

# THE WALL STREET JOURNAL.

## What's News

### Business & Finance

**F**ed officials have signaled plans to raise their benchmark interest rate by 0.5 percentage point at their meeting next week, but elevated wage pressures could lead them to continue lifting it to higher levels than investors currently expect. **A1**

◆ **U.S. stocks slid**, with the S&P 500, Nasdaq and Dow closing falling 1.8%, 1.9% and 1.4%, respectively. **B1**

◆ **FTX's effort** to save itself failed on questionable assets that consisted largely of thinly traded crypto tokens that likely were worth less than the \$6.4 billion the exchange claimed. **A1**

◆ **U.S. freight railroads** are struggling with a shortage of workers, resulting in restrictions on the amount of cargo that can be transported. **A1**

◆ **Nike has cut ties** with Kyrie Irving, ending an endorsement deal with the basketball star in place for more than a decade. **B1**

◆ **Circle**, which operates the USD Coin stablecoin, said it is ending its attempt to go public through a blank-check company. **B1**

◆ **Salesforce said** Stewart Butterfield, CEO and co-founder of the Slack messaging app, plans to leave the company next month. **B1**

◆ **PepsiCo is laying off** workers at the headquarters of its North American snacks and beverages divisions, according to people familiar with the matter and documents reviewed by The Wall Street Journal. **B3**

### World-Wide

◆ **Ukrainian drones hit** two Russian air bases, Russia's Defense Ministry said, while Ukrainian officials hinted at a capability to strike deeper within Russian territory and Moscow launched a major barrage of missiles at Ukrainian cities. **A1, A13**

◆ **Top U.S. and EU officials** agreed to work closely to strengthen semiconductor supply chains, including sharing information about their respective programs to provide massive subsidies to promote domestic chip production. **A2**

◆ **The Supreme Court** weighed whether creative services should be exempt from laws that protect same-sex couples, taking the case to resolve a long-brewing conflict between two strands of its recent jurisprudence. **A4**

◆ **Arizona certified** the 2022 midterm elections results, putting a Democrat as governor, secretary of state and in both U.S. Senate seats for the first time since 1950. **A4**

◆ **The GAO called for** Congress to establish tighter regulations on how colleges and universities describe their financial-aid packages. **A6**

◆ **Residents of Moore County, N.C.**, remain without power after two substations were damaged by what authorities said was a targeted act of vandalism. **A3**

◆ **The U.A.E.'s leader** visited Qatar for the first time since launching a three-year boycott of the Gulf neighbor. **A22**

◆ **DIED: Kirstie Alley**, 71, TV and film actress. **A8**

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## Senate Runoff Election Comes to a Head in Georgia



**TURNOUT:** Georgia voters will choose between Republican challenger Herschel Walker and incumbent Democratic Sen. Raphael Warnock in a runoff election on Tuesday. More than 1.85 million ballots were already cast in early voting. See WSJ.com.



## Fed to Weigh Rates Higher Than 5%

Brisk wage growth has officials ready to boost benchmark more than investors expect in '23

By NICK TIMIRAS

Federal Reserve officials have signaled plans to raise their benchmark interest rate by 0.5 percentage point at their meeting next week, but elevated wage pressures could lead them to continue lifting it to higher levels than investors expect.

Fed officials raised rates this year at the fastest pace since the early 1980s, including by 0.75 point at each of their past four meetings to combat inflation. Fed Chair Jerome Powell indicated last week that the central bank was prepared to downshift the size of rate increases at its Dec. 13-14 meeting.

Fed officials want to guard against raising rates too little and allowing inflation to resurge, or raising them too much and causing unnecessary economic weakness, according to recent public comments and interviews.

Because it takes time for interest-rate changes to slow the economy and even longer to influence inflation, "if you're waiting for actual evidence that inflation is coming down, it's very difficult not to over-tighten," Mr. Powell said last week. "We think that slowing down at this point is a good way to balance the risks."

A smaller 0.5-point increase would mark a new phase of policy tightening as they calibrate how much higher to lift rates. Policy makers expect price pressures to ease meaningfully next

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## Air Bases in Russia Bombed As Moscow Hits Ukraine Cities

By JARED MALSIN

Ukrainian drones hit two Russian air bases on Monday, Russia's Defense Ministry said, while Ukrainian officials hinted at a capability to strike deeper within Russian territory and Moscow launched a major barrage of missiles at Ukrainian cities.

The defense ministry said three Russian servicemen were killed and four were wounded in attacks by Soviet-era drones on the two bases, one in Ryzan, southeast of Moscow, and one in Russia's Saratov region. The Engels air base in Sara-

atov, a hub for Russia's fleet of strategic bombers, has been used to launch air raids and missile strikes on Ukraine. Russia has used the long-range aircraft stationed at the base to fire cruise missiles at Ukraine, military analysts say. The bombers are also capable of carrying nuclear weapons, forming part of Russia's triad of nuclear forces along with land-based and submarine-launched nuclear missiles.

There was no immediate claim of responsibility for the explosions, and Ukrainian officials on Monday made only oblique references to the ex-

### U.S. Limits Launchers

Himars sent to Ukraine were modified to prevent rockets from reaching Russia..... A13

plosions at the Russian air bases, as they have with past strikes inside Russia.

"If something is launched into other countries' airspace, sooner or later unknown flying objects will return to departure point," Mykhailo Podolyak, an adviser to Ukrainian

President Volodymyr Zelensky, said in a tweet.

There is no evidence that U.S.-provided weaponry was used in the strikes. The U.S. since June has supplied Ukrainian forces with 20 High Mobility Artillery Rocket System launchers, or Himars, and a large inventory of satellite-guided rockets with a range of almost 50 miles. Those rockets have been used to strike Russian ammunition depots, logistics supplies and command centers on Ukrainian territory.

U.S. officials told The Wall Street Journal that the Pentagon

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## Railroad Staffing Shortages Inflamm Disruptions

By ESTHER FUNG

President Biden signed a bill Friday restricting rail workers from striking, but the industry is still struggling with a big problem: having enough staff to handle customer demand.

The largest U.S. freight railroads have reported strong profits in recent years, helped by higher prices and steady business in transporting everything from automobiles to fertilizer. Export demand for coal and grain, stemming from disruptions in supply chains in Europe after Russia invaded Ukraine, bolstered freight volumes this year, railroads said.

At the same time, railroads continue to face disruptions tied to having a shortage of workers. This year, Union Pacific Corp. and BNSF Railway have issued more embargoes—restrictions placed on the amount of cargo that can be transported—than in previous years. Railroads issue embargoes as a way to control traffic movements when service is disrupted due to a disaster or to ease congestion.

From January to Nov. 25, freight railroads issued 1,486 embargoes, up from 945 and 641 recorded in 2021 and 2020, respectively, according to data compiled by analysts at JPMorgan.

Railroad operators said they have had insufficient numbers of train and engine workers, though unions representing other types of railroad hands, such as signalmen and

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**JASON GAY**  
Still just 23, France's Kylian Mbappé is having another World Cup of a lifetime. **A18**

## Questionable Assets Ruined FTX Rescue

When crypto exchange FTX was struggling to raise cash early last month, it seized billions of dollars worth of collateral from its trading arm,

By Shane Shifflett, Rob Barry and Coulter Jones

Alameda Research, and used it to try to convince investors of its financial health, former FTX Chief Executive Sam Bankman-Fried said.

But much of it didn't add up. A big chunk of the assets consisted of four thinly traded

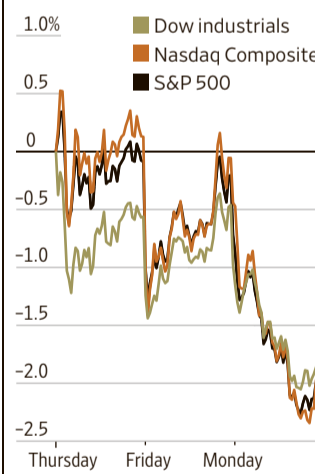
crypto tokens closely connected to Mr. Bankman-Fried and FTX employees and mostly held by Alameda. The tokens were likely worth far less than the \$6.4 billion marked on the balance sheet FTX was shopping to investors in the hope of a bailout, according to market data and crypto researchers.

