothschild, who led N.M. Rothschild for 27 years. He saw more value in preserving the venerable family name than in selling out to a megabank. "Wherever we are, we are Rothschild," he told Institutional Investor in 1992. "That's a terrific advantage from a marketing point of view. We don't have to explain who we are."

In 2003, he arranged with a French cousin, David de Rothschild,

to further cement ties between the British and French branches of the Rothschild business and create the global Rothschild & Co.

Evelyn de Rothschild, who led the London-based business from 1976 to 2003, died Nov. 7 at his home in London. He was 91.

Mr. de Rothschild carried on the traditions of a family business, dating to the 1760s, that helped finance European wars and arranged for Britain's 1875 acquisition of a stake in the Suez Canal. Rather than charging into high-risk trading ventures like other investment banks, he kept the focus largely on discreet advisory services and reaped profits by helping Margaret Thatcher privatize state-owned companies in the 1980s.

—James R. Hagerty

ROBERT KERN
1925 - 2022

Generac Founder Shared His Wealth

Robert Kern, the son of a Baptist minister from Iowa, set up shop with five employees in a garage in Wales, Wis., in 1959 to make portable generators. Early customers for his Generac Corp. included farmers and construction crews. Soon all kinds of people were buying his generators under the Craftsman brand at Sears stores.

Mr. Kern diversified his range to include permanently installed generators for homeowners worried about power outages. Generac also developed equipment providing backup electricity for telecom networks, hospitals and other facilities. The Y2K scare yielded a rush of demand, as did hurricanes and tornadoes.

In 2006, when Mr. Kern was in

his early 80s, he sold Generac to a private-equity firm for a price estimated at more than \$1 billion. He and his wife, Patricia Kern, shared the proceeds by sending checks to the employees. Some got nearly \$50,000, the Milwaukee Journal Sentinel reported.

Mr. Kern's philanthropy supports a variety of causes, including programs encouraging young people to study science, math and engineering. He donated well over \$100 million to the Mayo Clinic, where he received charitable care as a child.

Now known as Generac Holdings Inc., the company went public in 2010. Though no longer the owner, Mr. Kern still offered free advice to the management. He died Nov. 8 at the age of 96 in Waukesha, Wis.

—James R. Hagerty

EDWARD C. PRESCOTT
1940 - 2022

Economist's Policy Advice: Stick to Long-Term Plan

By JAMES R. HAGERTY

Growing up in Glens Falls, N.Y., Edward C. Prescott got an insider's view of business from chats with his father, an engineer and later comptroller for a global supplier of pigments. Those insights made the economics courses he took in college seem less theoretical and more relevant than they might have seemed to other students.

Dr. Prescott, who earned a Ph.D. degree at Carnegie Mellon University in 1967 and shared a Nobel Prize in economics with Finn E. Kydland in 2004, helped transform thinking on how central bankers and other policy makers should steer economies and on what causes booms and busts.

Dr. Prescott died Sunday in Paradise Valley, Ariz. He was 81 and had been under treatment for cancer.

With Dr. Kydland, he published an influential 1977 paper called "Rules Rather Than Discretion: The Inconsistency of Optimal Plans," concluding that policy makers could err by straying from long-term goals to address short-run problems. For instance, central bankers might be tempted to ease up on their commitments to contain inflation in the short run as a way to boost employment. If so, the professors argued, people might start assuming that prices were out of control, creating a psychology that led to faster inflation for long periods.

Sticking to a sound policy was far more effective than jolting the economy with frequent adjustments, they argued. "You should not think in terms of controlling the economy," Dr. Prescott said. "That leads to bad outcomes. You should think in terms of committing to good policy rules."

The research provided justification for central banks to be independent of elected leaders, while also encouraging them to set interest rates according to rules rather



than discretion.

In a 1982 paper, the two economists challenged the idea, associated with John Maynard Keynes, that economic slumps were caused by inadequate demand for goods and services and should be cured by such means as higher government spending and lower interest rates. Dr. Prescott and Dr. Kydland instead stressed the role of productivity and argued that supply-side shocks, such as a technological innovation or a surge in energy prices, could explain the ups and downs of economies.

Dr. Prescott prescribed tax and regulatory policies that would increase productivity by removing obstacles to efficiency. He argued that nations' economies often were held back by tax policies that discouraged work or efforts to protect established companies from newcomers with better technology.

"We should get away from thinking about stimulus policies and worry about long-run growth policies," he told The Wall Street Journal in 2004.

Dr. Prescott mentored scores of economists who went on to prominent careers in the field. He re-

tained a playful delight in building models to test economic ideas. "Economists create their own worlds," he said. "We're like little gods with our artificial economics, wanting to see what happens."

Edward Christian Prescott was born Dec. 26, 1940. In a biographical note, he recalled being a shy boy with an intensely competitive streak, allowing him to make the varsity football team at his high school as "a pretty good defensive back" even though he weighed only 133 pounds as a senior.

He also played football at Swarthmore College, where he started out in a physics program with dreams of becoming a rocket scientist but ended up majoring in math.

After graduate studies in operations research at what became Case Western Reserve University, he enrolled at Carnegie Tech, later Carnegie Mellon University, for doctoral studies.

He taught economics at the University of Pennsylvania, Carnegie Mellon, the University of Minnesota, the University of Chicago and Arizona State University. For four decades, he was an adviser at the Federal Reserve Bank of Minneapolis.

Dr. Prescott's survivors include his wife, Janet Prescott, three children, six grandchildren, a brother and a sister.

Though revered by many of his students and colleagues, Dr. Prescott sometimes baffled them. The problem, he once explained, was that he thought much faster than he could talk. He sometimes jumped from one topic to another with no transition.

"His brain did not work like other people's," said Timothy Kehoe, an economics professor at the University of Minnesota who worked with Dr. Prescott for four decades, "and in some ways that was a tremendous advantage."

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WORLD WATCH

ISRAEL

Netanyahu Is Poised To Form Government

Benjamin Netanyahu moved closer to becoming Israel's prime minister for a record sixth term after President Isaac Herzog said Friday that he would hand him a mandate to form a coalition expected to be made up of right-wing, ultranationalist and religious parties.

In consultations with Mr. Herzog this week, Mr. Netanyahu secured the recommendation of 64 lawmakers from his right-wing and religious bloc, giving him a clear majority in the 120-seat parliament after the country's fifth election in under four years. The departing Prime Minister Yair Lapid received 28 recommendations from lawmakers.

Starting Sunday, Mr. Netanyahu will have up to six weeks to establish his government, and could try to entice more lawmakers to come to his side. He has been locked into negotiations with his supporters over which positions they will get in government, with high-profile roles such as defense minister in play.

The second-largest group in Mr. Netanyahu's coalition is expected to be an alliance of far-right parties, called Religious Zionism, co-led by ultranationalist lawmakers Itamar Ben-Gvir and Bezalel Smotrich. The group has advocated for annexing parts of the occupied West Bank, dramatically expanding Israeli settlements there and asserting a stronger Jewish presence at Jerusalem's contested holy sites. Many of these goals are at odds with longstanding U.S. policy in the Middle East, as well as European and Arab allies, which all support the creation of an independent Palestinian state alongside Israel.

—Dov Lieber

ETHIOPIA

Military Controls 70% Of Tigray, Official Says

Ethiopia's lead negotiator in on-going peace talks asserted Friday that 70% of the country's northern Tigray region is under military control, and aid deliveries have resumed to the area. There was no immediate confirmation from aid workers or Tigray spokesmen.

National Security Adviser Red-

wan Hussein tweeted the information as the talks continued in Kenya, and as the U.S. applied pressure on Ethiopia's government to swiftly deliver aid and basic services.

The peace deal says Ethiopia will "expedite" both aid and services to the long cut off Tigray region of more than five million people, where food and basic medical supplies have run low.

—Associated Press

BELGIUM

Suspect on List of Potential Extremists

Belgian authorities said Friday that the lone assailant who killed one police officer and wounded another in a stabbing attack was on a counterterrorism list of potential extremists.

The suspect, who served six years in prison for common-law crimes, went to a police station early Thursday to express hatred for them, but couldn't be arrested before he launched his stabbing attack on two police officers that evening. Federal prosecution magistrate Eric Van Der Syt said the suspect shouted "Allahu akbar," the Arabic phrase for "God is great," during the attack. The suspect was identified as Yassine M. His crimes put him behind bars between 2013 and 2019.

—Associated Press

POLAND

Thousands Join In Nationalist March

Tens of thousands in Warsaw marched peacefully Friday in a yearly Independence Day march organized by Polish nationalist groups that included some anti-Ukrainian and anti-European Union slogans.

The march is controversial because it is led by far-right groups and has included violence and white nationalists in the past. But many people, including some with young children, also march, seeing the event as a way to show patriotism. Warsaw Mayor Rafal Trzaskowski, a liberal who opposes the event, said he was relieved that it avoided the violence of past years but was disturbed by the anti-Ukrainian and anti-EU messages.

—Associated Press

Seahawks Win Fans In Germany

Continued from Page One said, "but very rarely are there ever physical altercations."

Soccer reigns supreme across Europe, but more and more Germans are enduring a five-or-more hour time difference to watch American football and the Seahawks are their team. They even have a German Sea Hawks fan club.

This Sunday, Mr. Spiess and his fellow German fanatics will enjoy the National Football League's first-ever regular-season game in Germany when the Seahawks take on the Tampa Bay Buccaneers. The Buccaneers are technically the home team, but if the German Sea Hawks club has its way, its team will take the turf at Munich's 75,000-seat Allianz Arena with something of a home-field advantage.

The NFL has hosted regular-season games since 2007 in the U.K., where the Seahawks also are popular. After a 2018 matchup there against the then-Oakland Raiders, Seahawks head coach Pete Carroll said it "felt like a home game."

How did the Seahawks wind up with so many European fans? The NFL's European marketing push spanned a decade when the Seahawks were stringing together deep playoff runs with a colorful and charismatic group of stars that then included running back Marshawn Lynch and cornerback Richard Sherman.

At the same time, German TV station ProSieben Maxx was offering free telecasts of more games.

In January 2014, Daniel Humburg, then a student, was flipping through channels when he came across the Seahawks' first postseason game in what became their march to the Super Bowl.



Fans at a Seattle Seahawks pub event in Munich on Thursday.

"I'm in my room, watching a sport I do not understand, and I'm completely into it," he recalled. He stayed up watching until about 5 a.m., two hours before classes began.

He was transfixed by a running back nicknamed Beast Mode. "It was Marshawn Lynch bursting through D-lines like they were little children," said Mr. Humburg, now studying to become a high-school teacher.

Max Länge, a Leipzig resident, suspects he was the first person in Germany to own Mr. Lynch's jersey. He said he won over to the Seahawks by the "swagger" of Mr. Sherman and the rest of their trash-talking defensive secondary, known as the "Legion of Boom," during that run to a 2014 Super Bowl victory.

Mr. Länge gathered about 15 fellow fans later that year and applied to create a German chapter of the Sea Hawks, a semi-official booster club that already had a foothold in the U.K.

The group became a vanguard of Germany's American football zeitgeist, as new fans gravitated toward the best teams, such as Seattle and the New England Patriots. "No one would become a Browns fan," Mr. Länge said, referencing the chronically unsuccessful Cleveland franchise.

The German Sea Hawks have grown to more 1,800 than members. A digital media arm reaches more with German-language analysis and merchandise.



German landing

FROM PAGE ONE

he said, adding that he would have coughed up 500 euros, or nearly \$500 a seat. Tickets have since sold in resale markets for thousands apiece.

As out-of-town fans descend on Munich, air-traffic controller Tom Lang, who lives outside the city, plans to serve as a local guide. "I'm getting involved in all kinds of crazy stuff going on," he said.

Mr. Lang has been a Seahawks fan since 1986, when he lived near Seattle as part of a high-school exchange program. A season ticket-holder for six years, he visits Seattle regularly to attend games with a friend, selling or giving away unused tickets.

The German Sea Hawks have sold more than 800 tickets for a party at a Munich beer hall the evening before kickoff. An Instagram post advertising the event describes it as a "Heimspiel Party," or home-game party, with traditional wheat beer and Bavarian delicacies.

Mr. Länge, the Leipzig resident who founded the German Sea Hawks, said the gathering will be a culmination of years spent trying to bring fans in his country together.

"I will be there, watching people and smiling, and shedding some tears," he said. "It's just what I dreamed of."

In Memoriam

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Gael Greene

NEW YORK CITY, N.Y. - The Board and staff of Citymeals on Wheels mourn the passing of founder and longtime Chair Gael Greene. She founded Citymeals in 1981, after reading an article in the paper about the hardship of homebound elderly New Yorkers who went without meals on weekends and holidays, when the city was closed. A renowned restaurant critic at the time, she rallied friends in the city's culinary scene to raise funds to deliver meals that Christmas. Forty years later, Citymeals has delivered over 67 million meals to our older neighbors in need. In 1992, she received the James Beard Foundation's Humanitarian of the Year award. Gael's dedication to Citymeals remained steadfast for four decades, as she used her influence and love of food to inspire generosity in others and ensure a lifeline of nourishing meals for those facing hunger. Her legacy lives on in Citymeals' work. -Executive Director Beth Shapiro & Board Co-Presidents Daniel Boulud and Robert S. Grimes

FROM PAGE ONE

Golden Boy Of Crypto To Villain

Continued from Page One
firm's finances were opaque, but he seemed to be an open book on Twitter and in scores of media interviews.

Bill Clinton, Tom Brady, Katy Perry and other boldfaced names trekked to FTX's Bahamas base to appear with him at a conference he organized to promote his vision of a sophisticated financial system built around digital assets. He spoke recently of becoming the world's first trillionaire. He gave liberally to political candidates and causes, and he became an advocate of effective altruism, a trendy philosophical movement that encourages young people to make big bucks so they can donate fortunes to charity.

Another side to Mr. Bankman-Fried emerged as his firm grew. He was brusque and insulting with overseas regulators and others, said people involved in the meetings. He demonstrated a cocksure style in negotiations to buy struggling crypto companies. He courted U.S. politicians and regulators, and seemed to egg on their scrutiny of his rivals.

And behind the scenes, FTX was using billions of dollars of customer money to fund risky trades by Alameda Research, a digital-currency firm he also founded. Revelations of the practice this week shocked Mr. Bankman-Fried's admirers, as well as many of his own employees. The undisclosed loans tore a hole in FTX's finances that set the stage for the exchange's swift implosion earlier this week.

Binance clash

In the end, one of Mr. Bankman-Fried's fatal mistakes might have been antagonizing members of the crypto world by advocating for crypto regulation. In particular, he made an enemy of Changpeng Zhao, the billionaire founder of Binance, the world's biggest crypto exchange by trading volume. Mr. Zhao, who goes by CZ, was an early financial backer of FTX.

Last weekend, he helped pull it apart—tweeting that Binance was dumping its stash of more than \$500 million worth of FTT, a token created by FTX.

The Binance founder said the move was for “risk management” purposes, citing a recent report on crypto website CoinDesk revealing that billions of dollars worth of the illiquid token were sitting on the balance sheet of FTX's sister firm, Alameda.

That was a problem because it showed Alameda was dangerously dependent on FTT, a token with uncertain value, and Alameda's finances might collapse if selling caused the token's price to crash. It was unclear at the time whether Alameda's troubles would extend to FTX, but fears quickly mounted in the market about FTX's stability, given the intertwined nature of the two firms.

Later that day Mr. Zhao added a dig: Binance couldn't support those who lobby against other players behind their backs, he tweeted. It was a clear reference to Mr. Bankman-Fried's activities in Washington, where the FTX chief had emerged as one of the largest political donors.

FTX Sinks Fast Into Bankruptcy

Continued from Page One
investors including Sequoia Capital and Thoma Bravo with stiff losses. It will maroon the crypto and cash deposits belonging to a legion of customers. FTX faces investigations or asset freezes from regulators and prosecutors around the world.

It has also rattled the crypto world. Crypto lender BlockFi, which had obtained a financial lifeline from FTX in July—one of several companies FTX had rescued earlier in the year—paused withdrawals Thursday evening.

Among the affiliates filing for bankruptcy protection is FTX US, a smaller unit that operated in the U.S. Most of FTX's business was offshore.



Sam Bankman-Fried, shown in 2021, resigned as chief executive of FTX. He clashed with Changpeng Zhao, left, founder and chief executive of Binance. Above right, FTX Arena in Miami.

Almost immediately, hedge funds and other firms yanked money from FTX, causing a crisis that jeopardized the exchange's future. On Sunday alone, customers slammed FTX with \$5 billion worth of withdrawals, according to a tweet posted later by Mr. Bankman-Fried.

Seeking a rescuer, FTX turned to the same rival who had sparked the crisis: Mr. Zhao. Binance agreed to buy FTX, only to withdraw its bid a day later. Adding salt to the wound was that Mr. Bankman-Fried only learned about the deal falling apart after it was reported in the media, he told employees in a Slack message seen by The Wall Street Journal.

“I'm deeply sorry that we got into this place, and for my role in it,” he wrote in the Slack message. “That's on me, and me alone, and it sucks, and I'm sorry, not that that makes it any better.”

As recently as last month, Mr. Bankman-Fried was boasting about his plans for expansion. He was in talks with investors for fresh cash to pursue

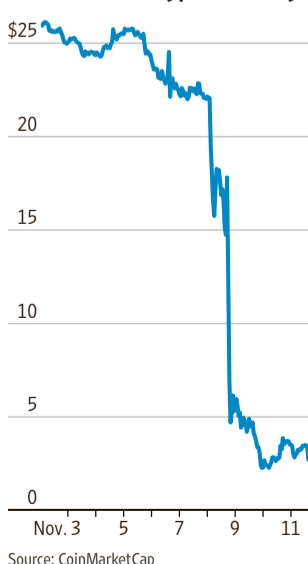
“efficient acquisitions,” he said at the Journal's Tech Live conference. He said FTX was already well known among crypto pros; he was interested in buying something that would get more mom-and-pop traders on board, he said.

On Friday, Mr. Bankman-Fried resigned as chief executive. The bankruptcy filing put an end to his frantic efforts to find suitors to save FTX—an ironic twist given that FTX itself bailed out ailing crypto firms earlier this year.

And after previously criticizing bad actors in crypto, Mr. Bankman-Fried is himself facing federal probes. He has described the decision to use customer funds as a poor judgment call, according to someone close to the matter.

In traditional finance, regulators require brokerages to segregate customer funds from any capital they use for trading. But in the Wild West of crypto, the rules are murkier. It wasn't immediately clear what legal consequences Mr. Bankman-Fried or FTX might face for the loss of customer funds.

Price of FTX's cryptocurrency



according to documents viewed by The Wall Street Journal.

Mr. Bankman-Fried wrote on Twitter roughly an hour after the bankruptcy announcement that he was “shocked to see things unravel the way they did earlier this week.”

FTX's troubles began last

digital-currency world to a bright future. “The question now is can you trust any crypto investment,” Mr. Dolev said. “Will it expire worthless in a matter of seconds?”

The broader investment and financial worlds have long held their collective breath as the crypto universe evolved and expanded. Financial players worried a collapse might take down more entrenched firms or investors, creating potential problems for the broader system.

For now, there have been few signs of broader impact, reassuring professionals and others. Still, the financial world remains on edge because FTX had hundreds of mainstream investors and lenders, including some of the leading venture-capital firms and others. They likely have suffered enormous losses from FTX's downfall and the resulting tumbles for bitcoin and other crypto investments. FTX, Alameda and other affiliates estimated in their bankruptcy filings that they have more than 100,000 creditors and face liabilities of between \$10 billion and \$50 billion.

FTX's collapse also comes as the Fed moves to raise interest rates to fight inflation and end the era of easy money, putting a damper on risky assets like crypto. That suggests there may be more pain and shock to the financial system to come.

In 2017, Mr. Bankman-Fried started Alameda Research in a rented house in Berkeley, Calif. It launched a crypto exchange in May 2019, under the name FTX, shorthand for “Futures Exchange.” Binance became one of FTX's first investors.

The exchange grew explosively, surpassing rivals that suffered from technology stumbles and poor user interfaces, though it still trailed Binance. Starting in 2021, FTX made a huge funding push, raising nearly \$2 billion within seven months—including from Sequoia Capital. FTX's last funding round, in January 2022, put it at a valuation of \$32 billion.

Mr. Bankman-Fried leaned into his brand as a chilled-out quant trader, showing up at crypto conferences in his FTX T-shirt and baggy shorts. He usually was treated as a rock star. Soon, stalwarts of finance, such as Ontario Teachers' Pension Plan and Singapore state investment company Temasek Holdings, joined FTX as investors.

But FTX still had fewer customers than its primary competitors—around one million users last year, it has said. Mr. Bankman-Fried sought to attract crypto newcomers through sports sponsorships and advertising, paying \$135 million for the naming rights to the Miami Heat's basketball arena and buying a Super Bowl commercial featuring comedian Larry David.

The Binance-FTX rivalry grew deeper. Last year, Binance sold its roughly 20% equity stake in FTX, swapping it for a mix of cash-like stablecoins and FTT tokens. In June, Mr. Zhao tweaked Mr. Bankman-Fried's drive for publicity: “It was not

easy saying no to Super Bowl ads, stadium naming rights, large sponsor deals a few months ago, but we did.”

Binance didn't respond to a request for comment.

Regulation was a point of contrast between the two firms. Last year, governments around the world including the U.K., Italy and Japan warned Binance for offering unregistered crypto products, forcing it to pull back from some markets. The firm faced mounting scrutiny from the financial press for refusing to say where its headquarters were—an approach that critics said helped Binance evade regulation and dodge liability for mishaps.

FTX moved its own headquarters to the Bahamas for its crypto-friendly regulatory environment.

Alameda also partly operated from the Bahamas. Mr. Bankman-Fried and Alameda's CEO, Caroline Ellison, a fellow former employee of quantitative trading giant Jane Street, once dated, according to people familiar with the matter.

Mr. Bankman-Fried embarked on a campaign to amass regulatory licenses. He surprised many of his fans when he came to a December 2021 Capitol Hill hearing on cryptocurrencies, wearing a suit and tie. Soon, he was a frequent visitor to Washington, meeting with regulators and others.

There were signs for months that Mr. Bankman-Fried wasn't quite what he seemed to outsiders. In a meeting with a half-dozen top regulatory, banking and other officials in the Baha-



He antagonized the crypto world by advocating for crypto regulation.

mas in January, Mr. Bankman-Fried surprised some in the room by frequently using the “F” word, while boasting about FTX's capabilities. He promised his company would dominate new markets, including stocks, according to a participant in the meeting.

This summer, when Mr. Bankman-Fried sought to prop up several struggling crypto companies, including broker Voyager Digital Ltd. and lender BlockFi Inc., some were struck by his aggressive style.