"It wasn't meant to be casting a judgment or making a decision for people on what

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◆ More crypto exchanges verify reserves..... B10

### Index performance



Source: FactSet

◆ Stocks tied to economic health fall steeply..... B1

◆ Bond rally is tested by wage gains..... B11

◆ Heard on the Street: Services can't rescue economy..... B12

## Germany's New Favorite Sport: Competing to Save Energy

After Russia throttled gas to the nation, washcloth wipe-downs, unheated pools

By TOM FAIRLESS

FRANKFURT, Germany—Psychologist Maria-Christina Nimmerfroh was doing her best to deliver an online lecture to business executives last month, but every few minutes an energy-saver switch in her empty classroom killed the lights.

Finally, she got tired of standing up to trigger the motion-detecting switch and lighted her face with her cellphone flashlight.

Russia stopped piping natural gas to much of Europe this fall, hoping to show Europeans that supporting Ukraine in the war might become too uncomfortable to bear. It didn't count on Germans' love of thrift.

Many Germans see frugality as part of their national identity, and bargain-hunting as a way of life. So they have embraced the energy challenge, finding ever more creative ways to slash consumption. So far, they are killing it.

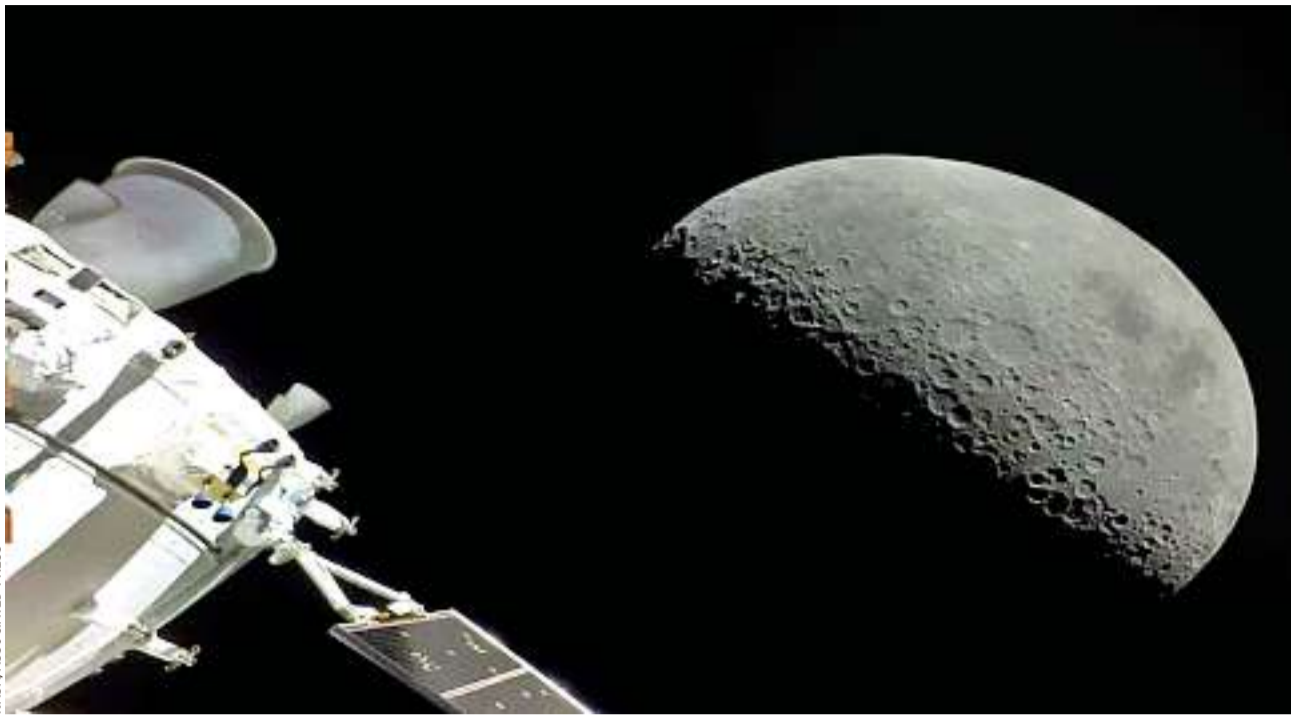
Gas consumption by households and businesses in September and October declined by about a quarter from those same months in 2018 through 2020, even after adjusting for unseasonably warm weather, according to Oxford Economics, a think tank. The nation's gas storage facilities are now 97% full, well ahead of the government's most optimistic projections.

Germans have boasted on

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# U.S. NEWS

## NASA's Orion Capsule Nears End of Three-Week Test Flight



**HOMESTRETCH:** Orion and its test dummies swooped one last time around the moon Monday, flying over Apollo 12 and 14 sites before heading 237,000 miles to home for a splashdown Sunday off San Diego. The next flight will attempt to carry four astronauts around the moon. NASA is targeting 2025 for its first lunar landing by astronauts since the Apollo program ended in 1972.

# U.S., EU to Coordinate Semiconductor Subsidies

By YUKA HAYASHI

COLLEGE PARK, Md.—Top U.S. and European Union officials agreed to work closely to strengthen semiconductor supply chains, including sharing information about their respective programs to provide subsidies to promote domestic chip production.

At a Monday gathering to discuss trade and technology issues, however, the two sides failed to make progress on a dispute over the U.S.'s new electric-vehicle program that has strained bilateral ties, an issue that was raised by French President Emmanuel Macron during his meeting with President Biden last week.

European officials said they would continue to press Washington to address their concerns in the guideline the U.S. is set to roll out by Jan. 1 on how to implement the EV legislation.

The EU and the U.S.'s key Asian allies say the new EV subsidies, introduced under the Inflation Reduction Act, discriminate against their companies with its North American assembly and contents requirements.

The officials met outside Washington for a ministerial meeting of the U.S.-EU Trade and Technology Council, a forum established last year to boost cooperation in areas such as advanced technology,

supply chains and climate policies. The council is part of the Biden administration's effort to strengthen ties with allies and friendly partners to counter China's influence.

Secretary of State Antony Blinken, Secretary of Commerce Gina Raimondo and U.S. Trade Representative Katherine Tai represented Washington. European Commission Executive Vice Presidents Margrethe Vestager and Valdis Dombrovskis led the EU side.

Even as the EV dispute cast a shadow over the meeting, the two sides stressed concrete achievements made through the council framework, including the agreement on semiconductor supply chains, an area where both sides are accelerating efforts to beef up their domestic industries to cut reliance on Asian suppliers.

This year, the U.S. passed the Chips Act, a \$280 billion measure to provide subsidies and support for research and development to increase domestic production.

The EU introduced similar legislation, raising concerns that global semiconductor companies may pit one against the other to get better deals or create oversupplies in the long run.

To address that, the Commerce Department and European Commission agreed to set up a common mechanism for sharing of information about

public-support programs, including methodologies and best practices as well as developing common understanding of market dynamics.

They are also implementing an early-warning mechanism to address and mitigate semiconductor supply-chain disruptions.

"Transparency is a key tool to avoid concerns over public support programs," the U.S. and EU said in a statement.

Monday's meeting took place as governments from Europe, South Korea and Japan piled pressure on Washington

**“Transparency is a key tool to avoid concerns over public support programs.”**

to address their concerns about its EV subsidies program.

Following his meeting with Mr. Macron on Thursday, Mr. Biden said the U.S. could make "tweaks" to the Inflation Reduction Act, which provides subsidies to U.S. manufacturers and tax incentives for electric vehicles and other products that are assembled in North America.

Any changes would be designed to make it easy for Eu-

ropean companies to participate in the program.

"We've heard concerns clearly from our European friends about certain specific aspects of legislation," Mr. Blinken said following Monday's meeting, adding that he is convinced there is a path forward.

"We need also to see what can be done within the implementation of the Inflation Reduction Act," said Ms. Vestager. "But the most important thing is the U.S. is fully engaged in fighting climate change."

Meanwhile, the EU could modify its own subsidies and consider new funding in response to the inflation act, European Commission President Ursula von der Leyen said during a speech on Sunday.

The EU must "take action to rebalance the playing field where the IRA or other measures create distortions," Ms. von der Leyen said.

She said there is a risk the U.S. legislation could lead to unfair competition and fragmented supply chains that were already tested by the pandemic.

Ms. von der Leyen raised the possibility of a European sovereignty fund, which she said could support companies working on clean-technology innovation and other climate-related projects.

—Kim Mackrael contributed to this article.

## New Chip Plant In Arizona Faces Cost Hurdles

By YANG JIE

The \$12 billion Arizona semiconductor plant under construction that President Biden is visiting Tuesday represents U.S. hopes for a renaissance in manufacturing, but the Taiwanese company building it says it won't be easy.

High costs, lack of trained personnel and unexpected construction snags are among the issues cited by **Taiwan Semiconductor Manufacturing Co.** as it rushes to get the north Phoenix factory ready to start production in December 2023.

"A range of construction costs and project uncertainty in Phoenix makes building the same advanced logic wafer fab in Taiwan considerably less capital intensive," TSMC said in a letter last month to the Commerce Department.

"The real barrier" to setting up manufacturing in the U.S. "is comparative cost to build and operate," it said.

Nonetheless, TSMC, which counts Apple Inc. as its biggest client, is going all-in on the project, with backing from Washington.

On Tuesday, it is set to hold a tool-in ceremony at the Arizona plant, symbolically moving the first batch of equipment onto the shop floor. The White House said Mr. Biden would attend, and a TSMC vice president, Peter Cleveland, said on LinkedIn that the president would make remarks about the company's future manufacturing plans.

The visit by a president to a foreign company's factory reflects the U.S. reliance on TSMC to give American chip manufacturing a lift. The U.S. makes about 12% of the world's chips compared with 37% three decades ago, according to the U.S.-based Semiconductor Industry Association.

Building deeper ties with the U.S. makes political sense for the Taiwan-based chip maker during a period of tensions between Washington and Beijing. It also allows for better cooperation in developing new products with U.S.-based clients such as Apple and Nvidia Corp.

Mr. Biden has been pushing to bring more high-tech manufacturing to the U.S. In August, he signed a law that includes \$52 billion in direct aid for building semiconductor plants, which lawmakers viewed as key to ensuring American technology leadership and securing supply chains.

Last month in Bangkok,

TSMC founder Morris Chang, confirming a Wall Street Journal report, said the company planned to produce chips with advanced 3-nanometer technology in Arizona, in addition to the 5-nanometer chips that the factory is initially set to produce. TSMC said it has started on a second building that could serve as an additional chip factory but hasn't made a final decision.

"This will be the most advanced [chip] capacity in the U.S. and is very important for the U.S.," said Mr. Chang.

TSMC's specialty is making chips designed by other companies—which are often "fab-less" and rely on the Taiwanese company's manufacturing prowess to bring their blueprints to life.

TSMC executives have said it isn't easy to re-create in America the manufacturing ecosystem they have built over decades in Taiwan, drawing on local engineering talent and a network of suppliers. Mr. Chang said the cost of making chips in Arizona may be at least 50% higher than in Taiwan.

The company's letter to the Commerce Department, in which it responded to the department's request for public comments about U.S. chip-subsidy programs, was frank in listing the problems that have emerged during the Arizona construction.

It named six, including federal regulatory requirements, "unexpected work developments" during construction and additional site preparation, all of which it said raised costs.

TSMC has shipped as much equipment as possible from Taiwan, including clean-room equipment and chip-making tools, because American suppliers cost more or aren't available, people familiar with the project said.

Another challenge is personnel. TSMC has invested more in recruiting after struggling to find new engineering graduates in the U.S., said people familiar with its efforts. Engineers hired in the U.S. are sent to Taiwan for a year or a year and a half of training, they said.

The company said TSMC Arizona currently has more than 1,000 employees and other personnel, and the number is expected to grow to 2,000 next year.

The company is also sending Taiwan-based engineers to Arizona to augment staffing.

—Keith Zhai contributed to this article.

## Boost in Rates Seen Higher

Continued from Page One

year, but brisk wage growth or higher inflation in labor-intensive service sectors of the economy could lead more of them to support raising their benchmark rate next year above the 5% currently anticipated by investors.

On Monday, stocks traded lower after readings on service-sector activity and factory output showed continued signs of economic resilience. The Dow Jones Industrial Average declined 482.78 points, or 1.4%, while yields on the benchmark 10-year U.S. Treasury note rose 0.096 percentage point to 3.598%. Yields rise when bond prices fall.

Markets rallied after Mr. Powell's comments last week, with some investors interpreting them as a shift from comments he made this past summer and fall. He has told associates that he hasn't changed his view that the bigger mistake the Fed could make would be to fail to get inflation under control.

A half-point rate rise this month would bring the benchmark federal-funds rate to a range between 4.25% and 4.5%, the highest level since December 2007.

The Fed's preferred inflation gauge, the personal-consumption-expenditures-price index, rose 6% in October from a year earlier. The Fed targets 2% in-

flation over time. Officials will see another inflation reading on Dec. 13, the first morning of their two-day meeting, when the Labor Department releases the consumer-price index for November. Signs of continued strong price pressures could lead more of them to consider raising rates by a half point at consecutive meetings, this month and in February.

Officials could signal a slightly more aggressive rate outlook in their new quarterly economic projections to be released after the coming meeting. Those could show policy makers expect to keep raising rates in at least quarter-point increments until they see clear signs that the labor market has cooled.

Most officials in September penciled in rates rising to between 4.5% and 5% next year. That landing zone could rise to between 4.75% and 5.25% in the new projections.

"Stronger demand for labor, stronger demand in the economy than I previously thought, and then somewhat higher underlying inflation suggest a modestly higher path for policy relative to September," New York Fed President John Williams, a top adviser to Mr. Powell, said last week. "Not a massive change, but somewhat higher."

Fed officials are likely to debate next week how much to raise rates in February, with views shaped by how they see underlying price pressures. If inflation slows but the labor market stays tight, they could be more divided over how to proceed. Some officials could seek to push through another half-point rise in February because



**Fed Chairman Jerome Powell at the Brookings Institution last week.**

they see a greater risk that inflation won't decline enough next year. Without signs of slower hiring, they could worry inflation could pick up again.

Others see inflation as being driven primarily by supply bottlenecks and an overheated housing market. They think that as activity cools and supply-

chain woes ease, inflation will rapidly decline and be closer to 2% in the coming year, and they would prefer a quarter-point rate increase in February.

Some of these officials have indicated that they might oppose another 0.75-point rate rise this month. Fed policy makers agreed unanimously to

## CORRECTIONS & AMPLIFICATIONS

**Marcum Asia CPAs LLP** is the auditor for 51Talk Online Education Group. A Business News article on Wednesday about Chinese startups' expansion into international markets incorrectly used the company's former name, Marcum Bernstein & Pinchuk LLP.

**Jennifer Jenkins** was part of a United Nations group that was awarded the 2007 Nobel

Peace Prize for climate research. A Business News article on Wednesday about a new carbon-credit business incorrectly said she shared the prize.

In some editions Saturday, the surname of 16th-century painter Giuseppe Arcimboldo was misspelled as Arcimbardo in an Off Duty article about period decor in new Netflix releases.

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

the previous three increases of that size.

Kansas City Fed President Esther George has advocated for slowing the pace of rate increases but said in an interview last month that the central bank needs more signs of economic weakness before it can debate when to pause. "This would not really be the time to begin to speculate about that because you don't have much evidence yet that you are beginning to make the kind of progress that I think we'd want to see," she said.

Mr. Powell said it is hard to judge how high rates need to rise to slow the economy because of postpandemic difficulties forecasting inflation, supply bottlenecks and shifts in demand. "We have a broad set of thoughts about where that destination might be, but we could be wrong," he said last week during an event at the Brookings Institution in Washington, D.C. "We'll have to see."

He outlined two strategies

for proceeding. One would be to quickly raise the fed-funds rate well above the 5% level anticipated in financial markets and lower it right away if it turns out they have gone too far. Another would be to "go slower and feel your way a little bit to what we think is the right level" and then "to hold on longer at a high level and not loosen policy too early."

Mr. Powell said he favors the second course. "We wouldn't just raise rates and try to crash the economy and then clean up afterward. I wouldn't take that approach at all," he said.

The labor market remains a concern because officials are worried rising prices could be sustained by continued income growth and strong demand for workers. They are uneasy because even if corporate hiring executives and workers expect high inflation to subside over the next few years, employees could demand and receive bigger raises that keep paychecks and prices rising in lockstep.

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## U.S. NEWS

# FDA Gets Stricter on Fast-Tracked Drugs

GSK, Roche pull drugs previously approved on an accelerated basis by agency

By Liz Essley Whyte

The Food and Drug Administration is taking a harder line on its program that fast-tracks drug approvals based on preliminary evidence, spurring GSK PLC, Roche Holdings AG and other drugmakers to remake plans for their drugs or pull them from the market. Under the accelerated-approval program, the FDA clears the use of prescription medicines faster than it normally would. The agency relies on preliminary data to make the decision, but asks companies to conduct follow-up studies to confirm that the drug works.