Some FTX employees privately worried that the firm was growing too fast and expanding into areas too far from its core business, current and former employees said. Mr. Bankman-Fried relied on himself and a small core group of FTX executives to negotiate deals, didn't use outside advisers to help judge their risks and sped through due diligence, according to people familiar with his deal-making style.

—Julie Steinberg, Ben Dummett, Paul Vigna and Caitlin Ostroff contributed to this article.

including Celsius Network LLC, Voyager Digital Ltd. and Three Arrows Capital.

Investors may be confronted with an uphill battle to get their crypto deposits back in bankruptcy proceedings because their investments are likely to be treated as unsecured claims without collateral rights.

FTX's bankruptcy also calls into question the fate of Voyager Digital. In September, FTX won the auction to buy the bankrupt lender's assets. Voyager said Friday that the firm has reopened the bidding process and is in “active discussions” with potential buyers. Voyager has about \$3 million of cryptocurrencies stuck on FTX.

—Jonathan Weil contributed to this article.

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OPINION

My Last Days With Donald Trump

By Mike Pence

Thirteen days after the 2020 election, I had lunch with President Trump. I told him that if his legal challenges came up short, he could simply accept the results, move forward with the transition, and start a political comeback, winning the Senate run-offs in Georgia, the 2021 Virginia governor's race, and the House and Senate in 2022. Then he could run for president in 2024 and win. He seemed unmoved, even weary: "I don't know, 2024 is so far off."

In a Dec. 5 call, the president for the first time mentioned challenging the election results in Congress. By mid-December, the internet was filled with speculation about my role. An irresponsible TV ad by a group calling itself the Lincoln Project suggested that when I presided over the Jan. 6 joint session of Congress to count the electoral votes, it would prove that I knew "it's over," and that by doing my constitutional duty, I would be "putting the final nail in the coffin" of the president's re-election. To my knowledge, it was the first time anyone implied I might be able to change the outcome. It was designed to annoy the president. It worked. During a December cabinet meeting, President Trump told me the ad "looked bad for you." I replied that it wasn't true: I had fully supported the legal challenges to the election and would continue to do so.

I supported legitimate challenges to the 2020 vote counts. I also recognized that the Constitution didn't give me authority to override the voters.

On Dec. 19, the president mentioned plans for a rally in Washington on Jan. 6. I thought that would be useful to call attention to the proceedings. I had just spoken with a senator about the importance of vetting concerns about the election before Congress and the American people. At the White House on Dec. 21, Ohio Rep. Jim Jordan led lawmakers in a discussion about plans to bring objections. I promised that all properly submitted objections would be recognized and fully debated.

On Dec. 23, my family boarded Air Force Two to spend Christmas with friends. As we flew across America, President Trump retweeted an obscure article titled "Operation Pence Card." It alluded to the theory that if all else failed, I could alter the outcome of the election on Jan. 6. I showed it to Karen, my wife, and rolled my eyes.

On Dec. 30, Missouri Sen. Josh Hawley announced that he would co-sponsor election objections brought by representatives. I welcomed Sen. Hawley's decision because it meant we would have a substantive debate. Without a senator's support, I would have been required to dismiss House objections without debate, something I didn't want to do.

Early on New Year's Day, the phone rang. Texas Rep. Louie Gohmert and other Republicans had filed a lawsuit asking a federal judge to declare that I had "exclusive authority and sole discretion" to decide which electoral votes should count. "I don't want to see 'Pence Opposes Gohmert Suit' as a headline this morning," the president said. I told him I did oppose it. "If it gives you the power," he asked, "why would you oppose it?" I told him, as I had many times, that I didn't believe I possessed that power under the Constitution.

"You're too honest," he chided. "Hundreds of thousands are gonna

hate your guts. . . . People are gonna think you're stupid."

On Saturday, Jan. 2, I instructed my chief of staff to issue a statement supporting the right of lawmakers to bring objections under the Electoral Count Act. By Sunday morning, the headline "Pence Welcomes Congressional Republicans' Bid to Challenge Electoral Votes" was everywhere. When the president called me that morning, his mood had brightened. "You have gone from very unpopular to popular!" he exclaimed. But then he pressed me again to reject electoral votes unilaterally. "You can be a historic figure," he said, "but if you wimp out, you're just another somebody."

On Jan. 4, the president's chief of staff, Mark Meadows, summoned me to the Oval Office for a meeting with a long list of attendees, including the legal scholar John Eastman. I listened respectfully as Mr. Eastman argued that I should modify the proceedings, which require that electoral votes be opened and counted in alphabetical order, by saving the five disputed states until the end. Mr. Eastman claimed I had the authority to return the votes to the states until each legislature certified which of the competing slate of electors for the state was correct. I had already confirmed that there were no competing electors.

Mr. Eastman repeatedly qualified his argument, saying it was only a legal theory. I asked, "Do you think I have the authority to reject or return votes?"

He stammered, "Well, it's never been tested in the courts, so I think it is an open question."

At that I turned to the president, who was distracted, and said, "Mr. President, did you hear that? Even your lawyer doesn't think I have the authority to return electoral votes." The president nodded. As Mr. Eastman struggled to explain, the president replied, "I like the other thing better," presumably meaning that I could simply reject electoral votes.

On Jan. 5, I got an urgent call that the president was asking to see me in the Oval Office. The president's lawyers, including Mr. Eastman, were now requesting that I simply reject the electors. I later learned that Mr. Eastman had conceded to my general counsel that rejecting electoral votes was a bad idea and any attempt to do so would be quickly overturned by a unanimous Supreme Court. This guy didn't even believe what he was telling the president.

Right before going to bed, I saw that the Trump campaign had issued a statement. The New York Times reported that I had told the president I didn't believe I had the power to block congressional certification of the election. That was true, but the statement called it "fake news." I had a feeling that Jan. 6, 2021, was going to be a very long day.

I rose early that day and worked on my statement to Congress.

When the phone rang a little after 11 a.m., it was the president. "Despite the press release you issued last night," I said, "I have always been forthright with you, Mr. President." I reiterated that I didn't believe I had the power to decide which electoral votes would count and said I would be issuing a statement to Congress confirming that before the joint session started.

The president laid into me. "You'll go down as a wimp," he said. "If you do that, I made a big mistake five years ago!"

But when he said, "You're not protecting our country, you're supposed to support and defend our country!" I calmly reminded him, "We both took an oath to support and defend the Constitution."

As I headed to the Capitol, President Trump took the stage. He told the crowd: "I hope Mike is going to do the right thing. I hope so. I hope



Pence and Trump on election night 2020. Below, the Capitol on Jan. 6, 2021.

so. Because if Mike Pence does the right thing, we win the election." Repeating the argument made by the crank lawyers standing just off-stage, he said, "All he has to do, all this is, this is from the No. 1, or certainly one of the top, constitutional lawyers in our country. . . . All Vice President Pence has to do is send it back to the states to recertify and we become president and you are the happiest people."

As our motorcade arrived at the Capitol, I saw thousands of protesters standing peacefully on the East Lawn. I felt compassion for all the good people who had traveled to Washington having been told that the outcome of the election could be changed. They cheered as we entered. I turned to my daughter and sighed: "God bless those people. They're gonna be so disappointed."

I had no idea that what was later described as a "wall of people" had formed about a block west of the Capitol. As I led senators onto the House floor, the mood was solemn. There was no indication of the mayhem unfolding outside. Speaker Nancy Pelosi gavelled the chamber into session a little after 1 p.m.

When the electoral votes for Arizona were opened, Rep. Paul Gosar rose to raise the first objection of the day, co-sponsored by 60 representatives. When I asked if the motion had a Senate sponsor, Ted Cruz rose. I adjourned the joint session and accompanied senators back to their chamber, still oblivious to the riot outside.

Forty minutes into the session, Republican James Lankford of Oklahoma had the floor when the Senate parliamentarian, Elizabeth MacDonough, seated a few feet in front of me, leaned back in her chair and whispered: "Mr. Vice President, protesters have breached the building's doors on the first floor. Just informing you."

A member of my Secret Service detail walked onto the Senate floor, straight to my chair, and said, "Mr. Vice President, we gotta go." I was confident that the U.S. Capitol Police would soon have the situation in hand, so I told him we'd wait in the nearby ceremonial office reserved for my use as president of the Senate.

Soon my lead Secret Service agent, Timothy Giebels, walked into that crowded office and said, "Sir, we've got to get you out of the building." The protesters who had smashed their way into the House side of the Capitol were heading for the Senate. I later learned that many had come looking for me.

I told my detail that I wasn't leaving my post. Mr. Giebels pleaded for us to leave. The rioters had reached our floor. I pointed my finger at his chest and said, "You're not hearing me, I'm not leaving! I'm not giving those people the sight of a 16-car motorcade speeding away from the Capitol."

"OK," he answered in a voice that made it clear that it wasn't. "Well, we can't stay here. This office only has a glass door, and we can't protect you."

My daughter Charlotte, sensing my frustration, asked, "Isn't there somewhere else dad can go that is still in the Capitol?" Mr. Giebels

said we could move to the loading dock and garage, a few stories below. I agreed.

The steps were secured. We walked out into the hall slowly. All around us was a blur of motion and chaos: security and police officers directing people to safety, staffers shouting and running for shelter. I heard footsteps and angry chanting. Making our way to the basement of the Capitol took a few extra minutes because I insisted that we walk, not run. The Secret Service team grudgingly accommodated me.

Arriving in the loading dock, we saw that our motorcade had been repositioned, with all the cars pointed toward a ramp leading out. Mr. Giebels began to escort us toward our cars. I stopped and said, "I'm not getting in the car."

"Sir," he replied, "we're just going to have you wait in the car, but we are not leaving the Capitol."

"Tim, I believe you," I said. "You're a man of integrity, but you're not driving that car." I knew that if we got into the car, somebody would tell the driver to get us out of the building.



We had no television in the garage, so my staff and security team briefed me on the situation using police radio communications and Twitter. The House and Senate leaders had been whisked away to a secure location off Capitol Hill, but other members were barricaded in the House chamber as Capitol Police worked to hold back the mob.

My unflappable assistant Zach Bauer walked up sheepishly and handed me his phone. The president had sent a tweet at 2:24 p.m.: "Mike Pence didn't have the courage to do what should have been done to protect our Country and our Constitution, giving States a chance to certify a corrected set of facts, not the fraudulent or inaccurate ones which they were asked to previously certify. USA demands the truth!"

Rioters were ransacking the Capitol. Some of them, I was later told, were chanting, "Hang Mike Pence!" I ignored the tweet and got back to work.

My chief of staff arranged for a conference call with the congressional leadership. Senate Minority Leader Mitch McConnell made the point that it was imperative Congress reconvene as soon as possible to complete the vote count. Everyone agreed.

By 2:38 p.m., it appeared that cooler heads had prevailed at the White House. The president tweeted, "Please support our Capitol Police and Law Enforcement."

They are truly on the side of our Country. Stay peaceful!" A half hour later, he urged the rioters to "remain peaceful. No violence! Remember, WE are the Party of Law & Order—respect the Law and our great men and women in Blue." At 4:17 p.m., the president issued a video telling the rioters, "I know your pain, I know your hurt . . . but you have to go home now, we have to have peace."

By 7 p.m., we had been cleared to return to my office. When the session reconvened, everything changed. Many lawmakers withdrew support for objections that had been properly filed. Beyond the violence and destruction, the Jan. 6 rioters had managed to end the debate over election irregularities. At around 3:40 a.m., Sen. Amy Klobuchar of Minnesota read the results of the 2020 election.

I met with the president on Jan. 11. He looked tired, and his voice seemed fainter than usual. "How are you?" he began. "How are Karen and Charlotte?" I replied tersely that we were fine and told him that they had been at the Capitol on Jan. 6. He responded with a hint of regret, "I just learned that." He then asked, "Were you scared?"

"No," I replied, "I was angry. You and I had our differences that day, Mr. President, and seeing those people tearing up the Capitol infuriated me."

He started to bring up the election, saying that people were angry, but his voice trailed off.

I told him he had to set that aside, and he responded quietly, "Yeah."

I said, "Those people who broke into the Capitol might've been supporters, but they are not our movement." For five years, we had both spoken to crowds of the most patriotic, law-abiding, God-fearing people in the country.

With genuine sadness in his voice, the president mused: "What if we hadn't had the rally? What if we hadn't gone to the Capitol?" Then he said, "It's too terrible to end like this."

On Jan. 14, the day after President Trump was impeached for the second time, I stopped by the Oval Office. The night before, he had unequivocally denounced the violence at the Capitol and called for calm and national unity. I congratulated him on his address. "I knew you'd like it," he said. He seemed discouraged, so I reminded him that I was praying for him.

"Don't bother," he said. As I stood to leave, he said, "It's been fun."

"A privilege, Mr. President," I answered.

"Yeah, with you."

Walking toward the door leading to the hallway, I paused, looked the president in the eye, and said, "I guess we will just have to disagree on two things."

"What?"

I referred to our disagreement about Jan. 6 and then said, "I'm also never gonna stop praying for you."

He smiled: "That's right—don't ever change."

Mr. Pence was vice president of the United States, 2017-21. This is adapted from his memoir, "So Help Me God," forthcoming Nov. 15.

Teachers Unions Buy Themselves a 'Millionaire Tax' in Massachusetts



CROSS COUNTRY
By Steven Malanga

Only recently, Massachusetts media described the state government as "awash in cash." State revenue in 2022 increased 20%, spurring higher spending and triggering \$2.94 billion in taxpayer rebates.

The last thing one might have expected, then, was a big tax increase. But on Tuesday Bay State voters approved a \$2 billion hike in the form of an amendment to the state constitution adding a 4% surcharge on incomes above \$1 million—with much of the revenue designated for schools.

Voters had previously rejected the "millionaire tax" five times. There's no one reason why it succeeded this

time, 52% to 48%, but a significant factor was the ever-growing influence of public-worker unions. Education unions alone poured \$23 million into the campaign. That included \$15.5 million from the Massachusetts Teachers Association and \$6.57 from the National Education Association.

Government unions have made high taxes a priority. In 2016 the California Teachers Association spent \$21 million to pass Proposition 55, which extended a tax increase on those making more than \$250,000. In 2020 teachers unions, including the NEA, dropped \$8 million to win approval of Arizona Proposition 208, a 3.5% surcharge on high earners, only to have a court declare the tax unconstitutional.

It wasn't supposed to be this way. Public-sector unions were battered by local government budget woes in

the aftermath of the 2008-09 recession. Then, in 2018, the Supreme Court's *Janus v. Afsome* decision barred government unions from compelling workers to pay membership

For a measly outlay of \$23 million, unions secured \$1 billion in new annual education funding.

fees. For this and other reasons, public-sector unions have lost nearly a million members in the past decade. Their private-sector allies have also seen their ranks decline.

Yet unions managed to remain flush with cash. Radish Research, a pro-union group, found that since

2010 unions have collectively increased membership revenue by about a third despite steep membership losses. Average annual member dues rose 40% to \$1,089 in 2021, from \$778 in 2010, in part because union agreements often tie dues to salary increases. Organized labor's net assets have more than doubled since 2010, to \$31.6 billion. That includes \$11.3 billion in cash.

All that dough has helped unions remain big political players. The NEA and its state affiliates, with combined revenue of \$1.7 billion in the 2019-20 school year, poured \$378 million into 2022 races, according to OpenSecrets.org. The American Federation of Teachers spent another \$11.6 million. Virtually all went to Democrats.

In Massachusetts, the unions' tax campaign succeeded despite no obvious need. The state government is in

surplus and its schools, often considered among the nation's best, enjoyed a \$2.5 billion windfall from the Biden stimulus bill. Massachusetts is already the nation's sixth highest education spender on a per pupil basis.

Still, for a mere \$23 million, Bay State education unions secured more than \$1 billion annually in new spending, much of which will go toward salaries. Higher salaries, naturally, translate into higher dues. Higher dues can be spent on political activities that lead to higher spending.

Supporters of the tax hike describe it as "a win for Massachusetts." But the real winners are the government unions that ponied up their members' money to get it passed.

Mr. Malanga is senior editor of City Journal.

OPINION

REVIEW & OUTLOOK

Biden's Student Loan Drubbing

President Biden's student-loan forgiveness gambit may have purchased votes this week. But on Thursday a Texas federal judge handed the President a legal defeat by ruling that his \$400 billion write-off is unconstitutional.

The Administration had moved to dismiss the challenge by two student borrowers on grounds that they lacked standing to sue. But Judge Mark Pittman disagreed and ruled for the plaintiffs on summary judgment because he said no material facts were in dispute.

One plaintiff was ineligible for debt forgiveness because her loans are commercially held. The other is ineligible for the full \$20,000 in relief because he didn't receive a Pell Grant. Both say they couldn't express disagreement with the Administration's plan because it didn't undergo notice and comment under the Administrative Procedure Act.

The Administration says no one has standing to challenge the loan cancellation because nobody is concretely harmed when the government grants a benefit. Not so, Judge Pittman ruled. He cites a 1993 Supreme Court decision that an association of contractors had legal standing to challenge a local Florida ordinance favoring minority-owned business.

In the student loan case, plaintiffs' injury is that "they personally did not receive forgiveness and were denied a procedural right to comment on the Program's eligibility requirements. Plaintiffs need to prove only the existence of an associated 'concrete interest,' not a guarantee of concrete harm due to the procedural violation," the judge writes.

The question of legal standing is tricky. But the Court's standing jurisprudence has been somewhat flexible, as Justices Clarence Thomas and Neil Gorsuch noted last year in a dissent. The Court allowed Democratic states to chal-

lenge the Trump Census citizenship question despite injuries that were speculative.

There's a much stronger argument for letting the challenge to loan cancellation proceed since the constitutional violation is so egregious. The Administration says the 2003 Heroes Act grants the Education Secretary authority to "waive or modify" any student financial aid provision he deems "necessary" in connection to a war or national emergency.

Covid is a national emergency, the Administration claims, so it can waive the obligation to repay federal loans across the board. This is doubtful, Judge Pittman writes, noting that Mr. Biden declared only weeks after his loan cancellation announcement that the "pandemic is over."

Judges have often deferred to administrative agencies' interpretation of their statutory authorities under the Court's *Chevron* precedent. "In recent years, however, the Supreme Court has chipped away at *Chevron*—giving back 'the benefit of doubt about the meaning of an ambiguous law to the individual' instead of the government," Judge Pittman writes.

He adds: "The most recent example of *Chevron*'s fall is the crystallization of the long-developing major-questions doctrine in *West Virginia v. EPA* (2022)." This doctrine requires a federal agency to point to "clear congressional authorization" when resolving a question of major political and economic import, which the loan write-off clearly is.

Because the Administration could not, Judge Pittman held it violates the separation of powers and vacated it. The Justice Department will no doubt appeal. Meanwhile, the Eighth Circuit Court of Appeals is considering a challenge by GOP states to the write-off. Let's hope one or both reach the Supreme Court.

A federal judge finds the \$400 billion write-off unconstitutional.

The Republican Wipeout in Michigan

If Florida is an example of a state Republican Party governing well and building a majority, Michigan is the opposite. Wolverine State Republicans suffered an election wipeout Tuesday that leaves them without any legislative power for the first time in decades.

Gov. Gretchen Whitmer won re-election despite punishing schools closures, and state Democrats gained their first trifecta in about 40 years. Democrats picked up seats in the state Senate, flipping it to 20-18 Democrats from 22-16 Republicans. They also flipped the state House to 56-54 Democrats from 56-53 Republicans (with a vacancy). Republicans had a supermajority in the state Senate and a trifecta only four years ago.

Republicans nominated a weak candidate for Governor in Tudor Dixon, who played up to Donald Trump's stolen 2020 election claims in the primary, which Democrats used against her and she lost by more than 10 points. Republicans lost a House seat in Grand Rapids after they ousted Rep. Peter Meijer in the primary for impeaching Mr. Trump. John Gibbs lost by 13.

Republicans in the Legislature also mishandled the abortion issue. After *Roe v. Wade* was overturned, they failed to pass a new law to replace a 1931 statute banning nearly all abortions. That left the way open for Proposal 3, which put abortion rights in the state constitution and passed Tuesday with 56.7% support with 95% of the vote reporting. Local news outlets reported that voter turnout was higher than expected across the state with hours-long lines in Democratic areas like Ann Arbor (home of the University of Michigan).

Republicans completed their humiliation as voters approved the measure the GOP put on the ballot easing the state's term limits for politicians. Since 1992 the state has had term limits allowing three two-year terms in the state House, two four-year terms in the state Senate and two four-year terms for Governor.

Under the new regime, which passed with some 66% of the vote, the maximum number of years a lawmaker can serve in the Legislature is reduced to 12 from 14 but the practical effect is to increase the number of years a lawmaker can stay in one chamber. The measure will become law in time for Democrats to take advantage.

The election losses will have consequences, including for school choice. Supporters had gathered signatures to create educational savings accounts for low-income families to use on private tuition using what's known in Michigan as a "citizen-initiated petition." Under the Michigan constitution, the state lets voters propose laws directly and have them approved by the Legislature, without subjecting them to the Governor's approval or veto.

Gov. Whitmer vetoed a similar measure last term, and school choice supporters had hoped that the measure could be approved directly by a Republican-controlled Legislature that supported it. Not anymore. Also look for union interests and Democrats to target the state's right-to-work law that lets workers choose whether to join a union.

If they ever regain power, Lansing Republicans should consult their fellow party members in Tallahassee on how to keep it.

Ukraine's Kherson Breakthrough

Russia's retreat from the city of Kherson on Friday is another major milestone in Ukraine's counteroffensive to reclaim territory lost since the Feb. 24 invasion. Ukraine's progress continues to vindicate Western aid and shows the price Russia is paying for Vladimir Putin's folly.

A major port city, Kherson was the only regional capital the Russians seized since February. Russia viewed the city, on the western side of the Dnipro River, as the gateway to Mykolaiv and Odessa, and control of every Ukrainian port on the Black Sea. An invasion of Moldova might have been next.

As Ukrainian troops rolled into Kherson, residents cheered, waved Ukrainian flags, and played the national anthem. Friday's exuberant response gives the lie to the Kremlin's claims in September that Kherson oblast had overwhelmingly voted in support of Russia's annexation. That referendum was held under occupation terror.

As in the north in Kharkiv, Ukraine has made good use of more advanced Western weapons to move on the Russians. The Himar missile system the U.S. withheld in the war's early months has been especially effective. Ukraine pummeled the Antonivskiy Bridge across the Dnipro and made Russian resupply difficult.

The Kremlin claims it has evacuated some 70,000 people from Kherson on humanitarian grounds, but it's far from clear they all moved voluntarily. Russia has repeatedly taken Ukrainian civilians as hostages, with some forcibly resettled in Russia. In the Donbas in the east, Ukrainians have sometimes been conscripted to fight against their own countrymen.

If the pattern around Kyiv and Kharkiv holds, Ukrainians will discover evidence and testimony of brutal Russian tactics against civilians. The city remains within the reach of Russian artillery, and thousands are without reliable electricity, heat, food and water as winter looms. The Ukrainians will also face a tougher fight if they press east across

Russia retreats from more of the territory it seized this year.

the Dnipro, given the logistics of resupplying the front lines over a bridge-less river.

On Thursday the U.S. announced another \$400 million in military aid for Ukraine, including munitions for its Himars, four Avenger air-defense systems with missiles, and the HAWK air-defense systems provided by Spain. The latter will be useful as Russia launches missiles and Iranian drones at Ukrainian cities and civilian infrastructure far from the front lines. Ukraine has been seeking longer-range ATACMS missiles for its Himars, and the Biden Administration's reluctance is hard to explain.

Ukraine's Kherson victory is especially timely given this week's leaks that the Biden Administration is leaning on Ukrainian President Volodymyr Zelensky to negotiate with the Russians. Such reports telegraph Western weakness despite the strength Ukrainians have shown on the battlefield. They also bolster Vladimir Putin's hopes that he can outlast Western support.

Any settlement now would give the Russians a chance to regroup, reinforce their defensive positions, and prepare for a renewed attack. Every war ends with some kind of negotiation, but Ukraine has earned the chance to restore its Feb. 24 borders, at the very least, before it sits across from Mr. Putin.

LETTERS TO THE EDITOR

Voters Are Ready to Move on From the Donald

It's amazing how the American electorate, given the awful political choices the Democrats and Republicans offered on Tuesday, pulled off perhaps the most helpful result possible ("The GOP's Midterm Failure," Review & Outlook, Nov. 10). The best bad answer can be elusive, especially when we are bombarded by the myths and knuckle-headedness of woke progressive media on one side and the apish Trumpian internet mandarins on the other, but it seems voters found a way.

Shuffling the buffoons always means you have to let one in—the choice between Mehmet Oz or John Fetterman, for example. Yet with most of Donald Trump's nutjobs out, Ron DeSantis in *big*, and President Biden's legislative road to economic and social suicide closed, the next two years of stasis may give more-competent hands the room needed to push back on the excesses of both sides. It isn't ideal, of course, but in cutting this baby in half, the people showed more wisdom than perhaps they knew they possessed.

KEVIN COSTANZI
Herndon, Va.

I have talked with dozens of people who voted for Mr. Trump in 2016 and 2020, like I did. Every single one of us has now come to the conclusion that it is time for Mr. Trump to remove himself from any future elections, especially the 2024 presidential race. The only way Herschel Walker can win the Georgia Senate seat is for Mr. Trump to stay away.

WALTER AVERETT
Durham, N.C.

You hear a lot about how early voting favors Democrats. Could it be that the choice of Republicans to vote primarily on Election Day is backfiring? Bad weather, a sick child, a flat tire, long lines and, in Arizona, some malfunctioning ballot machines resulting in voters being turned away—it all can result in not voting on Election Day.

PAMELA SABA
Tempe, Ariz.

Thanks for illuminating Sen. Mitch McConnell's financial support of Mr. Oz, and the lack of money from Mr. Trump ("Trump's \$89 Million Debt to McConnell," Review & Outlook, Nov. 9). Mr. Trump has turned Pennsylvania blue. If he hadn't endorsed Mr. Oz, there is no doubt that David McCormick, a better candidate, would have faced Mr. Fetterman. Thank Mr. Trump for losing Republicans the Senate in 2020, with his Georgia meddling, and perhaps repeating that now.

We have a great list of potential 2024 candidates who are smart, young, want less government and lower taxes, are tough on crime and illegal immigration and have the kind of values that Americans would vote for. Mr. Trump isn't that.

J.R. ALEXANDER
North Huntingdon, Pa.

To paraphrase Nicholas von Hoffman's comment about Richard Nixon during the Watergate hearings: Mr. Trump is like a dead mouse on the kitchen floor of the Republican Party. Everybody wants him out, but nobody wants to pick him up.

DAVID A. SNAVELY
Toledo, Ohio

Noonan, Burke and the Way Democracy Dies

In "Your Duty Is to Take Voting Seriously" (Declarations, Nov. 5), Peggy Noonan urged unserious voters to stay home. If they all did that, however, I don't think we'd be in a democracy any more. Representative government requires broad participation to survive. If voting becomes the reserve of a small, aristocratic clique of the politically preoccupied, it will slide into irrelevance.

JOHN Z. WALTHALL
Scottsville, N.Y.

Ms. Noonan wants voters to take elections seriously. In 2020 ("Raucous 2016 Gives Way to Subdued 2020," Declarations, Oct. 31, 2020), however, Ms. Noonan indicated that she would cast a write-in vote for Edmund Burke, the British political philosopher. Mr. Burke died in 1797.

Has Ms. Noonan been following her own advice about taking elections seriously?

DANA R. HERMANSON
Marietta, Ga.

Lancet Countdown Responds on Heat Deaths

Bjorn Lomborg accuses the Lancet of deception ("Climate Change and the Lancet's 'Heat Death' Deception," op-ed, Nov. 5), noting that estimated deaths attributed directly to heat are also related to population aging. What he doesn't say is that our Lancet Countdown report explicitly disaggregates the effect of demographic changes from that of heat-wave incidence in assessing exposure of vulnerable age groups, precisely to avoid deceptive reporting. We also stated that "insufficient data sharing and reporting restrict the capacity to produce accurate estimates globally." In Qatar, few of the 6,000 deaths reported among World Cup construction workers mention heat stress as a cause.

Behind this discussion lies an ethical conflict. Older generations have enjoyed enormous benefits from industrialization, mostly based on fossil

fuels. But global heating from fossil-fuel greenhouse gases leads to extreme weather events such as floods and droughts, wildfires, reduced crop yields, increased risk of infectious disease, biodiversity loss and sea-level rise, all with effects on health and survival. We are putting our children's future in the balance. The generational injustice can't be ignored.

A zero-carbon future brings many health benefits. Our conservative estimates suggest 1.2 million deaths annually could be prevented with no exposure to fossil-fuel-derived small-particulate-matter air pollution.

Mr. Lomborg pairs deaths from extreme heat with the reduction in cold-related mortality. But our capacity to adapt to extremes of heat is limited, and heat-related mortality rises with temperature at a more rapid pace than cold-related mortality falls. Multiple studies show that rising temperatures will result in a net increase in related mortality.

PROF. ANTHONY COSTELLO
MARINA ROMANELLO, PH.D.
University College London

Dr. Costello and Ms. Romanello are Lancet Countdown's chair and director.

Spread the Word: U.S. Isn't Enemy of the Russian People

Holman Jenkins, Jr. makes a fine point in "To End the Ukraine War, Shut Up About Negotiations," (Business World, Nov. 5). There is, however, something we need to shout from the rooftops to counter Vladimir Putin's propaganda.

Mr. Putin and his allies portray Russia as fighting against an evil Western cabal, led by America, that is intent on the destruction of the Russian homeland by supplying weapons to the "Nazis" in Ukraine.

We need to remind the Russian people that, even before America entered World War II, and all through the war, the U.S. supplied the Soviet Union with millions of tons of planes, tanks, trucks, clothing and ammunition to save Russia from actual Nazis. We are doing now what we did then: helping a sovereign nation protect itself from the unprovoked aggression of a tyrannical dictator.

DENNIS CANFIELD
Chicago

The Academy to the Rescue

Regarding "Notable & Quotable: Diversity" (Nov. 5): Ah yes, academia devises the solution to our problems: "visual diversity." We can judge a book by its cover, and now a person, too.

ORLANDO B. DOYLE
Royal Oak, Mich.

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

Musk Won't Protect Truth

Allysia Finley is wrong in "Democrats Develop Elon Musk Derangement Syndrome" (Life Science, Nov. 7). We Democrats don't oppose Mr. Musk's Twitter takeover because we want to "silence conservative voices." We oppose his takeover because we want to silence the lies that former President Donald Trump and his ilk perpetuate—lies that the Journal's editorial writers often point out in a futile attempt to stop them.

DON GLICKSTEIN
Seattle

Pepper ... And Salt

THE WALL STREET JOURNAL



"The only reason I come here is because they won't let me lay on the couch at home."

OPINION

Maybe Republicans Will Finally Learn



DECLARATIONS
By Peggy Noonan

It is rude of Arizona and Nevada to keep the country waiting to know the composition of its Senate. Why, days after the election, don't we know which party controls the House? Why can't the late-reporting states get their act together on vote counting? It's the increase in mail-in ballots? So what? You roll with life and adapt. Florida, which spans two time zones, reports its tallies with professionalism and dispatch.

If they aren't serious about policy, they'll nominate Trump in 2024 and lose a fourth straight election.

States have two jobs in this area. One is to create the conditions by which people can vote—polling places, machines that work, correctly worded ballots. The second is to count the votes. It's not rocket science. Leaders keep saying we have to be patient. Why? How about doing your job? Get the mail-in ballots, count them, hold them in a vault until the polls close, and announce the numbers, along with the Election Day vote, that night.

Long counts are not only sloppy, they are abusive. It is in the delay between polls closed and outcome announced that the mischief begins. It's where conspiracism takes hold. *They stole the boxes with the ballots last Thursday—my cousin's friend saw it.*

It is looking for trouble. America isn't a place where you need to look for trouble.

On the outcome as we know it:

The MAGA movement and Donald Trump took it right in the face. Normal conservatives and Republicans fared well. Trump-endorsed candidates went down. Everyone knows the famous examples—Doug Mastriano in Pennsylvania, Don Bolduc in New Hampshire, Tudor Dixon, who lost by 10 points in Michigan. All embraced Mr. Trump, some sincerely, many opportunistically, all consistently. A Hollywood director once said of pragmatic choices, and we paraphrase, that it's one thing to temporarily reside up someone's organ of elimination but it's wrong to build a condo up there, people will notice and get a poor impression. That's sort of what happened.

Less noticed so far: In Michigan, Democrats flipped both chambers of the Legislature. Republicans lost the state Senate for the first time in almost 40 years. Trump-backed candidates lost big races. The nonpartisan Bridge Michigan said the election should be “a wake-up call for the GOP to move on from Donald Trump's obsessive quest to re-litigate his 2020 loss.” Jason Roe, a former head of the state party, said the GOP can continue to tilt at windmills or win elections, and if it does the former, “it's gonna be a rough decade ahead of us.”

Ronna McDaniel, head of the Republican National Committee, lives in Michigan. Think she noticed?

On the other hand Team Normie pretty much flourished east to west. Gov. Chris Sununu in New Hampshire won by 15 points, Gov. Brian Kemp of Georgia by more than 7, and of course Gov. Ron DeSantis of Florida by nearly 20.

The weirdness of the Trump candidates—their inexperience and fixations, their air of constant yet meaningless conflict, their sheer abnormality—asked too much of voters, who said no.

On Mr. Trump himself, everything has been said, including in this space for a long time. An esteemed Tory political figure summed it up



Counting votes in Phoenix

succinctly in London in August: “Donald Trump ruined the Republican Party's brand.”

It will now stick with him or not. It will live free or die.

If, in 2024, Republicans aren't serious about policy—about what they claim to stand for—they will pick him as their nominee. And warm themselves in the glow of the fire as he goes down in flames. If they're serious about the things they claim to care about—crime, wokeness, etc.—they'll choose someone else and likely win.

The night before the election I watched Mr. Trump's rally in Ohio. It was the usual until the end, when, as he spoke, some “Phantom of the Opera”-ish music came from out of nowhere. It was like some deformed giant named Igor was playing an organ as the sound track of the speech. It was like going back to the eerie weird zone of 2015-20, only darker, weirder and less competent. Mr. Trump didn't know how to coordinate his words with the music, and the words were all dark—*America in decline, grrr grrr*. There was a deep darkness behind him, and beyond that his big plane. When Gov. Mike DeWine was asked to speak, he

mumbled approximately 3.5 words and scrambled. Trump invited another statewide candidate to the podium and he shook him off: No, that's OK.

I watched and thought: What I am seeing is the end of something. I am seeing yesterday. This is a busted jolopy that runs on yesteryear's resentments. A second term of this would be catastrophic, with him more bitter, less competent, surrounded by collapsed guardrails. He and his people once tried to stop the constitutionally mandated electoral vote certification by violently overrunning the U.S. Capitol. If America lets him back, he will do worse. And America knows.

The policy positions of Trumpism always had constructive elements. He helped bust the party from its mindless establishment rut, broke the party from its recent always-up-for-a-war impulse and from the condescension of its political strategists toward the working class.

But the man himself poisons his own movement. That's what became obvious this week.

For almost seven years my email has been full of Republicans who disapprove of Mr. Trump, support

many of his policies, see no wisdom in the policies of the left, and are stuck with him.

But they are no longer stuck. This week's epic loss—a landscape of pro-Republican issues and a repudiation of Republican candidates—should jar them loose. He is nowhere near the only game in town. It's time for a jailbreak.

There will be other candidates for president, including Mr. DeSantis, who turned Florida red. If Mr. Trump goes forward and Mr. DeSantis does too, it will be one of the great political brawls. Mr. Trump is already essentially trying to blackmail the governor—“I know more about him than anybody other than perhaps his wife.” Mr. DeSantis has wisely refrained from responding.

He should continue holding his fire, not try to laugh it off or respond in kind. He should concentrate on governing and reaching out. If he decides to run, at that point he should answer—in a cool and deadly way, not a personal way. A way that acknowledges Mr. Trump was a breakthrough figure, changed the party in some healthy ways, but got lost in obsessions and bitterness, in petty feuds—in an All About Me-ness that came at the expense of policy and party. All About Me is a losing game, because politics is all about us.

Trump supporters will say, “Well, Trump's been insulting him a long time, he's got a right to answer. He's got a right to insult back, and he didn't.” Many of them will hear. They'll think.

Meantime there's a gift for Republicans in what happened this week. “Every victory carries within it the seeds of defeat, every defeat the seeds of victory.” If Republicans had just won, they never would have learned a thing.

They can learn now. The old saying is there's no education in the second kick of a mule. This is the third kick, after 2018 and 2020. Maybe they will learn now.

Europe's 'New Right' Looks a Lot Like Its Old Center

By Dominic Green

Europe is moving to the right. Giorgia Meloni's Fratelli d'Italia won the largest vote share in Italy's general elections and now leads the government. The Sweden Democrats won the largest share of Sweden's right-wing vote and now dominate a coalition government from outside. Rishi Sunak, the new British prime minister, has re-committed the Conservatives to “leveling up” the economic imbalance between London and the rest of the country. Add to these Viktor Orban's Hungary and Mateusz Morawiecki's Poland, and Europe has turned right by popular demand.

Across the West, voters are rejecting the managerial consensus that formed around free markets in the 1980s and soft-centered internationalism in the 1990s. Voters don't want the economy left to the mercy of markets, and they can't afford a borderless world. They are unconvinced by the economies of scale that look so sensible from the heights of Davos. They want governments that give them what they need, not what the International Monetary Fund or the World Economic Forum want.

The only survivors of the old order are, not coincidentally, the political faces of the dollar and the euro: President Biden and German Chancellor Olaf Scholz. The other face of the euro, France's ostensibly centrist President Emmanuel Macron, has turned right, only more quietly. A recent French poll found that 48% thought Mr. Macron's government “right-wing” and only 11% thought it “left-wing.” Mr. Macron may be a technocrat to his fingertips, but he has responded pragmatically to the public mood.

The new parties are winning power by promising to save the nation-state: reducing immigration and crime; addressing the overcrowding of schools, hospitals and public services; stabilizing national cultures; and creating economic opportunity as well as security. They

are often called the “new right.” In the U.S., and increasingly in Europe, they prefer “national conservatives.”

Much of the American media hear jackboots when a politician mentions border security or the family. But the constituencies for fascist nostalgia or racialized politics are tiny in today's Europe. Some of Europe's new parties began on the fringe but, with time and strategy, they have shed their radical and racist origins. Ms. Meloni's policies aren't even, to use Mr. Biden's term, “semi-fascist.” Italian media call Fratelli d'Italia *centrodestra*, “center right.” The governing party in the Sweden Democrats' coalition is the conservative Moderaterna. The liberal U.S. media's habit of depicting Brexit as a “hard right,” “far right” or “white nationalist” movement is absurd. Mr. Sunak is the child of immigrants. A brown-skinned practicing Hindu, he was more in favor of Brexit than Boris Johnson was.

The philosopher John Gray has observed that “populism” is a lib-

eral pejorative for the unintended consequences of liberalism. “Fascism” is a near-universal pejorative for any disliked policy or personality. Ms. Meloni isn't seeking to revive the empire of Augustus Caesar or Mussolini. The past she wants to revive is more recent and less dangerous. It is Italy's three-decade run

Voters are responding to familiar promises of economic prosperity and national cohesion.

of growth between the American-sponsored revival after 1945 and the Arab oil embargo of 1973. Nor are the Sweden Democrats right-wing racists. They want to revive the *folkhem*, Sweden's postwar welfare state, and the cohesion and prosperity it brought.

Postwar Italy was run by the center-right Christian Democrats. Postwar Sweden was run by the

center-left Social Democrats. Postwar Britain was run by a Labour-Conservative consensus. In the 1950s, the policies of a Conservative chancellor of the Exchequer, Rab Butler, and a Labour chancellor, Hugh Gaitskell, were so close that they were nicknamed “Butskellism.” Europe's new right looks much like its old center. That center never went away during governments' four-decade romance with the free market.

If national conservatives are popular now in Europe, it is because their policies are, historically speaking, classically conservative—in the European sense—and because the failures of the center parties of right and left have created an opening. The new parties' ends are to preserve individual rights as well as national cultures, and they see no ideological obstacle in government intervention as a means to achieve this. Their right-liberal orientation contrasts sharply with American national conservatism.

The Trump presidency bequeaths the Republicans a sizable MAGA

base and a small contingent of “naton” intellectuals. Some of them are so radically disaffected that they fall into a Hungarian rhapsody over Mr. Orban's illiberal democracy. Others sincerely wish to restore the American center with a bracing dose of the old European church-and-state nationalism. But American and European societies are now highly plural and increasingly unchurched. In both the U.S. and Europe, voters seem less attracted to moral crusades than to competent governments that focus on securing the foundations of society.

In Europe, national conservatives have mass appeal and are supplanting the older parties of the center-right by offering to revive a broken social compact. In the U.S., as the popularity of Ron DeSantis shows, similar ideas have the potential to reconnect the Republican Party to the center—if they get the chance.

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

Suddenly, Twitter Has an Existential Crisis



BUSINESS WORLD
By Holman W. Jenkins, Jr.

Uh oh.

So you might have thought on hearing that Elon Musk sold another \$4 billion in Tesla stock after telling Tesla shareholders such sales were done. On Thursday he made the stunning and improbable admission. He sought the cash in case it was needed to plug holes in Twitter lest the company succumb to bankruptcy in the short term.

If Mr. Musk's public statements are reliable, the revenue falloff has been sudden and drastic since he closed the deal two weeks ago. No longer a public company, Twitter's required disclosures are minimal,

but the key appears to be an advertiser walkout that Mr. Musk says is losing the company \$4 million a day, about as much cash as Twitter needs to stay current on its take-over debt.

In any cascading crisis, months or years may be required to sort out the events of hours and days. Presumably any private money he now injects—on top of the \$26 billion he has already personally risked—would be in the form of a loan or equity infusion. He may wish to hold in reserve the possibility of treating it as a charitable donation, so at least he can get a tax deduction if Twitter goes belly up.

At what point he and his minority partners discovered they might be buying a failing concern, rather than merely overpaying, will be a question for the forensic accountants. His idolater and investor Ron Baron, founder of Baron Capital, gently probed during a public Q&A last week and the first words out of Mr. Musk's mouth reminded the audience that he wished not to complete the deal. In case anyone didn't get the message, he twice mimed out a scene from “The Godfather” movies to indicate he was “pulled back in” against his will.

Someday genetic engineers may perfect the Musk entrepreneurial gene code, splicing in a stronger propensity to control his mouth.

There's a reason companies facing trust issues strike expensive deals to bring Warren Buffett aboard as an investor, however overweened perhaps their belief in Mr. Buffett's magic aura to make

enemies stand down. To this point, Mr. Musk has succeeded in conjuring a mood that is the opposite of confidence building.

He didn't help himself, two days after taking over, by tweeting a link suggesting the spouse of the third highest official in the land, House Speaker Nancy Pelosi, had been assaulted in a sexual tryst gone

Mr. Musk's readiness to invest more money is laudable but he might tame his mouth too.

wrong. (He quickly pulled down the link.) This week, he didn't help himself by tweeting highly partisan instructions to Americans on how to vote in the midterms, however sensible his advice might have been from a certain perspective.

He has a right to his conspiratorial suspicions about the advertisers' strike, which reportedly includes GM, Volkswagen and General Mills. He reached out in time-honored genuflection to civil-rights groups and others. He vowed Twitter would not be overrun with hate speech. He undid any benefit, though, by threatening a “thermonuclear name & shame” campaign against America's biggest marketers, nonsensically accusing them of violating the First Amendment.

He's 51 and a father at least 10 times over. Surely Mr. Musk knows it pays to play-act the role of adult sometimes. When so many are

wishing for his failure, when so many are eager to reduce Twitter to their ideological vassal or simply fearful of being associated with a debacle, he could try putting on a tie and presenting himself as a responsible and neutral steward of the company he keeps calling America's “town square.”

That said, the deal is more than a little bizarre from a business standpoint alone, right down to the fact that a court had to compel Mr. Musk to proceed with the acquisition. His new message isn't only that Twitter is a terrible business for which he overpaid. Its hope for survival and paying down its debt depends on becoming a completely different kind of business—he suggests a futuristic PayPal, offering checking accounts and the like.

This isn't the philosophy that drives most leveraged buyouts, which begin as anything but Hail Marys. The LBO project usually begins with a judgment that a core business is fundamentally sound but junked up with unprofitable sidelines or excessive overhead. To implement a transformative vision can be a reasonable basis for certain kinds of acquisitions. It's not a reasonable basis for the kind financed by a large amount of debt that has to be promptly paid down from the revenue of the underlying business.

When the case studies are written and the political noise and folderol and Musk pratfalls are brushed aside, the faulty business logic of Mr. Musk's Twitter LBO may be what future business students take away from this episode.

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SPORTS

By LINDSEY ADLER

Las Vegas

Major League Baseball's front offices began placing bets on their offseason roster-building moves, with some teams focused not on landing new talent, but hanging onto the stars they have—including Jacob deGrom, Justin Verlander and especially Aaron Judge.

The league's General Manager meetings here this week are the first of two official gatherings of club and league representatives this winter; the Winter Meetings, the industry-wide convention that takes place in December, will be the second.

Last year's meeting was overshadowed by the looming MLB-imposed lockout that froze roster-building activity for over three months. This year's session commenced just three days after the conclusion of the World Series, an usually short amount of time between the end of the postseason and the beginning of offseason activity. The meetings ran during MLB's mandatory "quiet period"—a five-day window in which clubs are not allowed to sign major-league free agents.