Yet companies haven't always done the studies—or been willing to pull drugs when a follow-up study failed to show a true benefit.

In recent weeks, the agency has taken action, prodding GSK to withdraw a blood-cancer drug after it failed a follow-up trial, and announcing that Viatris Inc. stopped sell-

ing a burn treatment because the company never finished its confirmatory study.

Meantime, the FDA told ImmunoGen Inc. and ADC Therapeutics SA, which have been developing cancer drugs, that it wouldn't grant the speedy approval until they had begun follow-up studies, the companies said.

"The message from the agency is we want to see, you know, meaningful progress on your confirmatory study," said ImmunoGen Chief Executive Mark Enyedy.

The requests suggest a shift for the FDA, which some doctors and scientists have criticized for failing to make sure some companies conducted the confirmatory studies and withdrew therapies that proved ineffective.

Agency officials have acknowledged the shortcomings. "We need more teeth," FDA Commissioner Robert Califf said at a Friends of Cancer Research summit last month. Companies need to "get those confirmatory studies started before the approval, because once the approval occurs it's very hard to hold back the marketers."

For drugs that went on to fail their trials, the time be-



Under its accelerated-approval program, the FDA clears use of prescription medicines faster than normal.

tween their approval and removal from the market was 3.8 years if they already had a trial under way when they were granted approval, according to Richard Pazdur, who heads the FDA's cancer drugs office. If the drugs didn't have a confirmatory trial under way, the median interval was 7.8 years, Dr. Pazdur wrote in the New England Journal of Medicine in September. Established in 1992, the ac-

celerated-approval program addressed concerns from patients that the agency was moving too slowly to clear use of much-needed HIV and other drugs before it was too late. The program provided a way to speed lifesaving treatments to patients.

Yet nearly half of the drugs given accelerated approval through the end of 2020 had yet to prove their benefit, according to a study published

in the BMJ medical journal last year.

The FDA told ImmunoGen in 2019 that it would need to have its confirmatory trial fully enrolled before the agency granted accelerated approval to its ovarian cancer drug Elahere, company executives said.

ImmunoGen had enough people signed up by July, and the agency granted the accelerated approval in November.

Also in November, ADC Therapeutics said it was pausing investment in a Hodgkin lymphoma drug after the FDA said a confirmatory trial needed to be "well under way and ideally fully enrolled" by the time the company filed for accelerated approval.

The company said it wouldn't seek approval for the drug next year, saying it would take at least two years to fully enroll the kind of trial that the FDA would require.

The FDA asked GSK to withdraw multiple-myeloma therapy Blenrep after it failed its confirmatory trial, the company said last month. GSK said it has initiated the withdrawal process.

The FDA said last week that generic drugmaker Viatris would no longer sell a powder used to treat burns that the agency had approved in 1998.

Viatris said that it submitted data from a follow-up study to the agency in 2014 but that the FDA wanted modifications to the study that the company found to be unworkable. Roche Holding's Genentech business said last week that, after consulting with the FDA, it will stop use of its drug Tecentriq in certain bladder-cancer patients after it failed a follow-up trial.

## North Carolina Outage Could Last Days

By Ginger Adams Otis

Residents of Moore County, N.C., could be without power for much of the week as technicians scramble to repair two substations damaged by what authorities said was a targeted act of vandalism.

About 33,000 customers of Duke Energy, which provides power to the region, were still without electricity Monday afternoon, out of the approximately 45,000 initially affected by the vandalism over the weekend.

Two substations were disabled by gunfire Saturday night. Authorities don't have any suspects and haven't determined a motive for the attack. The two substations were located approximately 10 miles apart, according to Duke Energy spokesman Jeff Brooks. Most customers will likely not have power back until Thursday, he said, although some homes may get the lights on within the next 24 hours.

The gunfire destroyed some of the equipment in the substations which will have to be replaced, he said.

"That's really what's driving that timeline out to Thursday," Mr. Brooks said. "We're bringing in some equipment from the region."

The first station was shot at around 7 p.m. and the second substation was damaged



Workers inspected damage to a substation on Sunday.

by gunfire roughly 45 minutes later, he said.

"The outages were sequential, they were not simultaneous," he said. "There was damage at both substations and it happened at two different times."

At a press conference Monday, Moore County Sheriff Ronnie Fields said the exact timeline was still under investigation. He declined to give specifics about what type of firearm was used. "I will say this, the individual that [did] the damage knew exactly what they were doing to cause the damage, to cause the outage," Sheriff Fields said.

Gov. Roy Cooper said the Federal Bureau of Investigation and state authorities were part of the investigation.

"What happened here Saturday night was a criminal attack," he said. "I am sure that we will learn more about the motives of this intentional attack." He added: "Regardless of motive, violence and sabotage will not be tolerated."

The governor said officials were also coordinating on new ways to harden critical infrastructure against future vandalism. "This kind of attack raises a new level of threat," the governor said.

A spokeswoman with the FBI's field office in Charlotte said agents were part of the probe into the "willful damage" to the substations.

White House press secretary Karine Jean-Pierre said the Biden administration was monitoring the outage and in-

touch with local officials. She added that the White House has worked to improve infrastructure resiliency broadly as part of its agenda.

Power grids in the U.S. have long been vulnerable to vandalism. In 2013 a sniper attack took out 17 transformers that funneled power to Silicon Valley.

A year later, the Federal Energy Regulatory Commission, which regulates the country's interstate power system, began requiring utilities to better protect any substation that could knockout parts of the U.S. grid if attacked.

Moore County, located about 50 miles from Fayetteville, N.C., canceled public schools on Monday and imposed a curfew from 9 p.m. to 5 a.m.

Some people in Moore County gathered at Red's Corner, a 2-acre outdoor food truck park and brewery in Southern Pines, N.C.

"Red's Corner is OPEN! Taps are flowing and trucks are serving!" owner Rachel Jurgens posted on social media, along with pictures of people warming up small campfires and propane heaters while a local band played live music.

The Red Cross had also opened a shelter in nearby Carthage for those who needed a place to escape the 50-degree weather.

—Tarini Parti contributed to this article.

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## U.S. NEWS

# Court Weighs Gay Rights, Free Speech

Web designer says antibias law is akin to forcing her to support same-sex marriage

By JESS BRAVIN

WASHINGTON—The Supreme Court weighed whether creative services should be exempt from laws that protect same-sex couples, with conservative justices on Monday expressing sympathy toward a website designer's claim of a constitutional right to reject commissions that celebrate same-sex marriages.

The court took the case to resolve a long-brewing conflict between two strands of its recent jurisprudence, one extending legal equality to LGBT individuals, the other elevating rights of conscience and expression above secular government interests.

A Littleton, Colo., web-design company, 303 Creative LLC, filed suit in 2016 for a federal court order declaring it exempt from the state's antidiscrimination law, which requires that businesses open to the public treat customers equally without regard to sexual orientation, among other characteristics. A federal appeals court in Denver agreed with the state that 303 Creative's services weren't exempt from that requirement.

Company owner Lorie Smith, an evangelical Christian, appealed that ruling to the Supreme Court, fearing a gay couple could someday seek her services to help celebrate their marriage. She views her work for hire as an artistic expression of her own beliefs and considers compliance with the antidiscrimination law as akin to the state compelling her to declare support for same-sex marriage.

At Monday's arguments, Justice Neil Gorsuch appeared to take up Ms. Smith's view that her objection to taking



Lorie Smith, right, with her lawyer, Kristen Waggoner, second from left, outside the Supreme Court on Monday.

commissions related to same-sex weddings wasn't directed at a class of people, but at what those people were doing.

"There are certain heterosexual unions that your client would not speak for either," Justice Neil Gorsuch told Kristen Waggoner, an attorney with the advocacy group Alliance Defending Freedom who represents Ms. Smith. "So the question isn't who, it's what."

"Always," Ms. Waggoner said, adding that Ms. Smith has done work for LGBT customers seeking services unrelated to marriage.

Colorado doesn't allow businesses to discriminate against LGBT customers for religious or free-speech reasons. Its antidiscrimination act forbids businesses from advertising that "an individual's patronage or presence...is unwelcome, objectionable, unacceptable, or undesirable because of disability, race, creed, color, sex, sexual orientation, marital status, national origin, or ancestry."

Liberal justices suggested those provisions don't compel Ms. Smith's speech, since the essence of the web-design business is to promote clients' messages rather than its owner's.