Club representatives began preliminary conversations to establish the trade market amongst themselves, and held informal meetings with agents to lay the groundwork for their free agency strategies. But the broader story of this offseason is shaping up to be about player retention, with a number of stars potentially departing clubs that have expressed an interest in keeping them.

The Los Angeles Angels kicked off MLB's offseason with an attestation that will significantly diminish the mayhem expected as teams build their rosters between now and spring training: Shohei Ohtani, the two-way superstar whose contract expires after the 2023 season, will not be traded, according to general manager Perry Minasian.

"The goal is not just to keep him for this year—it's to keep him long term," Minasian said. "This offseason, unless something drastically changes, I don't see any reason not to say he's going to be an Angel."

Ohtani's availability would have led to some teams dedicating their time and resources toward imagining what a trade package would look like for the 2021 American League MVP.

Taking Ohtani off the market will only increase the focus this winter on the future of the expected 2022 AL MVP: Aaron Judge, the Yankees outfielder who declined an extension offer from the club before Opening Day in 2022 and chose to test his market in free agency.

The Yankees would like to re-sign Judge, general manager Brian Cashman said throughout the week. Asked what he expects contract terms might look like for the 30-year-old outfielder who just hit 62



Aaron Judge, above, of the Yankees and Jacob deGrom, below, of the Mets could potentially depart clubs that have expressed an interest in keeping them.

Big Stars Test the Free-Agent Market

As baseball's hot-stove season heats up, some teams are focused on re-signing their key players



home runs as the American League MVP front-runner, Cashman was concise: "Expensive."

Judge rejected an extension offer from the Yankees that would have been worth \$230 million over eight years, then went on to have one of the best hitting seasons in recent history. New York's biggest competition in its effort to retain Judge's services is expected to be from the San Francisco Giants, Judge's hometown team.

"From a financial standpoint, there's nobody that would be out of

our capability to meet what we expect the contract demands will be," said Farhan Zaidi, the Giants' president of baseball operations.

The two coastal clubs represent Judge's best opportunity to get the blockbuster contract he's risking the open market to find. The Yankees, considered baseball's financial powerhouse, would infuriate their fan base by not re-signing their best homegrown player since Derek Jeter. The Giants, in contrast, would hope to re-ignite the passion of their own fan base by making a commitment to a star player as they did with Barry Bonds in 1993.

Judge's eventual signing will likely be the biggest news of the offseason, but his personal market will stand apart from the much broader free-agent market on which at least four premiere shortstops and a few elite starting pitchers will play.

Twins shortstop Carlos Correa will return to free agency after exercising his opt-out after the first year of his contract in Minnesota, competing against Trea Turner, Xander Bogaerts, and Dansby Swanson on the market.

Right-handed aces Justin Verlander and Jacob deGrom opted out of their contracts with the Astros and Mets, respectively, while left-

hander Carlos Rodón opted out of his contract with the Giants.

A few of those players—Bogaerts, Swanson, Verlander, and deGrom in particular—have been with their previous clubs (Red Sox, Braves, Astros, Mets) for significant stretches of time, giving their potential departures influence over the free-agent market and the plans of the teams they played with in 2022.

Before the top free agents hit the open market, many will be given the option to return to their previous teams on a one-year qualifying offer, worth \$19.6 million in salary. The compensation figure is standard across MLB for the qualifying offer, determined by the mean salary of the 125 best-paid players in the game in 2022. Teams know that players like Judge and deGrom will reject the qualifying offer, but the incumbent team receives a compensation draft pick if he signs elsewhere, giving them slight protection against losing a star player for nothing in return.

Turnover won't be exclusive to player rosters this offseason, either. On Friday, the Houston Astros announced that general manager James Click turned down a one-year deal to return.

This winter offers a return to relative normalcy for baseball after the 99-day lockout that delayed the 2022 season. A year ago, some players signed in a frenzy before the previous collective bargaining agreement expired on Dec. 1, while others—like Correa—waited out the

winter and signed contracts at the start of spring training.

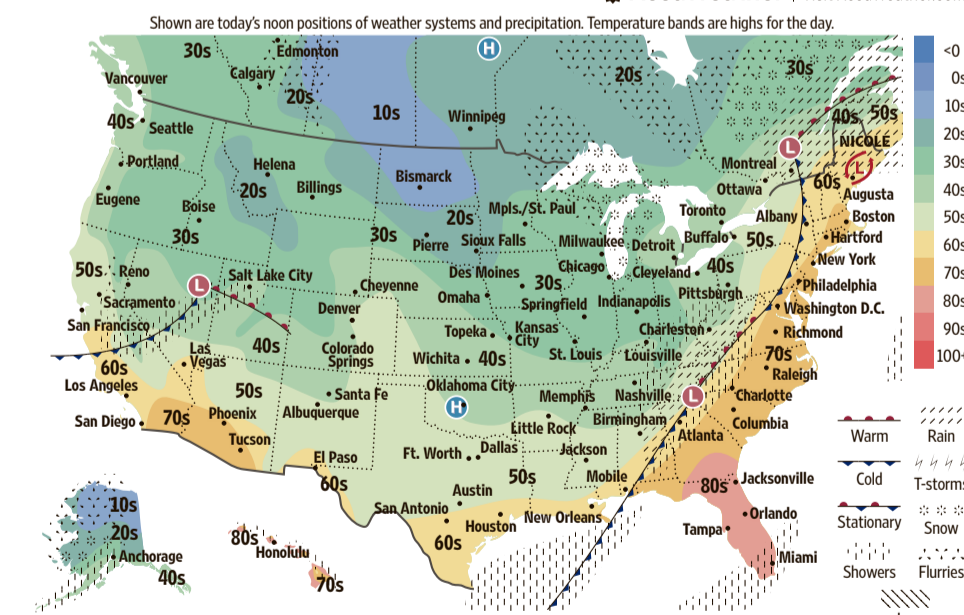
The market for top- and mid-tier players will be affected by the guidance club front office people have been given on their budgets and chances of contending in 2023 and the years immediately after. Last year, the Texas Rangers decided to begin investing in significant major-league players again, and signed infielders Marcus Semien and Corey Seager to large multiyear contracts. After hiring veteran manager Bruce Bochy in late October, the Rangers will likely again be looking to bolster their roster.

This year, it seems that the long-rebuilding Baltimore Orioles may be re-entering the realm of offseason competition after putting together their first winning season since 2016. "I think we view this as a time to hopefully make a few major-league acquisitions that will increase our chances of making the playoffs," said Mike Elias, the Orioles' general manager.

Club executives now have just over three months between the start of true free agency and the start of spring training, a condensed timeline on which to build their 2023 rosters. The gambling that took place on the casino floor below the suites where executives met with one another this week was just a preliminary exercise for the high-stakes bet-making that teams and players will make this winter. Roster building, after all, is a zero-sum game.

Weather

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U.S. Forecasts

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

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	41	33	c	39	30	r
Atlanta	66	34	pc	54	35	s
Austin	59	31	pc	62	44	c
Baltimore	67	40	pc	51	31	s
Boise	39	21	c	41	23	s
Boston	71	49	t	55	36	pc
Burlington	63	43	r	45	29	r
Charlotte	74	42	pc	56	30	s
Chicago	38	25	pc	38	24	pc
Cleveland	43	32	c	38	29	sf
Dallas	54	33	s	57	41	pc
Denver	52	25	sn	49	17	c
Detroit	43	28	sn	41	24	c
Honolulu	83	71	t	85	70	sh
Houston	62	38	pc	62	43	pc
Indianapolis	35	25	sn	39	23	s
Kansas City	36	19	s	42	28	s
Las Vegas	62	43	s	61	43	pc
Little Rock	50	29	s	51	29	s
Los Angeles	69	50	s	67	47	pc
Miami	86	71	t	82	69	c
Milwaukee	39	27	pc	37	24	c
Minneapolis	31	20	c	33	21	pc
Nashville	42	27	r	45	28	s
New Orleans	64	43	sh	61	49	s
New York City	72	49	r	52	36	pc
Oklahoma City	49	27	s	52	35	s

International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	60	44	s	62	42	pc
Athens	62	54	sh	67	54	pc
Baghdad	76	56	pc	81	52	s
Bangkok	94	77	pc	94	78	pc
Beijing	59	30	c	50	30	pc
Berlin	60	45	pc	57	44	pc
Brussels	63	47	pc	63	43	pc
Buenos Aires	78	69	c	74	61	r
Dubai	93	75	s	89	78	s
Dublin	58	51	c	60	48	r
Edinburgh	58	46	c	59	47	pc

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Frankfurt	57	44	pc	58	41	pc
Geneva	60	44	pc	60	45	pc
Havana	87	66	pc	84	68	s
Hong Kong	81	73	s	83	73	pc
Istanbul	64	57	c	64	53	pc
Jakarta	89	77	t	88	78	t
Jerusalem	70	53	s	70	54	s
Johannesburg	67	57	t	72	51	t
London	65	51	s	65	51	s
Madrid	64	47	t	65	47	s
Manila	89	78	t	89	78	t
Melbourne	71	63	c	78	60	r
Mexico City	78	51	s	77	51	s
Milan	66	48	pc	59	46	pc
Moscow	53	41	pc	44	29	c
Mumbai	94	74	pc	94	74	pc
Paris	65	47	pc	63	48	pc
Rio de Janeiro	80	72	t	84	76	t
Riyadh	88	64	s	87	62	s
Rome	68	48	c	62	47	sh
San Juan	86	75	sh	87	75	sh
Seoul	70	46	r	58	42	pc
Shanghai	83	57	pc	61	52	c
Singapore	85	76	r	85	76	sh
Sydney	79	66	c	82	72	r
Taipei City	90	72	s	85	71	pc
Tokyo	69	61	r	71	54	r
Toronto	45	32	c	39	29	sf
Vancouver	46	38	pc	46	35	pc
Warsaw	52	39	c	49	35	pc
Wrocław	53	38	pc	51	39	pc

MMA Fighter Hopes Honesty Pays Off

By JIM CHAIRUSMI

COREY ANDERSON was seconds away from his biggest win as a mixed martial arts fighter.

A former college wrestler, Anderson, 33, was dominating in an April bout against Russian champion Vadim Nemkov and set to take both the Bellator light heavyweight belt and a \$1 million prize for winning Bellator's Grand Prix final.

After seizing control of the fight with a "ground-and-pound" strategy, Anderson had Nemkov on the defensive and was hitting him with a barrage of punches. But before Anderson could finish his opponent off, the fighters inadvertently clashed heads, opening a deep cut over Nemkov's left eye.

"I was coming down on top of him and we just collided," Anderson said. "I looked at the ref [Frank Trigg] and signaled 'That was our heads.' The ref said 'No, that was a legal blow.'" But Trigg paused the action as Anderson pointed to his head. After a cageside doctor assessed that Nemkov's cut was too deep for the bout to continue, the fight was halted with 5 seconds left in round 3.

"I was excited. I saw my family in the crowd. They were excited," Anderson said. "I saw the [\$1 million] check walking down the



Corey Anderson, left, and Vadim Nemkov face off again on Nov. 18.

stairs." Anderson briefly thought he had won, before fight officials ruled the bout a no-contest. (According to official scorecards posted by Bellator, the fight was tied 19-19 but Anderson appeared set to win the third round. Rules stipulate that if a fight is stopped due to an accidental foul after the third round, the bout goes to the scorecards.)

If Anderson had allowed the final seconds of the round to tick off the clock, instead of signaling to the referee, he likely would have been declared the winner.

"I look back on it and I think I would do the same thing again," Anderson said. "I want to be a good sport." Anderson will get another chance to win the title and the \$1 million prize on Nov. 18, when he steps in the cage

in Chicago for a rematch against Nemkov at Bellator 288, which will be televised on Showtime.

Nemkov, 30, who was unbeaten in his last nine fights prior to the no-contest, said there was a reason he wasn't at his best against Anderson in April.

"Last time, I was sick going into the fight, which affected my stamina," Nemkov said through a translator.

But Nemkov said he was glad that Anderson was honest about what happened.

Anderson said he hopes to show fans that good sportsmanship pays off.

"When I win, I want to win fair and square," he said. "There's no extra cheating. I didn't throw weights in the [fish]. I didn't deflate a football. I got there the right way."



Kyrie vs. Kanye
Why Nike and Adidas responded so differently **B2**

EXCHANGE

Crypto Concern
The IRS will soon add to bitcoin investors' headaches **B4**



BUSINESS | FINANCE | TECHNOLOGY | MANAGEMENT THE WALL STREET JOURNAL. ***** Saturday/Sunday, November 12 - 13, 2022 | B1
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ILLUSTRATION: BRIAN AJHAR

Twitter's Paid Plan Vanishes

Impersonators undercut 'verified' subscriptions

By ALYSSA LUKPAT

Twitter Inc. appears to have stopped offering its paid subscription service after people were using it to impersonate companies, brands and celebrities.

The company in recent days had rolled out an update to the service, Twitter Blue, which allowed any user to pay \$7.99 a month for a verified account and other privileges. But the Twitter Blue subscription wasn't available for purchase on the iOS app on Friday. On its website, Twitter said accounts created on or after Nov. 9 were "unable to subscribe to Twitter Blue at this time."

Twitter didn't return requests to comment Friday.

The move to pause its revamped Twitter Blue offering comes after some impersonators exploited their blue check marks, sowing confusion on the platform. So-called verified users have falsely posed as LeBron James demanding a trade, George W. Bush attacking Iraqis and Eli Lilly & Co. *Please turn to page B2*

◆ Elon Musk asked a Tesla executive to forfeit equity awards..... B3

Stocks End Turbulent Week With Big Gains

Signs of easing inflation spurred rate optimism

By GUNJAN BANERJI AND JOE WALLACE

Stocks and bonds capped a volatile week with the biggest gains in months, boosted by hopes that inflation in the U.S. is cooling.

This past week in global markets has been one of the wildest of the year. Many investors were fixated on the drama between two of the most prominent crypto firms, FTX and Binance, to start the week. That rapidly evolved into a cryptocurrency crisis that threatens to cause losses for investors big and small, with FTX filing for bankruptcy on Friday in a stunning fall for a pillar of the crypto market.

Even stock investors were spooked by the news, leading to a market sell-off midweek. By Thursday, though, fresh data on inflation—and a glimmer of hope that it's coming down—sent stocks rocketing higher.

The result has been a rapid reversal in trades that have dominated for much of the year. Treasury prices staged a big rally, pushing yields *Please turn to page B11*

Walmart's New Muscle

The largest U.S. retailer and other industry giants are taking an increasingly aggressive stance with suppliers as the economy slows. 'The world has turned.'

America's biggest retailer has a new message for its suppliers: We're not going to pay higher prices anymore. Walmart Inc. Chief Executive Doug McMillon delivered the warning in person last month in an appearance before companies that produce products sold by the company's Sam's Club chain. Inside a hotel auditorium, he said Walmart would be pushing back against suppliers' efforts to raise prices, according to people familiar with the situation. Innovative products will spur more purchases, he added, according to these people.

Walmart, long known for its ability to lower prices by squeezing vendors, is once again showing its muscle as a slow-

By SARAH NASSAUER AND SHARON TERLEP

ing economy and an inventory glut upend a power dynamic between retailers and suppliers that took hold during the pandemic, when demand surged for everything from paper towels to patio furniture.

Its rivals—from Target Corp. to Amazon.com Inc.—are adopting a similar posture. Large retailers are canceling orders, resisting price increases and in some cases asking suppliers to provide discounts. This puts pressure on product makers that are struggling to adapt to shifting consumer demand. It could also

contribute to a slowing of inflation.

"It is the fastest boomerang in giving power back to retailers that I've ever seen," said Archie Black, chief executive of SPS Commerce, which acts as intermediary between retailers and their manufacturers.

The pullback from retailers is spreading across numerous companies that make products sold in stores around the country. Earlier this month, Estée Lauder Cos. said beauty-product sales would drop further than it expected this fiscal year due, in part, to tighter inventory management by some U.S. retailers. Scott Hagedorn, CEO of Scotts Miracle-Gro Co., has said that the company cut hundreds of jobs, slashed production and sales *Please turn to page B6*

Utilities Hope You'll Fix Their Power Problems

By JENNIFER HILLER

The electricity industry is increasingly turning to a tool of last resort when power demand threatens to outstrip supply: asking users to turn off the lights.

To get through temperature extremes and tight electricity supplies, grid operators are relying more on conservation pleas to everyone from homeowners to manufacturers and some of the biggest users, bitcoin miners.

Such requests aren't new, but they are becoming more urgent as weather patterns become more extreme and construction of new infrastructure for power generation and transmission isn't keeping pace with a trend of electrifying everything from stove tops to transportation.

California and Texas called for power cuts during heat waves this past summer, a tactic that California officials say kept the lights on. In New England, grid operators have floated the idea that such

measures could be necessary this winter in the region, where surging natural-gas demand abroad threatens to reduce fuel available to generate electricity during extreme cold snaps.

Asking customers to voluntarily trim electricity use when the system is stressed and shift to using power at times when supplies are plentiful is called demand response. Varying electricity prices is another way to encourage power use at certain times, but grid operators and utilities also have programs that offer customers other financial incentives for voluntarily altering behavior.

In emergencies, pleas to slash power use become widespread to try to avoid rolling blackouts. Everyone gets asked to curtail power use, whether they're part of a formal demand-response program or not.

"Extreme heat is straining the state energy grid," California warned residents in a Hail Mary text message on Sept. 6, when



Customers in California, above, reduced electricity consumption rapidly after a September request from the state.

much of the state was experiencing triple-digit temperatures. "Power interruptions may occur unless you take action."

Within minutes of the text, electricity demand plummeted by

around 1,510 megawatts for about an hour, trimming electricity demand by about 3% from that day's peak, according to data from the California grid operator, though it noted in a report that it's impos-

ble to assess the precise impact of the text message. California avoided the kind of rolling blackouts that had hit the state during previous heat waves, most recently *Please turn to page B4*

LIU GUANGJIAN/GETTY IMAGES

THE SCORE

THE BUSINESS WEEK IN 7 STOCKS

META PLATFORMS INC.

▲ Tech giants are going to get less giant as they prepare for a possible recession. Meta on Wednesday announced layoffs of more than 11,000 workers, or 13% of staff, as the Facebook parent tries to cope with a digital-ad market slump. Meanwhile, Amazon.com Inc. has launched a cost-cutting review focusing on unprofitable business units amid a slowdown in its core retail business. Amazon has told employees in certain unprofitable divisions to look for jobs elsewhere in the company, because their current teams were being suspended or closed. Meta shares **gained 5.2% Wednesday**.

WALT DISNEY CO.

▼ The plot driving Disney's streaming business is getting more complicated. The entertainment giant's flagship streaming service added 12.1 million new subscribers in the latest quarter, but the division lost \$1.47 billion. The results showed that Disney faces a balancing act, spending enough on popular shows and movies to attract new users while reining in costs so the business can break even. Chief Executive Bob Chapek said changes will help stem losses, including a new ad-supported subscription tier that will compete with a product launched by Netflix Inc. Disney shares **sank 13% Wednesday**.

PERFORMANCE OF CRYPTO STOCKS THIS PAST WEEK

Source: FactSet



COINBASE GLOBAL INC.

▼ The fall of a crypto star roiled the universe of digital currencies. FTX, a sizable crypto exchange rocked by massive client withdrawals, found a rescuer in rival Binance on Tuesday only to see the deal collapse Wednesday. On Friday, FTX filed for bankruptcy and its CEO resigned. Shares of Coinbase Global, another crypto exchange, **lost 9.5% Wednesday** while shares of trading platform Robinhood Markets Inc. fell 14%.

TESLA INC.

▼ The world's richest person went on another selling spree after buying Twitter Inc. Elon Musk sold almost \$4 billion in Tesla stock after his \$44 billion purchase of Twitter closed. He has sold more than \$19 billion of the electric-vehicle maker's stock this year. He said after doing so in April and in August that he wasn't planning additional sales. Mr. Musk is on the hook for \$33.5 billion in equity financing to pay for the Twitter deal, and his takeover has been bumpy. He initiated layoffs of half the company's staff and tweeted it was losing \$4 million a day. Tesla shares **lost 7.2% Wednesday**.

ADIDAS AG

▲ Adidas is ditching Ye, but keeping the Yeezys. The German sporting-goods company said it will sell shoes based on the Yeezy designs under another name, despite scrapping its lucrative collaboration with rapper Kanye West, who goes by Ye. Adidas ended the Yeezy venture with Mr. West following a string of controversies including a recent anti-Semitic outburst by the artist. Finance chief Harm Ohlmeyer said the brand was the sole owner of all rights to existing products except the Yeezy name. American depositary shares of Adidas **rose 3.3% Wednesday**.

LYFT INC.

▼ Lyft is losing speed. The ride-sharing app posted slowing revenue growth and weak ridership numbers in the latest quarter. The company ended the period with 20.31 million riders, fewer than analysts predicted and below the 23 million it had in the quarter before the pandemic struck. The disappointing numbers offset the increase in revenue that Lyft made per rider, after a yearlong driver shortage pushed ride prices to record highs. Meanwhile, rival Uber Technologies Inc. said Nov. 1 that its rider count had bounced back to prepandemic levels. Lyft shares **plummeted 23% Tuesday**.

APPLE INC.

▲ Apple's major iPhone maker is answering the call. Days after Apple said its iPhone Pro shipments would be lower than expected because of supply disruptions, the chief executive of Foxconn Technology Group said the supplier aims to bring production levels back to normal at its main iPhone factory in China. Foxconn has struggled to contain a Covid outbreak that began in October. The site operates under a system where workers only move between on-site lodging and production lines. Apple shares **gained 8.9% Thursday**.

—Francesca Fontana

SCIENCE OF SUCCESS | BEN COHEN

The Other Shoe Drops at Nike and Adidas

Kyrie Irving and Kanye West presented similar crises. Why the sneaker giants responded so differently.



Two rivals face similar crises at the same time. They react in very different ways that reveal a great deal about themselves.

This is what happened to Nike and Adidas over the past few weeks as the sneaker giants found themselves at the center of dueling case studies in corporate behavior. Adidas severed ties with the musician Kanye West after a series of anti-Semitic outbursts, and then Nike suspended its deal with the basketball star Kyrie Irving after his own repeated failures to disavow anti-Semitism.

The outcomes looked almost identical. The process wasn't. The responses to their predicaments actually had as little in common as swooshes and stripes.

The companies diverged in their strategies for handling controversial business partners because of a big disparity in the corporate footprint of Adidas and Nike's popular sneakers.

Mr. West became worth so much to the company's bottom line that Adidas hesitated to end his contract and relented only after weeks of pressure. Mr. Irving's lucrative brand meant so little to Nike that it could afford to cancel his next shoe one day after he apologized.

Adidas declined to comment beyond previous statements. Nike didn't respond to requests to comment.