Justice Sonia Sotomayor read from mocked-up web pages for a wedding between "Lily and Luke" which 303 Creative included in the court file. "All of them relate to what Lily and Luke are doing. What's the difference if you change it to Lily and Lillian?" she asked Ms. Waggoner. "It's their story, not your story."

Book authors, newspaper reporters and others also write "other people's stories," said Ms. Waggoner. "But it's their speech."

Responding to a question from Justice Brett Kavanaugh, Colorado Solicitor General Eric Olson said unlike a publisher deciding what book to put out, service providers that take Ms. Smith's view "are saying 'I will not provide this service to someone based on who they

are.'" Mr. Olson said Ms. Smith could provide any service as long as it was provided equally to same-sex couples, even if the website said it was made by someone who believes only marriages between one man and one woman are valid.

"So if the standard announcement is 'Made With Love by Amber, who believes that a valid marriage is a union between one man and one woman,' that's OK?" said Justice Samuel Alito.

"If that's on every website, yes," Mr. Olson said.

For years, the court avoided the collision between the free-speech and antidiscrimination rights it has recognized in recent years. In 2018, it threw out a penalty the Colorado Civil Rights Commission imposed on a bakery for refusing to make a wedding cake for a same-sex couple. The decision left unresolved the fundamental question of whose rights take priority.

Ms. Waggoner told the court that the state effectively

sought to hijack Ms. Smith's speech to promote its message that same-sex marriage is legitimate. "Compelled speech crushes the speaker's conscience and it is the tool of authoritarianism," she said.

Justice Ketanji Brown Jackson said that "historically, opposition to interracial marriages and to integration in many instances was on religious grounds," suggesting a win for Ms. Smith would open the door to discrimination in that and other contexts.

Justice Alito disagreed, noting that when the court found a constitutional right to same-sex marriage in 2015—a decision from which he dissented—the majority opinion spoke respectfully regarding those who held traditional moral beliefs opposed to such unions. No such conciliatory language toward racists appeared in the court's 1967 decision invalidating bans on miscegenation, he said.

A decision in the case is expected before July.

# Arizona Certifies Election Results

By ELIZA COLLINS

Arizona certified the results of the 2022 midterm elections, putting a Democrat as governor, secretary of state and in both U.S. Senate seats for the first time since 1950.

Katie Hobbs, the current Democratic secretary of state, will be the next governor, Adrian Fontes, the former Maricopa County recorder, will be secretary of state and Sen. Mark Kelly will return to the Senate for a six-year term.

The certification ceremony, overseen by the state's current Republican governor and secretary of state, comes as Kari Lake, the GOP candidate for governor and a former local TV anchor, and state Rep. Mark Finchem, a Republican who ran to be secretary of state, refuse to concede. They are the only remaining high-profile GOP candidates nationwide who refuse to concede.

The attorney general's race will go to an automatic recount after the certification, as Democrat Kris Mayes, a former state corporation commissioner, leads Republican Abraham Hamadeh, an Army Reserve intelligence officer, by 510 votes putting the race within the state's mandatory recount territory.

The certification ceremony, which is put on by Ms. Hobbs's office, is largely symbolic, as each of the 15 counties in Arizona had to certify their election results first. As secretary of state, Ms. Hobbs is the chief elections administrator but wasn't involved in ballot counting that was done by each Arizona county.

Last week, Cochise County, a conservative rural county, was ordered by a judge to certify after initially delaying certification past the required deadline. The two Republicans on the three-person county board of supervisors had said there were too many unanswered questions about the state's certification of voting machines. Cochise County had no known issues on Election Day with tabulation of ballots.

—Laura Kusisto  
contributed to this article.

# Proposed Gun Curbs Face Legal Uncertainty

By JIMMY VIELKIND

Democratic-led states where gun restrictions were upended by a recent U.S. Supreme Court ruling are pushing ahead with new measures to ban concealed weapons from places such as hospitals, parks and houses of worship.

Lawmakers in several states are considering legislation to replace their old permitting regimes, which gave state licensing officials wide latitude to deny permits unless a gun owner could provide sufficient justification for carrying a concealed weapon outside the home. The 6-3 high-court opinion said that New York officials had too much discretion. The court also set a new constitutional test for state and local gun-control measures: They must be consistent with the nation's historical tradition of firearms regulation.

New York lawmakers enacted a new law a week after the ruling. It changed the criteria for obtaining a license—requiring in-person training as well as disclosure of social-media accounts—and prohibited guns in a number of what it said were sensitive places.

There are nine federal lawsuits challenging the new law, and judges have blocked enforcement of some of the sensitive-place restrictions, according to the state attorney general's office.



A gun store in Honolulu, where the city council held a hearing last week on a bill to prohibit firearms in parks and public transportation facilities, among other places.

U.S. District Judge Glenn Suddaby, an appointee of George W. Bush sitting in Syracuse, ruled that some of New York's newly crafted sensitive-place prohibitions were disproportionately burdensome compared with laws enacted in cities and states during the 19th century. His Nov. 7 decision barred the state from enforcing bans on carrying firearms in houses of worship, public parks, zoos, bars and restaurants that serve alcohol, conference centers and the-

aters. He also struck down a provision that banned guns in privately owned businesses or property unless the owners expressly allowed them.

Judge Suddaby's preliminary injunction was stayed by the Second U.S. Circuit Court of Appeals as state lawyers challenged the ruling.

Andrew Willinger, executive director of the Duke Center for Firearms Law, said the situation in New York showcased the tricky nature of interpreting the Supreme Court deci-

sion. "Judges are making up how to implement this test as they go along," he said.

In a landmark 2008 opinion, the Supreme Court recognized an individual right to possess a firearm and use it for self-defense in the home, but the court said it wasn't calling into question laws forbidding the carrying of firearms in sensitive places such as schools and government buildings. In this summer's New York ruling, however, the justices said there were limits

to how far states and municipalities could go in declaring a range of places as sensitive gun-free zones.

The legal uncertainty in New York hasn't deterred other jurisdictions from enacting similar laws. Maryland's Montgomery County last month approved a law that would prohibit firearms within 100 yards of places of public assembly. In Hawaii, the Honolulu City Council held the first hearing last week on a bill to prohibit firearms in parks and public transportation facilities, among other places.

State lawmakers in New Jersey are considering a bill that would require applicants for a concealed-weapons permit to complete in-person training and purchase liability insurance.

Assemblyman Joe Danielese, a Democrat from Middlesex County who sponsors the bill, said he watched the legal challenges to New York's law and opted against mimicking some of its provisions, such as the social-media disclosure or a ban on firearms in houses of worship.

Evan Nappen, a New Jersey attorney and gun-rights activist, said the legislation was overly broad and would affect lawful gun owners who aren't committing crimes. "This will not stand. It's already proven in New York's experiment with this same garbage," he said.

# Giuliani Defends Election Claims in D.C. Ethics Case

By JAN WOLFE

WASHINGTON—Rudy Giuliani took the witness stand in a disciplinary proceeding that could result in him losing his District of Columbia law license, a key test in a broader effort to discipline former President Donald Trump's lawyers for their legal efforts to reverse the outcome of the 2020 election.

Mr. Giuliani, who testified for several hours on Monday, was the first witness in a hearing unfolding this week before representatives of the D.C. Bar, an attorney-licensing body.

The ethics panel must decide whether Mr. Giuliani violated professional conduct

rules when he promoted unfounded theories that the presidential election was stolen through fraud. A finding of misconduct can result in sanctions ranging from an informal admonition to disbarment.

On the witness stand, Mr. Giuliani defended his postelection advocacy for Mr. Trump, asserting he had witnessed voter fraud firsthand.

"My role was to show how Pennsylvania involved the same set of eight or 10 suspicious actions—illegal actions, whatever you want to call them, irregular actions—that could not be the product of accident," Mr. Giuliani testified.

"I really believe I've been persecuted for three or four

years," Mr. Giuliani added.

Mr. Giuliani's law license in New York has already been suspended. A New York court imposed the punishment last year, after concluding that the former New York City mayor made "demonstrably false and misleading statements" in his effort to reverse the results of the 2020 presidential election. Mr. Giuliani has appealed that decision.

Hamilton "Phil" Fox, the D.C. Bar's disciplinary counsel, said a postelection lawsuit Mr. Giuliani pursued on behalf of Mr. Trump in Pennsylvania was frivolous and sought to deprive people of their constitutional right to vote.