A strange thing about both Nike and Adidas is that the very celebrities they pay to endorse their products can be found among the risks the companies disclose to their investors. Some of their greatest assets also happen to be potential liabilities. Adidas's most recent annual report warns that "the company is exposed to a multitude of business partner risks" through its relationships with athletes and creative partners, which is a legally acceptable way of saying they are humans, and humans are unpredictable. But the company assured investors that it spreads that risk across many people "to reduce the dependency on the success and popularity of a few individual partners."

This might as well be called the Kanye rule. Adidas defied it. The company doesn't break out Yeezy sales figures, but analysts estimate he was single-handedly responsible for around 8% of Adidas's \$21 billion annual revenue.

So it was suboptimal when he posted to Instagram a mock newspaper front page in September faking the death of Adidas's then-chief executive, Kasper Rorsted, who is alive. And when he wrote

on Twitter in early October that he would "go death on 3 ON JEWISH PEOPLE" as he bragged in a podcast interview about his anti-Semitism.

Adidas put its relationship with Mr. West "under review," but it took several weeks for the German company to drop him. This struck many as several weeks too long.

"A thorough review of our partnership was necessary before taking definitive actions," said Adidas finance chief Harm Ohlmeyer, who declined to elaborate during a conference call Wednesday discussing earnings.

That partnership with the performer who goes by Ye formally

sold under a different name and the company is still figuring out what to do with the line's existing inventory. Plenty of questions remain about whether they can separate the Yeezys from Ye—if a rebranding can polish the shoes or if they are forever scuffed.

The cautionary tale of Adidas is helpful context for understanding how Nike built the line of Kyries without making Mr. Irving bigger than the business.

His brand of sneakers is among Nike's top basketball sellers, as the variety of styles is attractive to kids and the roughly \$120 price appeals to their parents. The combination of availability and afford-

Michael Jordan. But they're hardly comparable. The retired basketball legend has a brand that printed \$5 billion last year, when Nike reported \$44.5 billion in revenue, and what Mr. Jordan does not have is a combustible presence on social media. He's as polarizing as free pizza.

Nike, like Adidas, says in filings that its risks include statements or actions that "harm the reputations" of endorsers and lead to "negative perception with respect to these individuals." That would be one way to describe Mr. Irving's past few weeks.

After he tweeted a link to a movie that promoted false conspiracies about Jews, Mr. Irving had multiple opportunities to disavow anti-Semitism. He declined. He also refused to apologize. And he said the Holocaust was "an event that means something to a large group of people that suffered something that could have been avoided." (You know things have gone wrong if a public figure is attempting to define the Holocaust.)

The only comment from Nike at that point was a bland statement condemning anti-Semitism without naming anyone specific. Then it went silent. The company wasn't quite sprinting to distance itself from Mr. Irving.

That soon changed. Hours after the Brooklyn Nets suspended him earlier this month, Mr. Irving finally said he was sorry. At that moment, Nike could have tried putting the controversy behind them, moving along as if nothing had happened. Instead, the company suspended the deal and canceled the launch of Mr. Irving's next sneaker, which was scheduled for release this month.

The other shoe had dropped first. One takeaway from these case studies with dark symmetry is that it won't be the last time the companies have to answer for unfortunate comments from their influencers. What cultural icons blare from the megaphones of fame has always been a vulnerability of the industry. But the business model itself has become a bigger source of risk for Nike and Adidas now that celebrities have direct access to devoted followings.

"You never know what's going to come out of their social-media feeds or mouths," said Cowen analyst John Kernan.

Another thing nobody knows is when Mr. Irving might see the court again. He must satisfy a series of remedial measures before he can return from his suspension, but he could be working this coming week when the Nets play the Trail Blazers in Portland, Ore.

There would be few places more fitting for Mr. Irving to lace up his sneakers. It happens to be right down the road from Nike headquarters.



began in 2016. My colleagues at The Wall Street Journal have reported that Adidas manufactures the products and owns the designs, and Mr. West earned 15% royalties for sales of the Yeezy collection, which featured \$200 sneakers with comfortable profit margins. The company recently hailed it as "one of the most successful collaborations in our industry's history."

The tremendous success turned out to be an even more tremendous problem. Adidas forecasts a decline in net income up to about \$250 million this quarter solely because of the breakup with Mr. West.

Picking up the pieces of the divorce is a top priority for Adidas's new CEO. Bjorn Gulden was hired this past week from Puma to succeed Mr. Rorsted, who accelerated his timeline for stepping down, as Adidas executives laid out their plans to salvage the losses.

Adidas will begin selling new products based on the Yeezy designs it controls, but they will be

ability make Kyries the footwear equivalent of a generic drug. "They're not as much attached to Kyrie himself as the price point and performance of the product," said Matt Halfhill, the founder of the sneaker news site Nice Kicks.

To put it another way, Kyries are no Yeezys. The shoe having more allure than the name of the shoe is why it wasn't as difficult for Nike to sideline Mr. Irving. The company had the diversified resources to bench one of its most valuable players and barely notice.

Adidas struggled to dump a star. Nike could just do it.

"Nike is dominant in basketball shoes," said Morningstar analyst David Swartz, "and losing Kyrie Irving would not change that."

Of course, a suspension is not a termination, and it's unclear how Nike plans to proceed with Mr. Irving's line from here.

The closest that Nike comes to relying on a single person as much as Adidas banked on Mr. West is the company's long history with

Twitter's Paid Plan Vanishes

Continued from page B1

Co. cutting insulin prices to zero. "We apologize to those who have been served a misleading message from a fake Lilly account. Our official Twitter account is @LillyPad," the company tweeted.

Twitter's apparent change is one of many shifts that have caused chaos since Elon Musk bought the social-media company two weeks ago. He has upended the company with layoffs, leadership changes and policy shifts. Several advertisers have paused spending, and Mr. Musk said Thursday that bankruptcy was a possibility for Twitter.

He began allowing users to pay for blue check marks as part of his campaign to get rid of impersonating users and spam account operators and generate revenue from subscriptions.

His changes to Twitter Blue have played out in real time this week as hundreds of millions of users tried to keep up. The company said over the weekend that it was rolling the service out to users but many people said they couldn't sign up. Then Twitter said it would launch the service once Election Day passed on Tuesday. There appeared to be more accounts with the blue check marks on the platform after that.

Twitter officials said the new Twitter Blue didn't verify people's identities.

Twitter officials said the new Twitter Blue didn't verify people's identities.

Before Mr. Musk bought Twitter last month, the company used to verify accounts free of charge that it deemed notable and trustworthy. The company gave blue check marks to accounts run by politicians, journalists, entertainers and others. Those accounts still have blue check marks but now they are mixed in with users who have paid to be verified.

This week, Twitter has tried to offer clarity by marking some verified accounts with an additional label: an "official" tag and a gray check mark. However, the company has flip-flopped on that policy in recent days by rolling it away and then restoring it again.

Mr. Musk has said he wants Twitter to be the world's most accurate source of information and that he wants every user to be verified unless they are a bot account. He has long said that one of his priorities was to get bot operators off Twitter.

Impersonators have also posed in recent days as brands including the doll company American Girl, the oil company BP PLC and Chiquita, which produces bananas. Lockheed Martin Corp., the defense company, and game maker Roblox Corp., have also been impersonated.

BUSINESS NEWS

At Tesla, a Tiff Over Equity Awards

Last year, Elon Musk parted ways with one of his top deputies at Tesla Inc., a French auto-industry executive named Jerome Guillen.

By Rebecca Elliott,
Emily Glazer
and Tim Higgins

Mr. Guillen worked at Tesla for roughly a decade, rising to oversee the car division. He was rewarded with equity grants that swelled with Tesla's valuation. By the end of 2020, Mr. Guillen's unvested equity in the car maker was valued at around \$600 million, according to an Equilar Inc. analysis.

As their long relationship broke down, Mr. Musk made a strange request: He asked Mr. Guillen to forfeit some of his unvested equity in the car maker, people familiar with the matter said. Soon after, Mr. Guillen left Tesla.

Exactly what went wrong between the two leaders couldn't be learned. But some of the people familiar with the matter said one issue of broader concern for Mr. Musk has been that some employees were making more from Tesla than he thought their contributions merited.

Attorneys say that asking executives to give up stock compensation is highly unusual. Neither Mr. Guillen nor Mr. Musk responded to requests for comment.

Options disputes

The dust-up reflects a point of tension in Tesla's stratospheric rise: Who should reap the rewards of its stock price? Mr. Musk has paid executives predominantly with stock awards, securities filings show.

Employee stock options have been at the heart of several controversies at Tesla over the years.

How Mr. Musk manages and compensates senior officials is now being scrutinized at Twitter Inc., which he recently bought for \$44 billion. Upon taking over, Mr. Musk fired top Twitter executives and



Jerome Guillen, shown in 2014, oversaw Tesla's car division but had a falling out with Elon Musk.

said he wasn't required to pay them multimillion-dollar severance packages because he concluded they were fired "for cause," people familiar with the departures have said.

As of early November, Tesla was valued at around \$600 billion. Mr. Musk, who doesn't take a salary from the car maker, owns around 14% of the company. He has become the world's richest person thanks largely to Tesla's stock and a pay package that affords him a larger cut of the company if it hits certain milestones.

Mr. Musk's latest pay deal, approved in 2018, is worth around \$51 billion at recent prices. It sparked a shareholder lawsuit in Delaware's Court of Chancery alleging that certain current and former Tesla board members breached their fiduciary duties in approving it. That case is scheduled for trial Monday.

Lawyers representing current and former Tesla board members have said in court filings that Mr. Musk's pay package has been a success and was implemented in a valid manner.

Stock options also played a role in a dispute more than a decade ago between Mr. Musk and Tesla co-founder Martin Eberhard, who was pushed out

of the company as it struggled to produce its first model.

Mr. Eberhard sued Mr. Musk and Tesla in 2009 over issues including how the company revoked 250,000 stock options he claimed he was owed. Tesla had said Mr. Eberhard had violated a nondisparagement agreement, forfeiting those options. The two sides eventually settled the case. Mr. Eberhard declined to comment on the settlement.

Years later, more than 40 former employees sued Tesla, claiming the company wrongfully refused to allow them to vest in stock options. Tesla denied the former employees' claims, and the two sides spent years in litigation, which opened a window into how some people who left the company were allowed to vest early while others claimed they were let go just before they vested. Tesla moved early board member Simon Rothman into an advisory position to allow him to vest his options after being removed from the board, court records show.

Mr. Rothman didn't respond to requests for comment.

This spring, a California appeals court overturned a lower-court ruling against Tesla in that case.

In 2020, after the pandemic forced Tesla to shut down what was then its lone U.S. car plant, in Fremont, Calif., Mr. Musk grew frustrated with people, including Mr. Guillen, over the speed at which Tesla was prepared to restart production, according to people familiar with Tesla operations.

Perceived demotion

By spring of the following year, Mr. Musk had grown dissatisfied with Mr. Guillen's performance, some of the people familiar with the matter said. Mr. Guillen was offered what many viewed as a demotion—a role overseeing Tesla's efforts to produce an electric semitrailer truck—and Mr. Musk asked Mr. Guillen to forfeit millions of dollars' worth of unvested equity.

Mr. Guillen assumed his new role in March 2021 but declined to give up his rights to the unvested equity. Within three months of changing jobs, he was gone. In Mr. Guillen's telling, he was fired, according to people familiar with the matter.

Unlike with paychecks already deposited in the bank, employees typically lose unvested stock rights when they leave a company.

China's Shopping Fest Growth Slows

By SHEN LU

China's largest annual shopping festival showed lackluster growth in one of its weakest performances since the e-commerce giant Alibaba Group Holding Ltd. launched it in 2009, a fresh sign of depressed consumer sentiment under the country's stringent Covid-19 policy.

Alibaba on Friday didn't disclose exact sales figures for the first time since it started its signature event, known as Singles Day, saying the results were in line with last year's turnout. Last year Alibaba reaped \$84.5 billion in the total value of merchandise sold across its platforms, up 8.5% from 2020, the slowest increase since the company started the festival.

For more than a decade, Alibaba touted record-breaking sales numbers each year after the annual shopping festival. In addition to its comments regarding results being in line with last year, the Hangzhou, China-based company on Friday disclosed upbeat data showing sales expansion from international brands and agricultural products.

Alibaba rival JD.com Inc. also didn't reveal total sales numbers, saying that sales set a new high and that growth was faster than the industry average.

According to the market-data provider Syntun, online sales in China on Thursday and Friday totaled \$43.3 billion across major retailers, based on transactions on dozens of platforms. Syntun attributed 61% of the total sales to Alibaba's flagship platform, Tmall, and 27% to JD.com.

This year's Singles Day kicked off as China was dealing with economic pain that has crushed consumer confidence and dimmed employment prospects. A key factor has been Beijing's zero-tolerance approach to smothering Covid-19 outbreaks, which has

locked down cities and disrupted business activity.

China eased some pandemic controls Friday in a bid to "optimize and adjust" the current measures, though a broader loosening remains far off. The Wall Street Journal recently reported that Chinese leaders have yet to set a timeline for a broader reopening.

The country's retail sales grew 2.5% in September from a year earlier, weaker than the 5.4% expansion seen in August, government data show. Elsewhere, China's headline measure of joblessness, the surveyed urban unemployment

Alibaba didn't disclose exact sales figures for the Singles Day event.

rate, inched up to 5.5% in September from 5.3% in August. Unemployment among young people remained elevated at 17.9%.

The economic headwinds have prompted many Chinese consumers to adjust the way they live, jettisoning luxury goods and focusing on essentials.

Charlotte Kong, a 30-year-old Shanghai resident who in previous Singles Day promotion periods stocked up on skincare products, said she planned to skip the extravaganza this year. Ms. Kong was laid off in September, and her new job doesn't seem stable enough. "I'm not spending money on frivolous things this year," Ms. Kong said.

A survey by the polling service of Southern Metropolis Daily, a large newspaper based in the city of Guangzhou, found that 24% of respondents didn't plan to take advantage of this year's Singles Day discounts, compared with 12% last year and 6% in 2020.



Qatar Airways and Airbus are locked in a legal dispute over peeling paint on a fleet of A350s.

Qatar Airways Calls Airbus Too Close With Regulator

By BENJAMIN KATZ

LONDON—Qatar Airways Ltd. accused Airbus SE of being too close to its safety regulator in a multibillion-dollar legal dispute over paint chipping on the body and wings of one of its flagship aircraft.

The airline made the accusation Friday in a statement to a London court as part of a case in which it claims that surface-paint issues on its fleet of A350s present a safety risk. Qatar Airways has grounded 29 aircraft over the issue, reducing its capacity as it prepares for a surge in travel to Doha for soccer's 2022 FIFA World Cup, which starts this month.

Qatar Airways is suing Airbus for damages partly based on the impact on its operations from not being able to use the aircraft. Airbus on Friday said the tally had reached approximately \$2 billion and was "continuing to increase on a daily basis."

At the heart of the dispute is peeling and cracking paint on some of its A350s. Qatar Airways says this exposes the copper mesh underneath that is designed to protect the planes from lightning strikes. Airbus has acknowledged the

degradation but says the issue is only cosmetic and not a risk to safety—a position its regulator, the European Union Aviation Safety Agency, has agreed with in its own independent assessments.

In written statements to London's High Court on Friday, ahead of a trial scheduled to start in June, Qatar Airways said "Airbus was able to exert influence over EASA at the highest level" in regards to the paint issue.

The airline gave examples of several instances that it said undermined the independence of the regulator, which is similar to the Federal Aviation Administration's relationship with Boeing Co.—oversees the certification and airworthiness of all Airbus aircraft.

Qatar Airways said that documents disclosed by Airbus in the court hearings showed that the plane maker had helped EASA by providing it with a "line to take" when communicating on the paint issue to other airline customers.

EASA said the agency had coordinated with Airbus on communications "to a limited extent only to ensure technical accuracy."

Qatar Airways also accused EASA of failing to indepen-

dently verify information provided by Airbus, of not following up on a safety concern it had raised with the plane maker and having two employees involved in the assessment of the A350's airworthiness who were previously two long-time Airbus employees.

EASA said Airbus had never refused to provide technical information relevant to the regulator's safety assessments.

In its court submission Friday, Airbus said that Qatar Airways' allegations were "based entirely on unsubstantiated speculation and innuendo about Airbus' relationship with EASA."

An Airbus spokesman added that the company had followed "all relevant procedures which includes the involvement of the EASA which is entirely normal and proper as the governing civil aviation authority."

Airbus has argued against Qatar Airways' claims that the paint issue is safety related, which is core to the dispute. The plane maker has also challenged the decision by the Qatar Civil Aviation Authority to instruct the grounding of the affected aircraft.

The QCAA didn't respond to a request for comment.

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EXCHANGE

LAURA SAUNDERS | TAX REPORT

First, Crypto Crashed. Now Come the Taxes.

Crypto holders may need to act fast to cut taxes—and get ahead of an increasingly aggressive IRS



The rout in cryptocurrencies worsened this past week with the collapse of the offshore exchange FTX. With bitcoin recently down more than 60% in 2022, many crypto investors would surely like to forget about digital assets, at least for now.

That would be a mistake. The Internal Revenue Service hasn't lost interest in cryptocurrencies, and investors need to focus on key tax issues before year-end.

New rules and enforcement actions are coming to ferret out crypto transactions that often went unreported in the past. There's a bit of good news as well: This year's painful selloff brings an opportunity for crypto holders to harvest losses to offset future taxes.

Here's more to help investors make smart crypto moves in the next few weeks—and get ready for new IRS scrutiny.

■ **Crypto losses as a tax-saving tool.** There's a silver lining for investors whose crypto holdings are in taxable accounts rather than tax-sheltered accounts such as IRAs.

The benefit is that if an investor sells this crypto and books a capital loss, it can be used to offset future capital gains on winners. These gains don't have to be on digital assets; they could be on stocks, real estate, or other investments.

If an investor with losses has no capital gains to shelter, the losses can offset up to \$3,000 of ordinary income such as wages per tax return, per year. These losses don't expire.

Say that John has a \$20,000 loss in his crypto holdings now. If he sells and has no capital gains to offset, he can reduce his wage income by \$3,000 this year and in future years. If he then has a capital gain of \$5,000 two years from now, he won't owe tax on it—and

he'll still have \$9,000 to offset future taxes.

In a key way, crypto losses have an advantage over stock losses. If an investor sells shares at a loss, the "wash-sale" rules penalize him if he also buys the same stock within 30 days before or after the sale.

But the wash-sale rules don't currently apply to cryptocurrencies. So crypto investors can have their cake and eat it too, by taking losses now to shelter future gains and then repurchasing favorites right away. There's no need to wait and risk missing a market surge—if there is one.

■ **New IRS reporting by brokers.**

The 2021 Infrastructure Investment and Jobs Act included a provision requiring crypto brokers to report customers' sale proceeds to the IRS on a 1099 form, if it's held in a taxable account. The requirements are akin to what brokerage firms report for investors' stock sales.

The change aims to clamp down on many crypto investors' cavalier—and sometimes criminal—tax avoidance. Until Congress acted, few crypto transactions had to be reported to the IRS by third parties such as exchanges, and many investors have ignored crypto tax rules. In a recent court filing, the IRS said that in 2019 only about 100,000 tax returns reported crypto transactions. That's far less than would be expected given research showing that about 20% of American adults have bought, traded, or used cryptocurrencies.

The new law is set to take effect Jan. 1, 2023, so the first forms would go to taxpayers and the IRS in early 2024. However, tax specialists say the date may be postponed because the Treasury Department hasn't issued regulations detailing the laws defining thorny issues such as who is a crypto broker.

The new rules will likely increase complexity, even for crypto investors complying with the law—so it could make sense to accelerate moves into this year. More pa-



KIERSTEN ESSENPREIS

Bitcoin price over the past year



Source: CoinDesk

perwork will likely lead to more errors by taxpayers and the IRS that take time to untangle, says Shehan Chandrasekera, head of tax strategy at CoinTracker, a provider of crypto tax-filing software.

For crypto holders who aren't compliant, he adds, "The new re-

porting doesn't change the taxation of cryptocurrencies. But it will tell the IRS about your transactions—so it's important to put things in order now."

■ **New court-ordered searches for crypto tax cheats.** In August and September federal judges approved two new summonses requiring a crypto exchange and a bank to turn over customer information to the IRS to uncover tax cheating using cryptocurrency.

The crypto exchange is sFox, a crypto prime dealer with more than 175,000 customers whose transactions have totaled more than \$12 billion since 2015, according to a Justice Department statement. The bank is M.Y. Safra Bank, which had an agreement to provide banking services to sFox customers. Neither business is accused of wrongdoing. Both must turn over to the IRS account information on sFox customers who had \$20,000 or more in crypto transactions in any one year from Jan. 1, 2016, to Dec. 31, 2021.

To justify the summonses, the agency provided examples of 10 unnamed people who didn't declare taxable income from transac-

tions conducted largely through sFox. The unreported income ranged from \$1 million by someone allegedly involved in a Ponzi scheme to \$5,000 by someone whose return showed wages, retirement income, and Social Security payments—but no crypto profits.

The IRS has already used this strategy, called a John Doe summons, to pursue crypto tax cheats with transactions of \$20,000 or more at three other exchanges: Coinbase, Kraken and Circle. From these and other efforts, the agency has assessed more than \$110 million in tax due on unreported crypto income, with more expected. Penalties and interest could nearly double the total that some taxpayers owe.

Future summonses are likely, says Don Fort, a former chief of IRS criminal investigations now with the Kostelanetz law firm: "The IRS and Justice Department have become adept at tailoring requests judges will approve."

The IRS's dogged pursuit of past cases is a reminder to investors with unreported crypto income that it may not stay hidden—and the consequences could be severe.

The Electric Company Needs You

Continued from page B1
in August 2020 when utilities twice had to cut power briefly to customers.

This winter, all parts of the U.S. should have adequate electricity in normal conditions, but prolonged cold weather could pose a problem in some regions, according to an October report from the Federal Energy Regulatory Commission. The National Oceanic and Atmospheric Administration forecasts a mild winter.

"Extreme weather is not going away and across the country historically the system hasn't been planned for the set of conditions we're facing," FERC Commissioner Allison Clements said at an October meeting.

In New England, extremely cold weather could strain the grid if more natural gas is burned to heat homes, reducing supplies available to generate electricity at power plants. The region has limited pipeline capacity and has struggled with supply for a decade. With its pipelines full, the region relies on natural-gas imports to bridge the gaps and competes with European countries for shipments of liquefied natural gas following Russia's halt of most pipeline gas to the continent.

Governors and companies have been asking the federal government to allow for domestic LNG imports to the region, which would require waivers of the Jones Act, a law restricting the movement of ships between U.S. ports.

Utilities have been running drills in case the region's grid operator orders them to roll outages among customers, said Joseph Nolan Jr., chief executive of Eversource Energy, which has electric, gas and water customers in Massachusetts, Connecticut and New Hampshire.