"Mr. Giuliani, with no basis



Rudy Giuliani

in law or fact, weaponized his law license to bring a frivolous action in an attempt to undermine the Constitution to which

he—like all members of the District of Columbia bar—took an oath to support," Mr. Fox said.

The disciplinary proceeding for Mr. Giuliani is an early step in a lengthy process.

The chief arbiter overseeing the trial, Robert Bernius, will make a recommendation about what discipline is warranted, if any. Mr. Bernius is a litigator in the Washington office of the Nixon Peabody law firm. His finding will be reviewed by the D.C. Bar's Board on Professional Responsibility, and then by an appeals court.

In late 2020, Mr. Giuliani was the lead lawyer for Mr. Trump in a lawsuit that sought to block the certification of votes in Pennsylvania.

# Protection For Haiti Migrants Extended

By MICHELLE HACKMAN

WASHINGTON—The Biden administration has extended temporary deportation protections to as many as 110,000 more Haitians who arrived in the country since August 2021, as political and living conditions in the Caribbean nation continue to deteriorate following the assassination of its president.

Haitians in the U.S. without a permanent legal status—such as migrants who crossed the border illegally or students and workers on expiring visas—will be eligible for deportation protections and work authorization under a program known as Temporary Protected Status. They will qualify so long as they were present in the U.S. as of Nov. 6, and will keep those protections for 18 months, under the program.

Before this week, 150,000 Haitians enjoyed protections under a policy expansion in the early months of the Biden administration. With Monday's announcement, nearly 260,000 Haitians could be covered by the program.

Temporary Protected Status, created by Congress in 1990, gives the secretary of Homeland Security the authority to provide legal protections to immigrants from countries where the U.S. determines it is too dangerous to return, typically because of war or a natural disaster. As a humanitarian program, TPS is meant to be temporary and doesn't typically lead to permanent legal status, such as a green card.

Following the assassination of Haitian President Jovenel Moïse, the country has descended into lawlessness.



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U.S. NEWS

# Industry Challenges California Wage Law

Trade groups press for a 2024 ballot measure against minimum pay for fast-food workers

By HEATHER HADDON

Restaurant and trade groups said they have submitted enough voter signatures for a ballot measure to try to halt the implementation of a new California law that would set minimum hourly wages for fast-food workers in the state starting next year.

A coalition of restaurant owners and business groups called Save Local Restaurants said Monday it had filed more than one million petition signatures to put the law on hold and place an initiative before California voters on the 2024 ballot. They had until Dec. 5 to submit roughly 623,000 valid voter signatures to place a question on the 2024 ballot asking whether the law should take effect. If voters side against the law, it could be struck down.

The secretary of state must review the restaurant groups' ballot signatures to determine whether the coalition has submitted enough valid ones for a statewide referendum.

The California law, known as the FAST Recovery Act, could set the minimum wage for the fast-food industry as high as \$22 an hour next year and establish new workplace standards. Gov. Gavin Newsom signed the legislation in Sep-



Fast-food workers who support the California law known as the FAST Recovery Act rallied in Sacramento last month. The law could set the minimum wage for workers as high as \$22 an hour.

tember. Fast-food operators have said that state health and labor agencies currently regulate their businesses, and owners would need to lay off staff and increase menu prices to afford the wage increases.

The International Franchise Association, the National Restaurant Association and the U.S. Chamber of Commerce, Washington, D.C.-based industry groups that are co-chairing the coalition, said that the law would create an unelected council controlling state labor policy, and that they were committed to repealing it.

The law has been set to take effect Jan. 1. However, if the state validates the referendum sought by the restaurant groups, implementation of the law will be put on hold for

nearly two years during the referendum process, a victory for restaurants that have said the rapid pay increase would upend their businesses.

Service Employees International Union, which has backed the new law as a way to improve wages in an industry that unions have struggled to organize, said fast-food companies were trying to stamp out gains made by state workers.

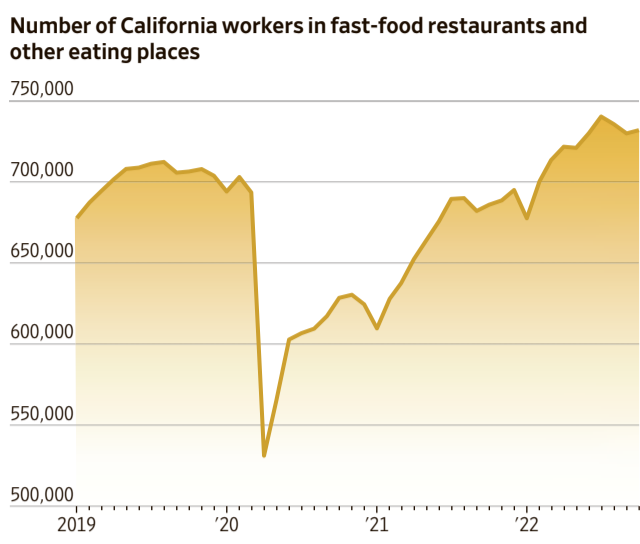
"Workers cannot wait until 2024 for the protections they need and a seat at the table," said Mary Kay Henry, SEIU president.

The law, a first of its kind in the U.S., has become a big battle between the restaurant industry and union supporters. Restaurants operators fear

proponents could replicate the California law in other states, particularly where Democrats lead state governments.

The National Restaurant Association is particularly worried about similar labor councils being proposed in Washington, Oregon, New York and Michigan, along with cities such as Minneapolis and Chicago, the trade group said at a franchising conference last month.

The law calls for California to create a 10-person council including workers, union representatives, employers and business advocates that could set a minimum wage for fast-food workers that would rise annually based on inflation. California's current minimum wage is \$15 an hour and is



Note: October 2022 is preliminary. Source: Labor Department

scheduled to increase by 50 cents next year.

California's law also prohibits fast-food operators from retaliating against employees who make complaints, and sets the framework for the reinstatement of back wages or employment for those who do.

"I'm not sure who's winning with his legislation," said Brian Niccol, chief executive of California-based Chipotle Mexican Grill Inc. "I just don't see how it's good for the employee. I don't see how it's good for the consumer and I don't see how it's good for the industry."

Supporters have said the legislation would create a model to ensure fair wages and other protections for hourly workers in a large in-

dustry with many different employers.

The SEIU on Monday blamed fast-food companies for putting their own financial interests ahead of their employees in supporting efforts to overturn the law.

Restaurant chains and their franchisees have given millions of dollars in support of the referendum effort. The industry coalition had raised around \$21 million from more than 200 contributors, according to state filings.

McDonald's Corp., Chipotle, Starbucks Corp., Taco Bell parent Yum Brands Inc., In-N-Out Burger and Chick-fil-A Inc. each gave more than \$1 million, state records show.

—Christine Mai-Duc contributed to this article.

# Newsom Targets Gasoline-Price Gouging

By CHRISTINE MAI-DUC AND BENOÎT MORENNE

California legislators opened a special session Monday to explore the possibility of levying penalties on the oil industry for what Democratic Gov. Gavin Newsom has called price gouging of consumers.

A draft of the legislative proposal released by Mr. Newsom laid out a framework that would set an annual maximum profit margin for oil refiners and create a tiered system of penalties based on how

much a company's margin deviates from the state-set maximum. Mr. Newsom declined to provide specific thresholds, saying the details were yet to be worked out with lawmakers.

When Mr. Newsom called for the special session in October, he said he wanted lawmakers to look into the industry "greed and manipulation" behind gasoline prices in California, which hit a high of \$6.44 a gallon earlier this year, according to AAA. At the time, he called on legislators to consider an "oil

windfall tax." Energy industry trade groups have criticized the move as a political stunt.

Speaking in Sacramento on Monday, Mr. Newsom said the proposal's main goal was to deter oil companies from setting artificially high prices. "I hope we never have to go there because I hope the oil companies change their ways," he said. "If they don't, I expect every cent to go back into the pockets of people being screwed by oil companies."

In addition to the penalty structure, Mr. Newsom pro-

posed to give the California Energy Commission the power to regularly assess pricing of fuel and order refineries to move scheduled maintenance to avoid consumer price spikes.

Any penalties collected under the proposed law would be deposited into a new "Price Gouging Penalty Fund" to be used for refunds to state residents. The Energy Commission would be responsible for setting the maximum gross gasoline refining margin, according to the draft language.

The Democratic leaders of

the state Assembly and Senate have said they didn't expect to debate the matter until January.