Mr. Nolan said he thinks customers would respond to calls for conservation in an emergency, especially after the dramatic response California received from its text alert.



Boston and the rest of New England could face a strained grid this winter.

"That showed me just what the American people will do, you know, in time of need," Mr. Nolan said. "I'm heartened by that."

Americans aren't used to thinking about whether electricity is available, after years of relatively cheap and reliable energy. Conservation requests during critical times are becoming a new reality. Predicting participation in a voluntary program and depending on it in a crisis is tricky. Consumer interest can wane after a number of pleas, analysts and companies say.

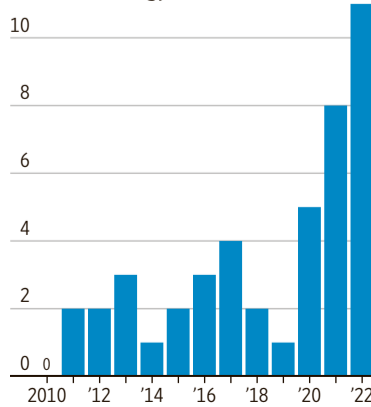
"It can definitely provide a lot of value, but there are times where it's not going to be enough to save the day," said Molly Jerrard, head of demand response in North America for European utility Enel SpA. During the Sept. 6 energy crunch in California, Enel cut 101 megawatts of power use, about equal to the output of a small power plant, from a group of commercial and industrial customers across the state that had agreed to participate in demand response.

Under demand-response programs, businesses are commonly paid by their utility, aggregators or through a wholesale market program to be available for cuts year-round for a set number of hours and under

certain conditions. It's a system that provides them some planning certainty, compensates them for having to wind down operations and helps them reduce consumption when electricity costs the most.

The downside is business interruption, especially for companies with complex manufacturing processes that can take time to start and stop. Residential customers are generally paid with bill credits, and

Number of calls for consumers in California to voluntarily conserve energy



Note: 2022 data is through September
Source: California Independent System Operator

can opt out at any time.

Across the U.S., grid management is becoming more complex. Utilities and power generators are trying to balance plans to meet rising energy demands while investors and policies in some states push them to cut carbon emissions. Older coal and natural-gas plants have been closing. Renewables like wind and solar,

'There are times where it's not going to be enough to save the day,' says a utility executive.

which are intermittent unless paired with large batteries, may not be sufficient to offset the closures of traditional plants, grid operators have warned.

Some companies are bringing in residential consumers to demand-response programs, creating pools of thousands of households that together can deliver firm drops in demand. Customers might receive bill credits, gift cards or, in at least one instance, an invitation to a happy hour, as when an aggregator in Texas offered free drinks in the summer of 2021 to customers who arrived at a bar with a photo of thermostats turned to 80 degrees.

In Bakersfield, Calif., Melissa Bryson has been participating in a program of demand-response aggregator OhmConnect Inc. for four years and usually makes about \$400 a summer in reward points and cash. During the heat wave in September, she also earned gift cards to Starbucks, Cold Stone Creamery and Amazon for slashing her energy use. Demand response is paid for by grid operators or utilities with funding ultimately coming from all users. The idea is that paying for occasional conservation is cheaper than spending billions to add plants that would be used only during demand crunches.

Not everyone is as motivated as Mrs. Bryson, though. Extended demand-response events eventually see participants opting out, said Travis Kavulla, vice president of regulatory affairs at NRG Energy Inc., which generates electricity and sells it to retail customers, largely in Texas

and the Northeast.

Relatively few U.S. customers have devices like smart thermostats that can be automatically powered down during times of peak power demand. Ideally, voluntary demand-response programs would be automated and include things like pool pumps, electric vehicles and air conditioners. Brief shut-offs, timed use and measures like precooling a house before a demand spike could happen in the background so customers aren't inconvenienced and don't need to pay much attention to what's happening with the electric grid, said Mr. Kavulla, adding that giving people the ability to override and opt out is key.

When retail customers are monitoring the grid and worried about outages, he said, "something has probably gone wrong."

In Texas, the worst-case scenario unfolded when a bitter winter storm in February 2021 led to a massive failure of the electricity system, with power generation including coal, natural gas, nuclear and wind shutting down. Millions of residents were without power for days in freezing temperatures and businesses from chip makers to chemical plants were asked to go idle.

Texas grid officials see demand-response programs, which have been around for years, as one tool to help avoid that scenario again and see an opportunity with one of the most energy-intensive industries: cryptocurrency mining.

Bitcoin miners have flocked to the state because of low-cost power and business-friendly regulations. They consume vast amounts of electricity when operating warehouses of computer servers.

Miners say they benefit the grid in ways that might not be obvious. When supplies are abundant, Lee Bratcher, president of the Texas Blockchain Council, said the industry soaks up excess wind or solar power, encouraging more development of renewables. When supplies are scarce, they can quickly power down, he said.

At times, Texas cryptocurrency miners can bring in more money from reducing power use than they do from mining. Riot Blockchain Inc., which has a mining facility in central Texas, said it received \$9.5 million in power credits in July and had net bitcoin sales of \$5.6 million.

SCOTT EBBING/GETTY IMAGES

EXCHANGE

KEYWORDS | CHRISTOPHER MIMS

Did a Robot Write This Headline?

Not this time, but AI is churning out articles, illustrations, fake product reviews and even videos



You probably haven't noticed, but there's a good chance that some of what you've read on the internet was written by robots. And it's likely to be a lot more soon.

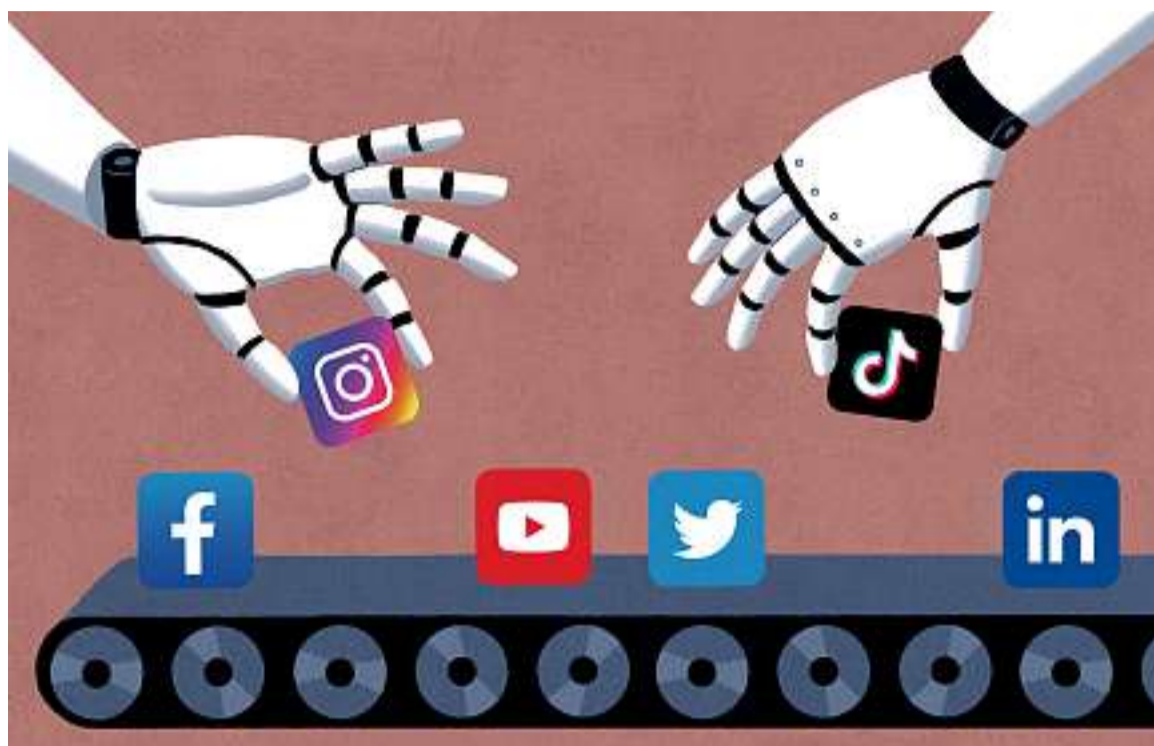
Artificial-intelligence software programs that generate text are becoming sophisticated enough that their output often can't be distinguished from what people write. And a growing number of companies are seeking to use this technology to automate the creation of information we might rely on, according to those who build the tools, academics who study the software, and investors backing companies that are expanding the types of content that can be auto-generated.

"It is probably impossible that the majority of people who use the web on a day-to-day basis haven't at some point run into AI-generated content," says Adam Chronister, who runs a small search-engine optimization firm in Spokane, Wash. Everyone in the professional search-engine optimization groups of which he's a part uses this technology to some extent, he adds. Mr. Chronister's customers include dozens of small and medium businesses, and for many of them he uses AI software custom-built to quickly generate articles that rank high in Google's search results—a practice called content marketing—and so draw potential customers to these websites.

"Most of our customers don't want it being out there that AI is writing their content," says Alex Cardinell, chief executive of Glimpse.ai, which created Article Forge, one of the services Mr. Chronister uses. "Before applying for a small business loan, it's important to research which type of loan you're eligible to receive," begins a 1,500-word article the company's AI wrote when asked to pen one about small business loans. The company has many competitors, including SEO.ai, TextCortex AI and Neuro-flash.

Google knows that the use of AI to generate content surfaced in search results is happening, and is fine with it, as long as the content produced by an AI is helpful to the humans who read it, says a company spokeswoman. Grammar checkers and smart suggestions—technologies Google itself offers in its tools—are of a piece with AI content generation, she adds.

"Our ranking team focuses on the usefulness of content, rather than how the content is produced," says Danny Sullivan, public liaison for search at Google. "This allows



JAMES STEINBERG

us to create solutions that aim to reduce all types of unhelpful content in search, whether it's produced by humans or through automated processes."

AI content services are thriving. They make content creators more productive, but they also are able to produce content that no one can tell was made by a machine. This is also often true of AI-generated content of other kinds, including images, video, audio, and synthetic customer service representatives.

Like other types of automation, there are many potential benefits to having AI handle basic writing tasks that are often mere drudgery for humans. That said, there also are considerable dangers of widespread and undetectable synthetic content. For one, it risks replacing a vast and thriving ecosystem of human workers, as has happened in so many industries subject to automation before, by a shrinking number of big entities that will thereby have greater power to shape what people think. At its worst, it could give bad actors a powerful tool to spread deception in moments of

crisis, like war.

The rise of AI-generated content is made possible by a phenomenon known variously as computational creativity, artificial creativity or generative AI. This field, which had only a handful of companies in it two or three years ago, has exploded to more than 180 startups at present, according to data gathered by entrepreneur Anne-Laure Le Cunff. These companies have collected hundreds of millions of dollars in investment in recent months even as the broader landscape for tech funding has become moribund.

A lot of the content we are currently encountering on the internet is auto-generated, says Peter van der Putten, an assistant professor at Leiden Institute of Advanced Computer Science at Leiden University in the Netherlands. And yet we are only at the beginning of the deployment of automatic content-generation systems. "The world will be quite different two to three years from now because people will be using these systems quite a lot," he adds.

By 2025 or 2030, 90% of the

content on the internet will be auto-generated, says Nina Schick, author of a 2020 book about generative AI and its pitfalls. Automatic generation will hugely increase the volume of content available, she adds. Some of this could come in the form of personalization, such as marketing messages containing synthetic video or actors tuned to our individual tastes.

Artists, marketers and game developers are already using services like Dall-E, Midjourney and Stable Diffusion to create richly detailed illustrations in the style of different artists, as well as photo-realistic flights of fancy. Researchers at the Meta AI division of Facebook parent Meta Platforms unveiled in September a system that can automatically generate videos from a text prompt, and Google unveiled what appears to be an even more sophisticated version of such a system in October.

Dr. van der Putten and his team have created a system that can write newspaper articles in the style of any paper fed into their software. (The Wall Street Journal

has its own AI article-writing tool, created in collaboration with Narrativa, a "language generation AI system" which helps a human writer produce some market updates.)

Automatic text-generation systems are helping novelists speed up their writing process, powering customer service chatbots, and powering a service, Replika, that hundreds of thousands of people treat as their artificial boyfriend or girlfriend—and with whom many say they've fallen in love.

One downside of this type of artificial creativity is the potential erosion of trust. Take online reviews, where AI is exacerbating deceptive behavior. Algorithmically generated fake reviews are on the rise on Amazon and elsewhere, says Saoud Khalifah, CEO of Fakespot, which makes a browser plug-in that flags such forgeries. While most fraudulent reviews are still written by humans, about 20% are written by algorithms, and that figure is growing, according to his company's detection systems, he adds.

In the past, Amazon has said that Fakespot can't tell which reviews are real or not on its site, because it lacks access to the company's internal data. It has also said that more than 99% of the reviews read by customers on its site were authentic.

It's important to note that much of the content created by these systems has errors or eccentricities of a type that humans don't introduce. Some of what AI produces must still be reviewed and in some sense edited by a human.

Even if AI-generated content doesn't take over the whole internet, as it becomes more widespread, there's a danger that all of us come to trust whatever we see even less than we do now, says Ms. Schick. Arguably, this has already happened with AI curating our feeds and showing us content that plays to our biases and increases polarization. But with algorithms pumping out more content than ever, potentially tailored to our worldviews and inclinations, this situation could become even worse.

"It's the liar's dividend," says Ms. Schick. "If anything can be faked, then why should I believe anything is real?"

THE INTELLIGENT INVESTOR | JASON ZWEIG

The Expensive Fight Against Bad Advice

Pursuing reimbursement from a negligent or reckless financial adviser can be a costly, quiet battle



An honest, competent financial adviser who charges fair fees can be an investor's best friend, especially in turbulent markets.

What if, however, you turn out to have a bad adviser?

Then you could end up in a mess you wouldn't wish on your worst enemy—and that needs to change.

If you believe you lost lots of money because your financial adviser was negligent, reckless or dishonest, you might want to try suing. But when you hired the adviser, you had to sign a kind of contract called an investment advisory agreement. That document usually says any disputes between you and the adviser must be resolved in arbitration rather than in court.

It's become common for these advisory agreements to require all disputes to be handled at one of two organizations: the not-for-profit American Arbitration Association, or JAMS, a private company formerly known as Judicial Arbitration and Mediation Services.

Unlike a court proceeding or arbitrations run by the Financial Industry Regulatory Authority, Wall Street's self-regulator, no aspect of cases heard by JAMS is public record. With extremely rare exceptions, neither are AAA cases.

And they can be bloodcurdlingly expensive.

Some of these arbitrators charge up to \$1,950 an hour to hear cases, according to documents I've reviewed. The projected costs of using only a single arbitrator at AAA or JAMS can easily exceed \$60,000, attorneys say.

And for a claim to be heard at

either organization, the expected costs must be paid up front—typically 50% by the client.

"The [advisory firms] get the best of all possible worlds," says Stuart Meissner, an attorney at Meissner Associates in New York, who represents investors who say they've been harmed by brokers or advisers. "The firms can afford the fees and most investors can't, plus the firms get the confidentiality of a decision that the public will never be able to see."

So you could bankrupt yourself trying to recover the money you've already lost. And, often, nobody else can tell that a particular adviser has a history of getting dragged into arbitration.

Registered investment advisers managing assets of \$100 million or less are generally regulated at the state level rather than by the Securities and Exchange Commission. States, unlike the federal agency, require the advisers they oversee to disclose all arbitration claims filed against them.

Those disclosures are available on a document called Form ADV. This week, my colleague Tom McGinty analyzed ADVs filed by 21,605 state-registered advisory firms and found that 493—or 2.3% of them—disclosed at least one arbitration claim for damages of at least \$2,500.

But advisers registered with the SEC are not required to disclose arbitrations—or, for that matter, customer complaints and civil lawsuits—in their official brochures. They must make those disclosures only if such events are "material" to evaluating the adviser's business practices and the integrity of its management.



ALEX NABAUM

As I wrote last week, SEC-registered advisers themselves get to decide whether any such grievance is "material."

No one knows how often clients win arbitrations against advisers at AAA or JAMS—or whether a particular adviser has ever faced claims there—because those organizations keep the results confidential. AAA and JAMS declined my requests to provide even the most basic data on adviser arbitrations.

By mutual agreement, though, an adviser and a client can decide to resolve a dispute not through AAA or JAMS, but at Finra. That typically involves much lower fees than the other forums.

In Finra arbitrations, investors are awarded damages about 40% of the time. (A Finra spokesman says most claims are settled before they reach the award stage, presumably with investors receiving at least some payment.)

Since 2012, customers have brought well over 22,000 arbitration claims against brokers through Finra. Yet, during the same period, says a Finra spokesman, clients have brought a total of only "slightly more than 100" such cases

against advisers.

Perhaps that's because, unlike AAA or JAMS, Finra requires that the results be made public.

Advisers emphasize in their marketing that they must act as fiduciaries, putting their best interest ahead of their own.

"Being able to make the choice of how to pursue a dispute is in the best interest of the investor," says Melanie Senter Lubin, Maryland's securities commissioner. Forcing all clients into arbitration deprives them of the choice over how to resolve disputes involving their own money and is "inconsistent with fiduciary duty," she says.

Lawyers tell me it isn't uncommon for an advisory firm's contract to stipulate that disputes will be resolved in AAA arbitration under commercial rules, meaning the parties would initially split most of the costs 50/50.

If a client pursues an arbitration claim, though, AAA could determine that it should hold the proceedings under consumer rules, which would sharply lower the client's costs. At that point, attorneys say, some advisers request that the original commercial rules be ap-

plied instead, forcing clients to pay much more if they wish to pursue the case.

In other words, the firm that might have been mismanaging your money will now demand that you pay through the nose to prove it.

"That's the antithesis of being a fiduciary," says Michael Edmiston, an attorney at Jonathan W. Evans & Associates, a law firm in Los Angeles that represents investors in disputes with brokers and advisers.

Over the years, many readers of the Journal have told me they think hiring a financial adviser is a waste of money, because they can manage their own portfolios at close to zero cost.

A good adviser, however, can do much more than that for you, providing authoritative guidance on taxes, mortgages, estate and retirement planning, and more. All these services combined can make or save you a fortune. I think millions of investors could benefit from hiring a financial adviser.

Unfortunately, until advisers start treating clients better when things go wrong, many people will be reluctant to use them to help things go right.

EXCHANGE

Giants of The Retail Industry Push Back

Continued from page B1

forecasts earlier this year after retailers pulled back on orders. Mohawk Industries Inc., which sells flooring, carpet and other items at retailers such as Home Depot Inc., said on a recent earnings conference call that sales of many of its products are down as retailers work to shrink their inventories.

The swift reversal of fortune is particularly acute for sellers of general merchandise such as Newell Brands Inc., which provides products such as Yankee Candles, Rubbermaid containers and Coleman camping gear to retailers. Unlike food, which has to be regularly restocked, general merchandise can tie up space on shelves for months. Goods that aren't selling cause more than just warehouse headaches: They also tie up cash that could be invested elsewhere in the business.

Last year, Newell's Yankee Candle factory raced to build inventory ahead of the holiday shopping season. The plant, in Whately, Mass., was so short-staffed that the company employed temps and enlisted office workers—from senior executives to office assistants—to work line jobs from positioning wicks to boxing candles.

But then in the spring, retailers began to flash warning signs about their elevated inventory levels. Months later, Walmart and Target buyers told Newell and other suppliers that they wouldn't be placing more orders for many items this year, a change from previous plans, according to people familiar with the situation.

The retailers also told Newell that the company would have to fund a higher percentage of the discounts offered to shoppers, cutting into Newell profits, one of the people said. Walmart buyers are asking many suppliers that sell nonfood items for similar concessions, according to people familiar with those conversations.

In August, Newell leaders had a meeting at the company's Atlanta headquarters where top sales executives reviewed evidence that orders were down and retailers were pushing back on price increases, said Ravi Saligram, Newell's CEO, in an interview. Newell cut its sales and profit outlook in September and then again last month. Around 15% of Newell's sales come from Walmart and around 13% through Amazon, according to company financial filings.

"The world has turned," said Mr. Saligram. He added that Newell's relationship with Walmart remains positive and that teams from both companies have worked together on new product features and promotions that offer deals without cutting into the margins of either company.

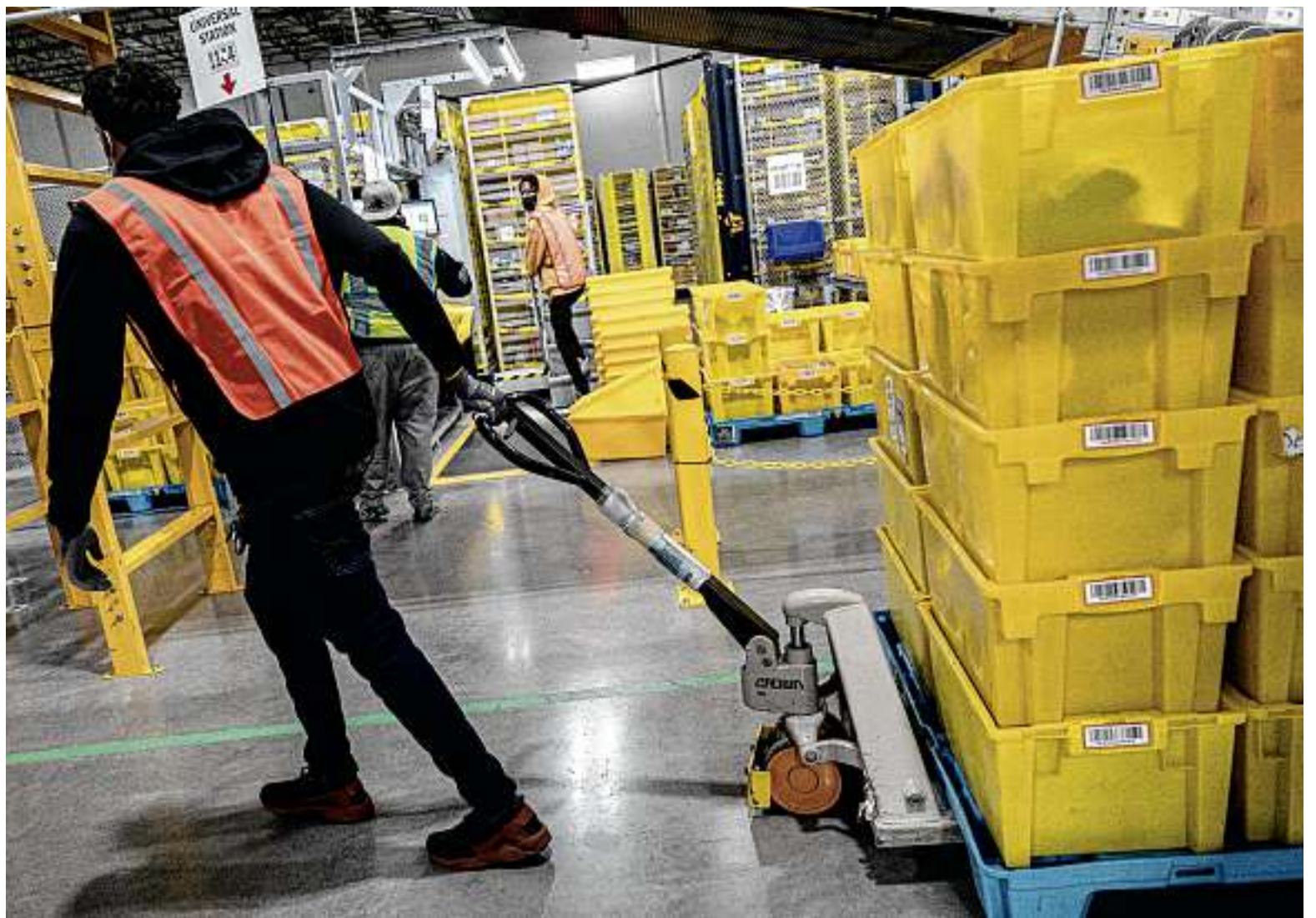
Spokesmen for Walmart and Target declined to comment. The companies are slated to issue quarterly financial reports on Tuesday and Wednesday, respectively.