Environmental groups lauded the proposal. "Gov. Newsom is right to call on the Legislature to combat oil industry profiteering through a price gouging penalty," said Brandon Dawson, director of Sierra Club California.

Oil-and-gas industry groups have denounced the idea of penalizing profits, saying the measure would discourage investment in energy and eventually translate into higher prices.

# College Aid Letters Faulted for Lacking Key Data

By MELISSA KORN

A federal watchdog called for Congress to establish tighter regulations on how colleges and universities describe their financial-aid packages, saying the information most schools now share with students and families is woefully inadequate and even misleading.

The U.S. Government Accountability Office issued a report Monday saying that the aid letters that are supposed to lay out tuition, fees and other expenses, and what grants, loans and other financing options are available to cover those costs, lack crucial information that would allow families to compare institutions.

At their worst, some financial aid offer letters lead students to enroll in schools they can't afford.

One of the most troubling findings from its review, the GAO said, was that 91% of schools don't properly list their net price, or the amount a student is expected to pay for tuition, fees, room, board and other expenses after taking into account scholarships and grants.

Studying recent aid offers from a nationally representative sample of 176 colleges, the GAO found 41% of colleges didn't include a net price, while 50% did offer a figure—but understated it by excluding certain items, or by factoring in loans that ultimately need to be repaid.

Roughly two-thirds of schools didn't include details about at least one type of student aid, for instance that students must maintain certain grades to remain eligible for grants, or that work-study jobs aren't guaranteed.

The review found 22% of schools didn't provide any information at all about costs in their aid letters, just laying out details of scholarships, work-study and loans without context for what share of the bill each might cover.

"I am disgusted at the endemic level of deception currently happening at colleges and universities," said Rep. Virginia Foxx (R., N.C.), who as ranking member of the House Committee on Education and Labor requested the GAO review. She and Rep. Lisa McClain (R., Mich.) introduced legislation Monday requiring that colleges increase cost transparency.

# Volatile Assets Sank FTX

Continued from Page One they thought was their worth from a liquidity perspective," Mr. Bankman-Fried said.

The four tokens taken from Alameda were listed as assets in documents dated Nov. 10, Mr. Bankman-Fried said in an interview Friday and according to documents reviewed by The Wall Street Journal. By then, the value of the tokens had roughly halved in less than a week, market data and FTX's balance sheet show.

The seizure of the tokens as collateral partially explains the multibillion-dollar cash shortfall that led to the bankruptcy at FTX. Alameda borrowed billions of dollars from FTX, and when FTX called the loans, the collateral was worth far less than needed. It also highlights Mr. Bankman-Fried's strategy of launching tokens and using them to raise money.

The tokens follow the same pattern Mr. Bankman-Fried used for FTX's own token, FTT, which played a big role in the company's collapse.

FTX and Alameda controlled most of FTT, which helped them raise and borrow billions of dollars. FTX faced a run by customers after a report showed that an outside chunk of Alameda's assets was made up of FTT and that it might have overvalued the token.

The four tokens seized as collateral by FTX were part of a plan by Mr. Bankman-Fried and his associates to draw in large numbers of potential new traders to their crypto-trading ecosystem. One, called Serum, was designed to be a crypto exchange that automatically matched buyers and sellers. A second token, Bonfida, backed a project to create trading tools for Serum.

FTX's balance sheet was propped up by volatile tokens of projects that were seemingly independent but developed by associates of Sam Bankman-Fried, according to a Wall Street Journal review.

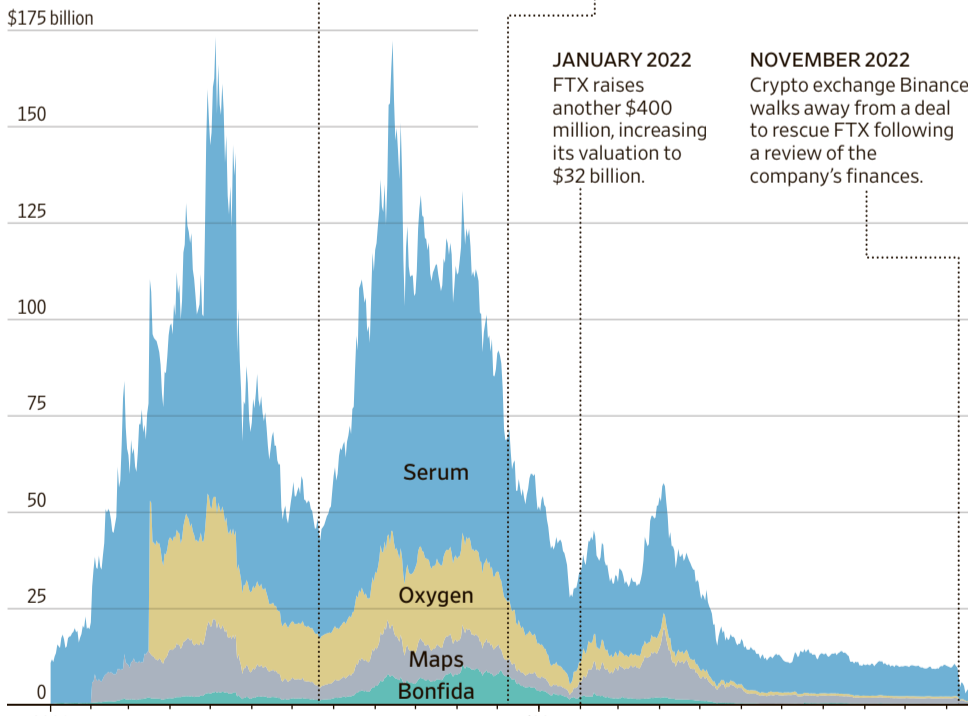
## Fully diluted value, select tokens

JULY 2021

FTX is valued at \$18 billion after a \$900 million funding round with investors including SoftBank, Sequoia Capital and Daniel Loeb's Third Point hedge fund.

DECEMBER 2021

Sam Bankman-Fried and other crypto executives testify before the House Financial Services Committee about regulation of crypto.



Note: Fully diluted value is the price of a token multiplied by its maximum supply of coins. Data as of Nov. 18. Source: The Bit

Alameda funded both projects.

Tokens from two other firms—Oxygen, a brokerage that lent money to traders, and Maps.me, an offline mapping service that planned to bring in customers using a wallet in the app—also were connected to Serum and backed by Alameda.

The ecosystem Mr. Bankman-Fried envisioned is crumbling without the support of Alameda and FTX. The day before FTX filed for bankruptcy, the value of Serum, Bonfida, Maps and Oxygen tokens were in free fall, cutting the value of those assets on the exchange's balance sheet by more than half to \$2.9 billion.

Serum and three other tokens didn't appear on FTX's balance sheet until November, when it claimed funds Alameda used for collateral after the trading firm ran out of

cash, Mr. Bankman-Fried said.

Two-thirds of all possible Serum coins were held by FTX and Alameda. Much of the trading in Serum was driven by Alameda. Oxygen and Maps.me said in a statement after the bankruptcies that FTX and Alameda held 95% of all of their tokens. The liquidity dried up after the bankruptcies.

Serum, launched with help from Mr. Bankman-Fried in mid-2020, was supposed to be an autonomous decentralized crypto exchange, governed by its users, not FTX, the platform's documentation says. Instead of depositing funds with a centralized exchange like FTX, bots would automatically facilitate trades between buyers and sellers.

Mr. Bankman-Fried helped promote Serum. He said in the interview that he likes to sup-

port projects like these, especially when he knows the founders. He hired at least one person to respond to Telegram messages where users discussed issues, while a public-relations firm that promoted FTX also helped market the new exchange, according to employees.

Before long, Serum seemed to be thriving. In September 2021, each of its tokens traded as high as \$12.50, driving the value of its tokens to more than \$127 billion—though only a tiny fraction were actually trading.

In January, Serum's backers announced they had raised \$100 million from 18 investors. By February, the platform was handling nearly \$1 billion in transaction volumes a day, according to crypto data provider CoinGecko—making it the third-largest such ex-

change in the world at the time.

But in reality, FTX employees still had control. They held the credentials allowing coders to make changes to the platform, according to two people familiar with the project's development and a Journal review of Telegram chat logs.

Serum's links to FTX, Alameda and Mr. Bankman-Fried were known in the crypto world. When heavily traded currencies bitcoin and Ethereum were dropping in value, financial-services firm Blockchain.com pulled loans from Alameda, according to people familiar with the matter. It wouldn't accept other coins such as Serum on the company's balance sheet because of their close ties to Mr. Bankman-Fried.