Walmart, with its outside buying power, isn't new to tough supplier negotiations. The Bentonville, Ark.-based company helped shift the balance of power away from large makers of consumer goods to retailers on its path to becoming the country's largest retailer, with roughly 4,700 U.S. stores and \$572.8 billion in annual revenue.

"There is a difference between being tough and being obnoxious. But every buyer has to be tough. That's the job," said Claude Harris, Walmart's first buyer, in "Made in America," the 1992 autobiography of Walmart founder Sam Walton.

One example Mr. Harris offered: Walmart's negotiations with major manufacturer Procter & Gamble Co. in the early days of the retailer. "I'd threaten Procter & Gamble with not carrying their merchandise, and they'd say, 'Oh, you can't get by without carrying our

Walmart has roughly 4,700 U.S. stores, right. Its CEO recently told suppliers Walmart would be pushing back against higher prices.



Newell, led by CEO Ravi Saligram, is slowing production as part of its effort to clear out excess inventory.



Amazon, above, is taking a more aggressive stance with suppliers. Newell, maker of Yankee Candles, left, is bracing for changes.

toys such as Hot Wheels and Mr. Potato Head, is also adjusting to the new behavior from large retailers. It noticed orders from large retailers slowing earlier this fall at a pace that was unusual ahead of the holiday shopping season, said Chief Executive Alan Dorfman.

Large retailers have asked the Bristol, Pa.-based company, which employs 15, to make some changes to help reduce clutter in their stores and warehouses. They want Super Impulse to shrink the size of packs it ships to them and import more goods itself, said Mr. Dorfman. Previously, Super Impulse sent some products to retailers' port containers in China, and then retailers imported the products to the U.S., he said.

This means Super Impulse will have to spend more. To cut costs, Super Impulse aims to negotiate more favorable prices with its factories and lower travel expenses. The company will hold worker salaries steady, said Mr. Dorfman. It also has been more conservative with its factory orders for 2023, he said. Recent years had "some late curveballs that we couldn't predict," he said. "We will spend more and hope the orders come in."

Supply-chain analysts and executives say the full effects of this year's pullback by retailers may not be felt until mid or late next year. At Shenzhen Jiaoyang Industrial Co., a factory in southern China that produces plush bears, rabbits and other custom toys, Christmas demand from Europe and the U.S. has dried up this year, said Hong Binbin, a manager with the company. That adds to already-reduced demand after the Trump administration levied hefty tariffs on Chinese products before Covid-19 arrived, nudging some U.S. companies to shift production to Southeast Asia, he said.

To save costs, Shenzhen Jiaoyang stopped hiring long-term employees. "If we receive more orders, we could hire gig workers," who can be let go easily, said Mr. Hong.

Newell, the maker of Yankee Candles and Rubbermaid containers, said it has roughly \$500 million more in inventory than at the end of last year, which the company is working to shrink through production slowdowns. It set a plan to cut inventory over the next few months to avoid selling at discounts where possible and cut some contracts with Chinese manufacturers, he said.

The company is furloughing workers in November and December, and will accelerate a plan to automate some areas of its factories and distribution centers.

For goods produced in China, such as Newell's Mr. Coffee appliances and Coleman tents, it will take about eight months to adjust supply because those items are ordered far in advance to be imported. At a recent dinner in New York City, Mr. Saligram discussed ways to further cut costs with one of its largest Chinese suppliers, he said.

"You can't get yourself down and depressed," Mr. Saligram said of the reversal of fortune. "When everything is going against you, you say, 'OK let's do all the things that are in our control.'"

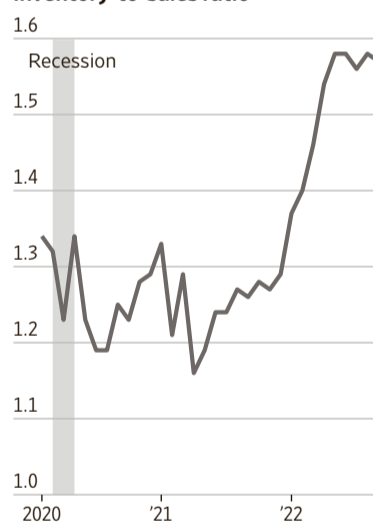
—Grace Zhu and Ruth Simon contributed to this article.

Retailer inventories, change from a year earlier



Note: Seasonally adjusted. Sources: FactSet (retailers); U.S. Census Bureau via St. Louis Fed (ratio)

General-merchandise stores' inventory-to-sales ratio



merchandise.' And I'd say, 'You watch me.' Lower prices attract customers, he said.

P&G eventually opened an office near Walmart's Arkansas headquarters and the companies agreed to share sales and inventory data to reduce inefficiencies and offer lower prices to shoppers. It became a model copied by thousands of suppliers interested in selling to

Walmart and other retailers that now often account for a significant portion of a manufacturer's annual sales.

Discussions over prices, on-time product delivery and the availability of the hottest products are common between retailers and suppliers. In negotiations Walmart and Target often ask suppliers to lower prices, but also fund other

efforts such as limited-time discounts or marketing for products in high-traffic areas of stores or on their websites.

These negotiations are expected to become particularly heated while the direction of the U.S. economy and inflation remain uncertain. Retailers will want to offer lower prices to attract cash-strapped shoppers, and product makers will want price increases to cover rising costs.

"We need our operating profit and margin, they need their operating profit and margin as well," Mike Hsu, CEO of Kimberly-Clark Corp., maker of household staples from Huggies diapers to Cottonelle toilet paper, said in an interview, referring to retailers. "They don't like all of the pricing that's gone in. These discussions never get easier. They know that we've got to recover those margins or we're not going to be able to invest in the brands in the right way."

Kimberly-Clark is trying to keep products on shelves with pricing intact. It now shows off new products to retail buyers a year in advance rather than a few months. "Then they know what we'll have to offer," Mr. Hsu said.

Super Impulse USA LLC, a toy manufacturer that sells tiny collectible versions of well-known



MARKETS DIGEST

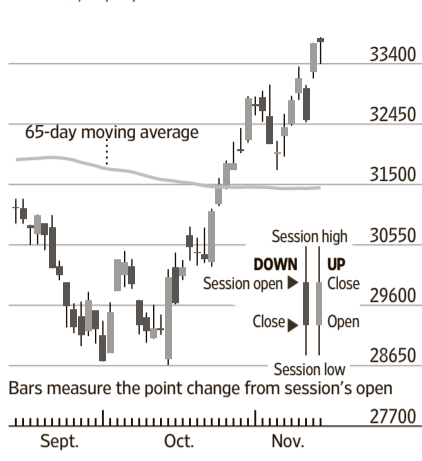
Dow Jones Industrial Average

33747.86
 ▲ 32.49
 or 0.10%
 All-time high
 36799.65, 01/04/22

Trailing P/E ratio 20.84
 P/E estimate* 18.40
 Dividend yield 2.00

Last 22.52
 Year ago 18.67
 1.91

Current divisor
 0.15172752595384

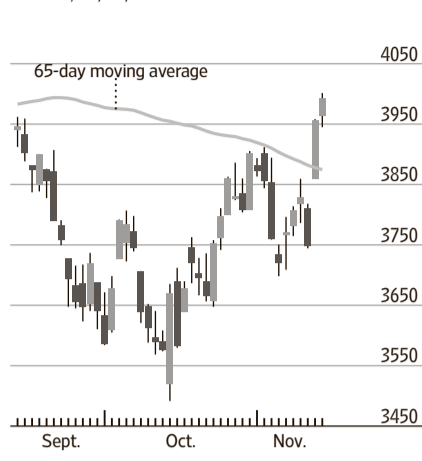


S&P 500 Index

3992.93
 ▲ 36.56
 or 0.92%
 All-time high
 4796.56, 01/03/22

Trailing P/E ratio* 19.35
 P/E estimate* 17.72
 Dividend yield* 1.68

Last 28.70
 Year ago 22.41
 1.28

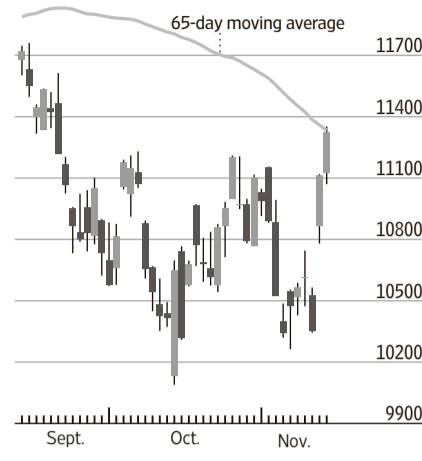


Nasdaq Composite Index

11323.33
 ▲ 209.18
 or 1.88%
 All-time high:
 16057.44, 11/19/21

Trailing P/E ratio** 24.27
 P/E estimate** 22.31
 Dividend yield** 0.93

Last 35.35
 Year ago 29.89
 0.64



Weekly P/E data based on as-reported earnings from Biriny Associates Inc. * Based on Nasdaq-100 Index

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	Low	% chg	52-Week High	52-Week Low	% chg YTD	3-yr. ann.
Dow Jones												
Industrial Average	33817.96	33394.43	33747.86	32.49	0.10	36799.65	28725.51	-6.5	-7.1	6.8		
Transportation Avg	14619.59	14312.44	14554.55	301.15	2.11	16874.53	11999.40	-13.2	-11.7	9.7		
Utility Average	939.57	917.35	927.43	-11.71	-1.25	1071.75	838.99	2.1	-5.4	3.8		
Total Stock Market	40339.49	39754.77	40236.58	402.94	1.01	48929.18	36056.21	-17.2	-17.3	8.4		
Barron's 400	983.06	964.37	975.62	11.25	1.17	1127.20	825.73	-13.0	-11.8	11.6		
Nasdaq Stock Market												
Nasdaq Composite	11352.43	11069.83	11323.33	209.18	1.88	16057.44	10321.39	-28.6	-27.6	10.2		
Nasdaq-100	11840.07	11535.56	11817.01	211.05	1.82	16573.34	10690.60	-27.1	-27.6	12.8		
S&P												
500 Index	4001.48	3944.82	3992.93	36.56	0.92	4796.56	3577.03	-14.7	-16.2	9.0		
MidCap 400	2552.81	2523.77	2532.12	14.08	0.56	2910.70	2200.75	-12.8	-10.9	8.3		
SmallCap 600	1242.38	1228.57	1232.18	6.83	0.56	1459.63	1064.45	-15.3	-12.1	7.7		
Other Indexes												
Russell 2000	1899.96	1872.92	1882.74	14.81	0.79	2411.78	1649.84	-21.9	-16.1	5.7		
NYSE Composite	15388.06	15234.72	15352.69	117.97	0.77	17353.76	13472.18	-11.2	-10.6	4.7		
Value Line	565.50	555.28	563.09	7.81	1.41	694.90	491.56	-18.9	-16.2	1.7		
NYSE Arca Biotech	5241.10	5138.63	5224.98	15.64	0.30	5649.54	4208.43	-3.9	-5.3	4.7		
NYSE Arca Pharma	826.74	798.69	807.92	-18.82	-2.28	887.27	737.84	2.5	-2.3	10.1		
KBW Bank	110.57	109.02	109.93	1.09	1.00	147.56	94.66	-21.5	-16.9	0.2		
PHLX [®] Gold/Silver	117.57	115.77	117.40	1.02	0.88	167.76	91.40	-18.2	-11.4	8.7		
PHLX [®] Oil Service	88.15	86.08	87.43	3.21	3.81	88.37	49.14	48.9	65.8	7.8		
PHLX [®] Semiconductor	2769.44	2655.19	2754.90	82.40	3.08	4039.51	2162.32	-27.4	-30.2	16.8		
Cboe Volatility	23.91	22.37	22.52	-1.01	-4.29	36.45	16.29	38.2	30.8	21.1		

\$ Nasdaq PHLX

Sources: FactSet; Dow Jones Market Data

Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE Amer.
Total volume*	1,112,584,974	12,388,262
Adv. volume*	825,649,124	10,570,125
Decl. volume*	281,008,730	1,786,389
Issues traded	3,290	305
Advances	2,064	187
Declines	1,095	102
Unchanged	131	16
New highs	81	5
New lows	35	7
Closing Arms*	0.58	0.31
Block trades*	6,096	140

	Nasdaq	NYSE Arca
Total volume*	5,867,759,696	358,370,600
Adv. volume*	4,638,890,784	276,400,707
Decl. volume*	1,185,838,691	81,128,595
Issues traded	4,891	1,741
Advances	3,066	1,376
Declines	1,576	342
Unchanged	249	23
New highs	110	41
New lows	152	11
Closing Arms*	0.50	1.46
Block trades*	36,330	1,521

* Primary market NYSE, NYSE American NYSE Arca only.
 (TRIN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand, above 1 indicates selling pressure.

Percentage Gainers...

Company	Symbol	Close	Net chg	% chg	High	Low	% chg
ShiftPixy	PIXY	19.10	6.89	36.03	203.00	8.69	-83.7
Compass CIA	COMP	3.50	1.07	30.57	11.49	1.84	-69.4
MINK Therapeutics	INKT	3.00	0.82	27.33	21.40	1.09	-81.7
Sight Sciences	SGHT	11.28	2.92	25.88	24.59	5.35	-50.4
Snail CIA	SNAL	3.00	0.75	25.00	4.36	1.64	...
Doximity	DOCS	34.94	8.61	24.64	76.87	22.91	-52.4
TransAct Technologies	TACT	5.50	1.33	24.18	13.31	3.60	-57.6
Tenaya Therapeutics	TNYA	2.67	0.63	23.60	29.88	1.73	-90.0
AGBA Acquisition	AGBA	7.13	1.63	22.86	11.81	4.84	-35.2
4D Molecular Therap	DMT	12.51	2.78	22.57	25.16	5.32	-49.9
Avadel Pharm ADR	AVDL	7.97	1.77	22.20	11.59	1.05	-27.9
Telos	TLS	4.47	0.98	22.08	24.53	3.35	-81.7
DermTech	DMTK	2.78	0.58	20.86	25.57	1.66	-89.0
Pennsylvania REIT	PEI	3.58	0.74	20.64	23.33	2.54	-84.1
Matterport	MTTR	3.77	0.74	19.63	37.60	2.62	-83.0

Percentage Losers

Company	Symbol	Close	Net chg	% chg	High	Low	% chg
AirSculpt Technologies	AIRS	3.28	-1.45	-44.21	18.48	3.23	-78.4
East Stone Acquisition	ESSC	7.30	-2.68	-36.71	26.27	6.72	-28.8
Oncology Institute	TOI	2.17	-0.77	-35.48	12.66	2.14	-80.2
Brilliant Earth CI A	BRLT	5.98	-2.06	-34.45	20.39	3.60	-67.7
Theseus Pharmaceuticals	THRX	6.38	-1.98	-31.03	20.78	4.01	-62.9
Ryan Specialty Holdings	RYAN	34.12	-10.33	-30.27	46.40	33.09	-15.5
FiscalNote	NOTE	5.14	-1.45	-28.21	12.30	4.42	-48.3
Optinose	OPTN	2.23	-0.53	-23.77	4.30	1.46	-11.2
SilverSun Technologies	SSNT	3.57	-0.76	-21.29	9.60	2.25	-35.8
Rallybio Holdings	RLYB	5.59	-1.11	-19.86	17.64	4.86	-62.7
EverCommerce	EVCM	6.95	-1.35	-19.42	20.44	6.01	-65.7
Expensify	EXFY	10.91	-2.04	-18.69	51.06	8.61	-77.1
Tattooed Chef	TTCF	3.75	-0.65	-17.33	19.00	3.22	-77.0
Monopar Therapeutics	MNPR	2.83	-0.47	-16.61	5.12	1.39	-43.4
Cue Health	HLTH	3.54	-0.56	-15.82	16.20	2.75	-68.9

Most Active Stocks

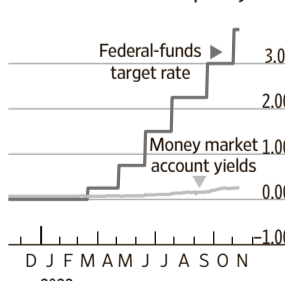
Company	Symbol	Volume (000)	% chg from 65-day avg	Latest Session Close	% chg	52-Week High	Low
ProShares UltraPro QQQ	TQQQ	305,129	41.9	22.67	5.69	91.68	16.32
Mullen Automotive	MULN	189,343	33.8	0.31	-6.39	15.90	0.21
Direxion Dly SCND 3 BL	SOXL	165,027	49.2	13.22	9.44	74.20	6.21
ProSh UltraPro Shrt QQQ	SQQQ	138,133	-2.1	44.37	-5.76	69.55	28.15
Kalera	KAL	131,201	3074.9	0.09	11.48	14.78	0.07

* Common stocks priced at \$2 a share or more with an average volume over 65 trading days of at least 5,000 shares † Has traded fewer than 65 days

Consumer Rates and Returns to Investor

U.S. consumer rates

A consumer rate against its benchmark over the past year



Selected rates

Money Market/Savings Accts

Bankrate.com avg: 0.26%

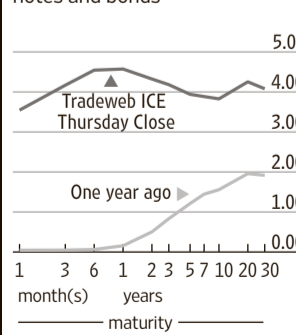
TAB Bank	3.00%
Ogden, UT	800-355-3063
UFB Direct	3.16%
San Diego, CA	877-472-9200
UFB Direct	3.16%
San Diego, CA	877-472-9200
CFG Community Bank	3.70%
Baltimore, MD	888-205-8388
BrioDirect	3.75%
Montebello, NY	877-369-2746

Interest rate	Yield/Rate (%) Last	Yield/Rate (%) 1 Week ago	52-Week Range (%) Low	52-Week Range (%) High	3-yr chg (pct pts)
Federal-funds rate target	3.75-4.00	3.75-4.00	0.00	4.00	2.25
Prime rate*	7.00	7.00	3.25	7.00	2.25
Libor, 3-month	4.61	4.55	0.16	4.65	2.70
Money market, annual yield	0.26	0.25	0.07	0.26	-0.32
Five-year CD, annual yield	2.40	2.39	0.41	2.40	0.97
30-year mortgage, fixed†	6.91	7.41	3.09	7.41	2.93
15-year mortgage, fixed†	6.27	6.53	2.42	6.53	2.86
Jumbo mortgages, \$647,200-plus†	6.87	7.44	3.10	7.44	2.48
Five-year adj mortgage (ARM)	5.60	5.55	2.82	5.60	1.08
New-car loan, 48-month	6.14	6.12	3.41	6.14	1.63

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

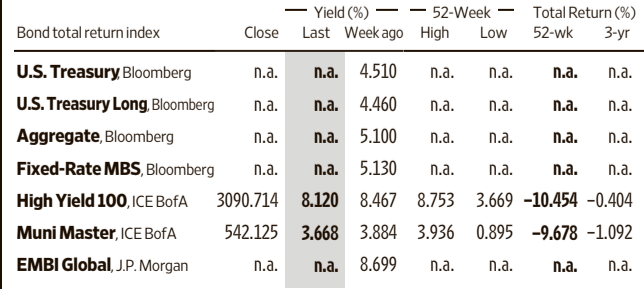
Treasury yield curve

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

Bond total return index	Close	Last	Week ago	High	Low	52-wk	3-yr
U.S. Treasury Bloomberg	n.a.	n.a.	4.510	n.a.	n.a.	n.a.	n.a.
U.S. Treasury Long Bloomberg	n.a.	n.a.	4.460	n.a.	n.a.	n.a.	n.a.
Aggregate-Rate Bloomberg	n.a.	n.a.	5.100	n.a.	n.a.	n.a.	n.a.
Fixed-Rate MBS, Bloomberg	n.a.	n.a.	5.130	n.a.	n.a.	n.a.	n.a.
High Yield 100, ICE BofA	3090.714	8.120	8.467	8.753	3.669	-10.454	-0.404
Muni Master, ICE BofA	542.125	3.668	3.884	3.936	0.895	-9.678	-1.092
EMBI Global, J.P. Morgan	n.a.	n.a.	8.699	n.a.	n.a.	n.a.	n.a.

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.

Index	Currency, vs. U.S. dollar	Commodity, traded in U.S.*	Exchange-traded fund
S&P 500 Information Tech			10.03%
S&P 500 Communication Svcs			9.24
Nasdaq-100			8.84
Nasdaq Composite			8.10
Dow Jones Transportation Average			8.02
S&P 500 Materials			7.69
Hang Seng			7.21
S&P 500 Real Estate			7.07
South Korean won			6.83
Comex copper			6.37
S&P 500 Consumer Discr			5.93
S&P 500			5.90
KOSPI Composite			5.74
S&P 500 Financials			5.72
DAX			5.68
Swiss franc			

BANKING & FINANCE

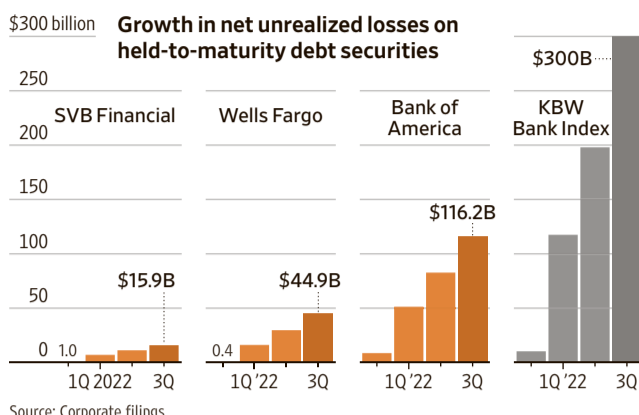
Rising Interest Rates Pose Risk for Banks' Bond Holdings

By JONATHAN WEIL

The Federal Reserve's rapid interest-rate increases have created an unusual and potentially worrisome gap between the value companies place on trillions of dollars of bonds they hold and the value those bonds fetch in the market.

The difference between the bonds' book values and market values poses unique risks for banks. They could face tighter liquidity and earnings pressure as rates they pay for deposits and other funding sources rise, while yields on the bonds they own stay low. Companies are allowed to hold bonds on their balance sheets at cost if they label them "held to maturity" for accounting purposes. The Fed's rate increases mean many of the bonds held by banks have fallen in value and are trading below what the banks paid for them.

For the 24 big U.S. lenders in the KBW Bank Index, the combined balance-sheet value of held-to-maturity bonds was \$2.21 trillion as of Sept. 30, according to a Wall Street Journal review of their filings. The market value was \$1.91 trillion, or 14% less. The gap was negligible when the year started.



Source: Corporate filings

The vast majority were mortgage bonds issued by government-sponsored entities, such as Fannie Mae, as well as U.S. Treasuries. Those bonds don't pose credit risk, meaning they won't default. But they do present market risk, including interest-rate risk, because bond values fall when rates rise.

"The greater the increase in the cost of funds the more pressure you have on your margins, because your cost of funds is still going up and your earnings from the low-earning securities remains the same," said Thomas Hoenig, former president of the Federal Reserve Bank of Kansas City and former vice chairman of the Federal Deposit Insur-

ance Corp. "If they go high enough, you could actually be losing money on these assets." He was speaking generally, not about any specific banks.

Banks are in many cases stuck with the bonds they own. If they sell them, they would have to recognize the losses for accounting purposes. And because their holdings are large, selling might push prices down further. The Fed in its latest financial-stability report, released last week, said "liquidity remained low in the U.S. Treasury market."

This may be partly a problem of regulators' creation. Banking regulations have motivated lenders to load up on "high quality liquid assets," including Treasuries. But ac-

counting considerations can discourage trading them in the secondary market, reducing liquidity.

The losses don't put any of the banks under financial stress. They could hurt earnings for years to come if banks need to pay higher rates for deposits than they earn on their bonds.

Valuing the bonds at their cost assumes the banks can hold them to maturity. If a bank ever needed to sell them to raise cash, it would have to mark them down to market values. If the losses were severe, that could put some banks into a crisis.

There is little chance of this occurring anytime soon, but it also points out potential flaws in bank regulations. These are supposed to assure that banks have sufficient capital and liquidity. If big embedded losses in bonds prevent banks from selling them, then liquidity could suffer.

Among the KBW index members, the lender with the largest gap by dollar amount was Bank of America Corp. Its latest balance sheet showed \$644 billion of held-to-maturity bonds. Their market value was \$528 billion, according to an accompanying disclosure. The \$116 billion difference was equivalent to 43% of Bank of America's \$270 billion of total equity, or assets minus liabilities, as of Sept. 30. At the start of the year, before rates surged, the market value and balance-sheet value were within 1% of each other.

Bank of America said, "Our capital and liquidity remains strong and well ahead of requirements."

Like most large banks, Bank of America is awash in deposits and hasn't raised rates much on those accounts.

Price Increases Aid European Producers

By WILLIAM BOSTON

BERLIN—European companies have defied the continent's darkening economic prospects by raising prices, but there are signs the strategy that has protected their profits is sputtering.

Executives at some of the companies that have benefited from sharply higher prices are warning that soaring energy and food bills and concerns about jobs are beginning to deflate consumers' appetite for their products.

Incoming orders for manufacturers in Germany have declined for two months in a row as inflation and interest rates continue to rise and concerns about a recession in Europe grow. The continent has been harder hit than the U.S. and Asia by the war in Ukraine, and especially by the rise in energy prices it has caused, which has raised inflation above its level in the U.S. Yet, company earnings have surprised on the upside, largely thanks to price rises that have matched or exceeded rising costs.

When Mercedes-Benz Group AG reported third-quarter earnings that surpassed analysts' forecasts, the company's finance chief, Harald Wilhelm, told investors that half the profit surge in the quarter came from higher prices for new car models.

Industries that target wealthy consumers have been particularly successful in raising prices, saying in part that historically high energy and food inflation hadn't affected demand from their customers.

Luxury goods maker Hermès International SCA, which makes \$10,000 handbags, said last month that it planned to raise prices as much as 10%, after it reported forecast-beating sales. LVMH Moët Hennessy Louis Vuitton SE and Kering SA,

which owns Gucci, also reported sharply higher sales.

Solvay SA, a Belgian chemicals manufacturer with annual sales in excess of 10 billion euros, equivalent to about \$10.2 billion, generated about 700 million euros in additional sales through price increases so far this year, the company said during a recent earnings call.

Solvay CEO Ilham Kadri told investors that the company began adjusting prices to offset rising inflation and energy costs in the second half of last year. Looking ahead, the company has begun adding surcharges to some products to maintain price levels.

SGL Carbon SE, which makes carbon products for the auto industry, semiconductor manufacturers and others, said about a third of its higher sales in the third quarter resulted from passing higher costs for raw materials and energy to its customers. Looking ahead, CEO Torsten Derr said demand, especially from the auto industry, remained high, but he also suggested that customers' tolerance for higher prices was going to be tested.

"We think we will be somewhat successful to further pass on energy cost increases if they occur," he told investors earlier this month.

Few analysts expect the companies they monitor to defy the economic trends again in the current quarter. The eurozone economy grew just 0.2% in the three months to October, and inflation jumped to 10.7% last month, according to Eurostat. The growth data were better than economists had expected, but with most indicators pointing south, many say the downturn has only been postponed.

"It is a matter of how deep the recession will be and not if there will be one," Oxford Economics, a think tank, wrote in a report.

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The energy conglomerate and Freyr Battery will likely spend more than \$2.6 billion on the Georgia plant.

Koch Teams Up on Battery Plant

By STEPHEN WILMOT

Norwegian startup Freyr Battery and energy conglomerate Koch Industries Inc. are accelerating their plan to build a multibillion-dollar battery plant that will be among the largest to tap incentives in President Biden's climate, tax and spending plan, Freyr said.

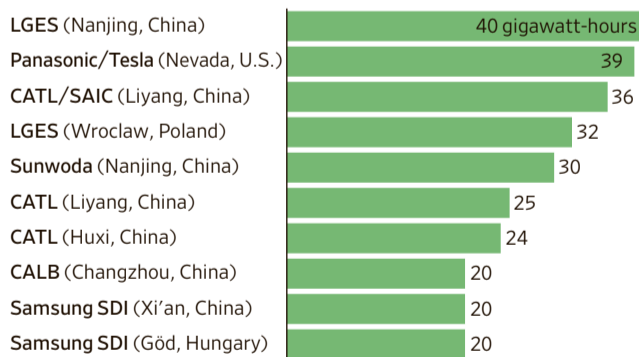
Koch's chief executive long opposed environmental regulation and subsidies while funding groups that questioned climate change. The company and Freyr will likely invest more than \$2.6 billion in two phases for the Georgia plant, which will supply batteries primarily for the U.S. power grid.

Koch has emerged as one of the biggest investors in batteries, a turnaround from its emphasis on fossil fuels. It has said it wants to benefit from the falling cost of renewable-energy technologies and help drive it down further. As of January, it had invested a total of \$1.7 billion into electric batteries, energy storage and solar-power infrastructure, according to its website.

The plan is unusual among battery projects in being dedicated primarily to the energy-storage market rather than electric vehicles. The first phase of the project in Coweta County, Ga., will bring online 34 gigawatt-hours of annual cell production at a projected cost of \$1.7 billion. The largest U.S. battery factory today, the Tesla Inc. and Panasonic Holding Corp. "gigafactory" in Nevada, had a capacity of 39 GWh at the end of last year, according to data provider Benchmark Mineral Intelligence.

A second phase to expand

World's 10 largest battery plants by annual production capacity



Source: Benchmark Mineral Intelligence

Note: As of the end of 2021

the Georgia plant could increase the cell capacity further and add production of complete energy-storage units or battery inputs such as cathodes or anodes. The total investment is expected to reach \$2.6 billion by 2029.

"Removing the tailpipe from the car is one thing, but then you need to charge those cars with renewable energy," said Freyr CEO Tom Einar Jensen.

Mr. Jensen said Freyr and Koch sped up their timeline for the project as a result of the Inflation Reduction Act, which President Biden signed into law in August. The bill includes major subsidies for manufacturing batteries in the U.S. as part of a push to reduce the country's reliance on China's battery supply chain.

Battery suppliers will get \$35 million for every gigawatt-hour of cell storage capacity they produce. Allowing for some factory downtime, that implies roughly \$1 billion a year in subsidies once the first phase of the Coweta County project is fully operational. Battery modules and inputs attract further

subsidies within the bill.

Freyr was launched in 2018 with a plan to build a battery factory in its native Norway. It went public last year via a merger with a U.S.-listed special-purpose-acquisition company, raising roughly \$700 million. Unlike many former SPACs, Freyr's shares are trading well above their initial-public-offering price. Koch was among the investors that bought into the SPAC deal. Last year the companies announced a 50/50 joint venture to build a U.S. version of Freyr's Norwegian hub. The selection of the Georgia site is the latest step in the plan.

The partners chose Coweta County in part because of a financial package the county offered together with the state of Georgia, said Mr. Jensen. The project is expected to create more than 720 jobs.

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MARKETS

FTX Bankruptcy Ensnarers Traders, Industry Lenders

The collapse of crypto exchange FTX has tripped up casual day traders and professional investors alike.

By Caitlin Ostroff, Eliot Brown and Peter Rudegeair

Some 10% of the assets of a Multicoin Capital hedge fund are stuck at FTX, according to an investor letter viewed by The Wall Street Journal. It was able to pull out around 24% of fund assets held there before withdrawals were halted, the letter said. Earlier this month it told investors the fund was \$1.2 billion in size.

\$5M

Money crypto market maker B2C2 has stuck on FTX

The trading desks and lenders that serve institutional investors are in limbo, too. Cryptocurrency lender **BlockFi** Inc. has paused withdrawals and limited activity on its platform, saying FTX's woes were preventing it from operating as usual. Another crypto lender, Genesis, said some \$175 million from its derivatives business was frozen in an FTX trading account. Crypto market maker **B2C2**, which matches trades between other entities, has \$5 million stuck on FTX, according to people familiar with the matter.

Crypto news site the Block earlier reported the Multicoin Capital letter to investors.

FTX's journey from crypto white knight to pariah took just over a week, following questions about its relationship with founder Sam Bankman-Fried's trading firm,

Alameda Research. Both Alameda and FTX filed for bankruptcy protection Friday.

Mr. Bankman-Fried earned investors' trust with his frequent trips to Washington to lobby for more crypto regulation. Financial backing from some of Silicon Valley's top venture-capital firms also lent credibility to the exchange.

But for some crypto firms that did business with the company, financial insight into FTX was almost as limited as it was for day traders.

There are few regulations binding players in the crypto market, meaning companies often aren't required to present minimum information to trading counterparties. Companies also are based in myriad jurisdictions, sometimes with or without licenses, making it difficult to get baseline disclosures across the board.

"The things that we're learning that may have gone on at FTX are really wild," said Wes Hansen, director of trading and operations at crypto fund Arca. He said he routinely asks companies for financial information, and the level of detail provided varies widely.

"We always ask for everything we can get, but we have no way of really verifying out," Mr. Hansen said.

For a report published last month ranking and assessing the risk of different crypto exchanges, research firm CryptoCompare asked firms for a wide set of information. FTX provided it only with public information from its website, said Jamie Sly, a marketing executive at CryptoCompare.

The scope of its public-facing policies led the research firm to rank it among the lowest-risk exchanges, he said. CryptoCompare removed FTX from its ranking this past week.



Cryptocurrency exchange FTX was one of the biggest players in the industry. Above, the company's office in Nassau, the Bahamas.

Crypto Platform's Customers Face Uncharted Territory

By Vicky Ge Huang

Stephen Gibbs got spooked this week when he heard about problems brewing at FTX and he decided it was time to take his money out of the crypto exchange.

Mr. Gibbs, a 46-year-old musician in Thailand, said he tried to withdraw his money Tuesday. But FTX that day halted both crypto and fiat withdrawals from its international unit. As of Thursday, Mr. Gibbs said, his transaction was still listed as "requested." On Friday, FTX filed for bankruptcy protection.

"If you couldn't trust an exchange like FTX, you can't trust any exchange," Mr. Gibbs said before the bankruptcy filing. "And then if you can't trust exchanges, the whole premise of cryptocurrency doesn't work."

Cryptocurrency exchange FTX was one of the biggest players in the industry, often considered a survivor in a broad market crash that has taken down a number of crypto firms this year. But its rapid collapse this week has left customers wondering if they will ever see their money again.

It isn't clear how long it might take customers to get their money back, or whether they will get anything at all.

FTX was hit by a run of withdrawal requests this week and the company is scrambling to raise money to cover a shortfall of up to \$8 billion, The Wall Street Journal previously reported. The exchange lent billions of dollars to fund risky bets at its affiliated trading firm, Alameda Research, using money that customers had deposited at FTX.

Big crypto losses are a familiar tale for many people. Lenders like Celsius Network and Voyager Digital filed for bankruptcy this year and many of their customers are losing hope that they will get their money back. Even one so-called algorithmic stablecoin, meant to maintain a set value, crashed this year, leaving traders with little recourse.

A spokesman for Voyager said U.S. dollar withdrawals are active but that crypto withdrawals are still on hold until the restructuring process is complete. A spokeswoman for Celsius didn't respond to a request for comment.

Bankruptcies in the crypto world are still virtually uncharted territory. The cryptocurrency that customers put on these platforms might not belong to them in the eyes of a bankruptcy court, according to regulators and legal experts. Instead, they could go into the bankruptcy estate that creditors divvy up.

Even if customers eventually get access to their crypto, they could suffer big losses if the market turned down while the bankruptcy played out.

Crypto expanded steadily into the mainstream in recent years, and crypto lenders and brokers pitched themselves as avenues for regular people to make money. Some newcomers embraced crypto trading, using platforms like FTX to try to time the market. Others thought they were taking a safer route by using FTX and other crypto firms to park their money as if it were a bank deposit—but earning a much greater yield than any regulated bank would pay.

Many in both groups are now in desperate situations.

The website for FTX's American arm said as of Thursday evening that "trading may be halted on FTX US in a few days."

A spokesman for FTX declined to comment. In a Thursday tweet, FTX founder Sam Bankman-Fried said he is sorry and that his No. 1 priority is to do right by users.

"Every penny of that—and of the existing collateral—will go straight to users, unless or

FTX customers are wondering if they will ever see their money again.

until we've done right by them," Mr. Bankman-Fried said. On Friday, he resigned as CEO of FTX.

Crypto attracted hordes of new traders during the pandemic. But crypto in many ways is little more than a casino. Unlike the regulated, traditional financial system, it lacks the government rules and legal protections built into banks and brokerages. Notably, their deposits aren't guaranteed by the federal government.

Mr. Gibbs, the musician, used FTX to store his bitcoin. The exchange offered a 6% annual percentage yield on bitcoin deposits, he said.

"In the last couple of years, it became possible to generate a yield with crypto assets and that's a hard thing for people to turn down," Mr. Gibbs said.

Julian Figueroa, based in Vancouver, British Columbia, had been using FTX to trade digital assets and he was regularly withdrawing from his FTX account to pay himself or cover other expenses. Usually, he said, FTX processed his requests in just a few minutes. The withdrawals stopped working Tuesday.

Mr. Figueroa previously lost money in the collapse of QuadrigaCX, once Canada's largest crypto exchange, which made the problems at FTX particularly frustrating for him. Mr. Figueroa, who runs a YouTube channel called Kinetic Finance, said he has about a year's worth of salary tied up at FTX.

"It hurts but I'm a young guy," said the 27-year-old. "I have time to make back a year's salary."

Gianluca Giuffra, a 25-year-old investor from Lima, Peru, used FTX to trade digital assets and picked the exchange because he thought it was a safe bet.

"Sam looks like a very honest person," he said. "He doesn't look like the type of guy that would do crazy stuff behind users' backs."

On Tuesday, Mr. Giuffra put in four withdrawal requests starting around 5:24 a.m. The first three went through. The last one, made at 5:56 a.m., didn't. The experience has left him disheartened about the whole industry.

"I guess regulation is not that bad after all," Mr. Giuffra said. "Because without them, you were kind of guessing and hoping that the CEO or the person in charge is not playing and gambling with all the money that you put in."



Chinese authorities announced reductions to quarantine periods.

China Stocks Surge As Covid Curbs Ease

By Rebecca Feng

Chinese stocks surged Friday, after top officials in Beijing said they would try to minimize the economic impact from the country's zero-Covid policy and promptly relaxed some of its stringent pandemic rules.

Hong Kong's benchmark Hang Seng Index jumped 7.7% in its biggest single-day rally since March, taking its increase so far this month to around 18%. Stocks of internet-platform companies, electronics-part manufacturers and Chinese real-estate developers were among the biggest gainers.

The Shanghai Composite closed 1.7% higher on Friday, while China's CSI 300 gauge of the largest stocks listed in mainland China jumped 2.8%.

Overnight, U.S. stocks chalked up their biggest single-day gains in more than two years following a softer-than-expected October inflation reading, which gave investors hope that the Federal Reserve might slow the pace of its interest-rate increases.

That sparked a rally across markets in Asia on Friday, but investors in Chinese stocks had additional reasons for optimism. China's new Politburo Standing Committee, appointed in late October, met on Thursday and updated the country's pandemic-control policy.

Market participants said some of the wording changes from China's previous Covid-

policy meeting in May marked a small but significant shift in the country's approach, and said it could help pave the way for an eventual return to normalcy.

"We see this as the new potential direction set by President Xi," said Shujin Chen, an equity analyst at Jefferies, in an emailed note. She added that this could also mean that there will be less "excessive covid control" in China.

On Friday afternoon, Chinese authorities announced reductions to quarantine periods for close contacts of Covid cases and travelers to the country, among other changes to its rules. Following the news, China's currency, the yuan, strengthened more than 1% to around 7.11 to the dollar in the country's tightly controlled onshore market.

Xin-Yao Ng, an investment manager of Asian equities at abrdn, said China's relaxation of some Covid restrictions are a step in the right direction, but the country isn't stopping other harsh measures like locking down cities. "The risk in the China market is to the upside for those betting too heavily against China," he said.

China's zero-Covid policy—which has disrupted manufacturing and supply chains and weighed heavily on Chinese consumer confidence—has been a huge drag on the country's economic growth.

—Dave Sebastian contributed to this article.

Indexes See Big Weekly Advance

Continued from page B1

lower. The dollar reversed course. And stocks soared. Tech stocks in particular have been big beneficiaries of the recent run, stemming some of their large declines from earlier in the year.

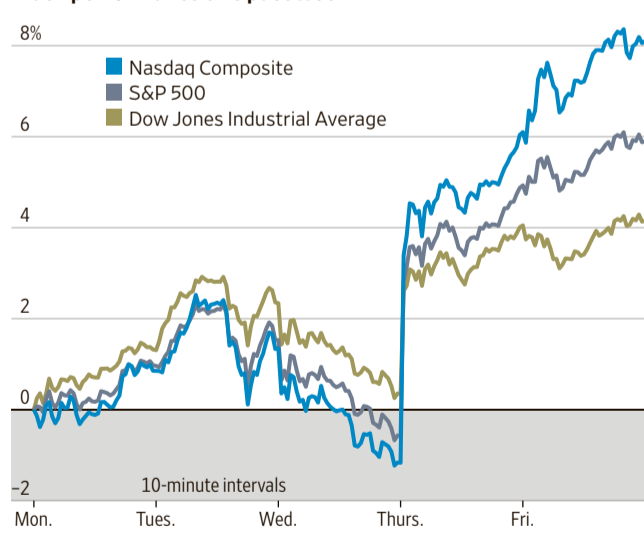
At times, the moves throughout the week have been reminiscent of the dizzying swings that gripped markets at the onset of the Covid-19 pandemic, when the economy was shutting down and investors scrambled to analyze the pandemic's impact on U.S. corporations.

The benchmark S&P 500 added 36.56 points, or 0.9%, to 3992.93 Friday, a day after softer inflation data sent the benchmark index to its biggest one-day rise since April 2020. The Dow Jones Industrial Average added 32.49 points, or 0.1%, to 33747.86. The tech-heavy Nasdaq Composite added 209.18 points, or 1.9%, to 11323.33, capping its biggest two-day gain since November 2008.

The S&P 500 and Nasdaq added 5.9% and 8.1% for the week, their best performance since June and March, respectively. The Dow added 4.1% for the week.

"It certainly is our first hint that inflation could be moderating," said Dev Kantesaria, founder of Valley Forge Capital

Index performance this past week



Source: FactSet

Management, of the inflation figures. "But with economic data, there's always a chance of a head fake."

Shares of big tech companies raced higher. Amazon.com's stock added 4.3%, bringing gains for the week to almost 11%. Alphabet shares rose 2.6% and were also up about 11% for the week. Even more-speculative growth companies participated in the rally. The ARK Innovation Exchange-Traded Fund soared 15% for the week.

U.S. bond markets were closed for Veterans Day. On Thursday, yields on two- and 10-year Treasury notes recorded their biggest one-day plunge in over a decade. The 10-year yield fell to 3.828% on Thursday, its largest one-week decline since 2020.

The dollar, which on Thursday endured its biggest slide since the 2008-09 financial crisis, extended its decline.

on the back of years of easy monetary policy. Government bonds have slid in price, sending yields higher. A surge in the dollar has caused difficulties in economies around the world, above all in developing nations that import commodities by paying in the U.S. currency.

On Friday, the S&P 500 entered its 107th day of trading in a bear market, heading toward the longest bear market since 2001, according to Dow Jones Market Data, which analyzed the number of days the index entered a bear market to when it exited.

Interest-rate futures prices showed traders betting the Fed will hike by half a percentage point in December, down from its recent moves to raise rates in 0.75-point increments. The high point that rates are expected to reach next year edged down. Some analysts and investors think the size of the market's reaction to the inflation data wasn't justified—and that Fed officials might push back against it.

Higher stock prices and lower borrowing costs risk undermining the central bank's effort to rein in inflation with tighter financial conditions.

It's a "temporary bear market rally," said Solomon Tadessa, head of equity quant research in North America for Société Générale.

Though inflation has weakened, it remains far above the Fed's target pace. It is also much higher than the Fed's main interest rate. Cleveland Fed President Loretta Mester said Thursday that monetary policy is just reaching levels that would constrain economic activity as a result.

Stocks have tumbled, particularly tech stocks that gained