The tokens were also red flags for Olaf Carlson-Wee, founder of the cryptocurrency fund Polychain Capital. Mr. Carlson-Wee said in a tweet that his firm was given 24 hours by Mr. Bankman-Fried to decide whether to invest. He repeatedly declined in part because of concerns that the Serum and FTT tokens as well as those issued by Oxygen and Maps.me were overvalued.

Together, the Maps.me and Oxygen tokens raised \$90 million. Mr. Bankman-Fried was an adviser to both projects and Alameda an investor.

Both Oxygen and Maps were led by two men, Alex Grebnev and Viktor Mangazeev. Mr. Mangazeev said in a LinkedIn message that he ended his involvement in the projects in February. Mr. Grebnev didn't respond to emails seeking comment.

Maps.me was owned by the Russian internet conglomerate Mail.ru Group, now called VK Co., and in late 2020 the project was sold to a Cyprus-registered firm, according to a news release, before the token was announced. "We would rather not elaborate on products and related plans which are no longer applicable to the group," a VK spokeswoman said.

Special Advertising Feature

# NTT CREATING HARMONY BETWEEN NATURE AND HUMANITY

**Global technology and business solutions firm demonstrates how organizations can help to address climate change as the need for solutions intensifies**

NTT, which operates in more than 80 countries, is reducing the environmental impact of its business activities and developing breakthrough innovations that champion sustainability and collaboration. Its response to the climate crisis is an exemplar of a sustainable organization.

In Sept 2021 NTT published a new environment and energy vision called *NTT Green Innovation Toward 2040*, in which it outlined workable steps to cut emissions and achieve its goal of carbon neutrality by 2040. The company's Sustainability Charter, unveiled at the end of 2021, expanded on this commitment, providing measures to address all areas of sustainability.

The first of the charter's three pillars focuses on ensuring the coexistence of nature and humanity, and aims to solve environmental and social issues while generating economic growth.

Dr. Katsuhiko Kawazoe, NTT's Senior Executive Vice President and Chief Technology Officer, says: "Organizations worldwide must drastically improve innovation. The current approach has had a seriously negative impact: the depletion of resources, biodiversity loss, environmental destruction and global warming. The planet and all living beings will likely perish if this trend continues."

NTT is leading the way on this with its Innovative Optical and Wireless Network (IOWN), referred to in the NTT Sustainability Charter. Beginning with availability in 2023, Dr. Kawazoe predicts IOWN will help to power technology innovations that will contribute to reducing greenhouse carbon emissions while enabling improved healthcare and lifestyles and delivering greater access to technologies to more people around the world.

"Not only will IOWN help reduce energy consumption beyond the telecommunications industry, but it also removes current technological barriers and enables further innovation that contributes to a sustainable future."

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## U.S. NEWS

## Award-Winning Actress Starred In NBC's 'Cheers'

BY TALAL ANSARI

Kirstie Alley, an actress best known for her character Rebecca Howe on the TV show "Cheers," has died of cancer. She was 71.

Her children, True and Lillie Parker, announced her death on social media

**OBITUARY**  
**KIRSTIE ALLEY**  
**1951-2022**

Monday. "Our mother's zest and passion for life, her children, grandchildren and her many animals, not to mention her eternal joy of creating, were unparalleled and leave us inspired to live life to the fullest just as she did,"

they said.

Ms. Alley died of recently discovered cancer. The family didn't offer further details of her illness.

Her most memorable roles included her character on the NBC sitcom "Cheers," for which she won an Emmy and a Golden Globe Award.

She also won an Emmy for the portrayal of Sally Goodson on "David's Mother."

Ms. Alley was born in Wichita, Kan., in 1951 and found fame in both television and film roles.

In addition to being a notable spokeswoman for the weight-loss company Jenny



Kirstie Alley won an Emmy for portraying Rebecca Howe on 'Cheers.' A scene with co-star Ted Danson

Craig, Ms. Alley starred in more than 100 episodes of "Cheers" in the late 1980s and early 1990s.

Ms. Alley made her feature-film debut in 1982 in "Star Trek

II: The Wrath of Khan," where she played the character of Vulcan Starfleet officer Lieutenant Saavik. John Travolta, Ms. Alley's co-star in the 1989 romantic comedy, "Look Who's Talk-

ing," paid tribute to the actress on Instagram. He wrote, "Kirstie was one of the most special relationships I've ever had. I love you Kirstie. I know we will see each other again."

## Avenatti Sentenced To 14 Years In Prison

BY JAMES FANELLI

Disgraced former celebrity lawyer Michael Avenatti was sentenced Monday in a California federal court to 14 years in prison for stealing millions of dollars from four former clients.

U.S. District Judge James Selna handed down the sentence to Mr. Avenatti, who earlier this year pleaded guilty to four counts of wire fraud and one count of obstructing the Internal Revenue Service.

Federal prosecutors said Mr. Avenatti, 51 years old, lied to his former clients about settlement agreements he negotiated for them, and secretly spent some of the proceeds.

He also obstructed the IRS's efforts to collect more than \$3 million in payroll taxes from a coffee business he owned, prosecutors said.

Judge Selna ordered Mr. Avenatti to pay nearly \$11 million in restitution to the former clients and the IRS.

"Michael Avenatti was a corrupt lawyer who claimed he was fighting for the little guy," said Martin Estrada, the U.S. attorney for the Central District of California, whose office prosecuted the case. "In fact, he only cared about his own selfish interests."

A lawyer for Mr. Avenatti said he planned to appeal the prison term. "The sentence imposed today was deeply disappointing and off-the-charts harsh," said the lawyer, H. Dean Stewart.

Mr. Avenatti is already serving a combined five-year term in prison for two separate felony convictions in Manhattan federal court, including for stealing \$300,000 from adult-film actress Stormy Daniels. He represented Ms. Daniels in battles with former President Donald Trump. The 14-year sentence will run consecutively with the five-year term.

## Charges Against New York Ex-Official Tossed

BY JAMES FANELLI AND CORINNE RAMEY

A federal judge tossed the bulk of a public-corruption case against former New York Lt. Gov. Brian Benjamin, finding the Justice Department's charges didn't meet the legal bar for prosecuting alleged bribery involving campaign contributions.

U.S. District Judge J. Paul Oetken in Manhattan on Monday threw out three corruption charges against Mr. Benjamin, a Democrat. He had been indicted this year on five criminal counts for allegedly soliciting campaign donations from a real-estate developer in exchange for steering \$50,000 in state funds to the developer's education nonprofit in Manhattan's Harlem neighborhood. "The court concludes that the indictment fails to allege an explicit quid pro quo, which is an essential element of the bribery and honest services wire fraud charges brought against Benjamin," Judge Oet-



Brian Benjamin resigned as lieutenant governor in April.

ken wrote in the opinion.

Some parts of the case remain. The judge declined to dismiss two charges that Mr. Benjamin falsified records, in what prosecutors said was an attempt to conceal the alleged scheme.

A spokesman for the Manhattan U.S. attorney's office, which brought the charges, declined to comment.

Mr. Benjamin's lawyers said

the decision showed the indictment "was a direct assault on the democratic process" and unfairly cost Mr. Benjamin his position as lieutenant governor.

"From the very beginning, we said we are shocked and dismayed that the prosecution would bring such flimsy and unwarranted charges based on nothing more than routine fundraising and support of a non-profit providing needed

resources to Harlem public schools," his lawyers said in a statement.

Mr. Benjamin had been lieutenant governor for less than a year when he was indicted. He resigned after being charged in April. The charges pertained to campaign donations he solicited while serving as a state senator but running for New York City comptroller in 2021, a race he lost.

Judge Oetken said that to bring a bribery charge involving campaign contributions, there must be an explicit and unambiguous understanding that a donation is in exchange for an act by a public official. The indictment didn't allege an explicit agreement with the developer for campaign contributions in exchange for specific conduct by Mr. Benjamin, the judge said.

It is unusual for a judge to dismiss the substantive portion of an indictment before trial, as the legal bar to do so is fairly high.

Judge Oetken cited a pair of

U.S. Supreme Court decisions that narrowed the legal definition of what constitutes bribery when campaign contributions are involved. One of those rulings, from 1991, saw the high court overturn the extortion conviction of Robert McCormick, a West Virginia lawmaker who received payments from a lobbyist representing doctors during his reelection campaign. While in office, Mr. McCormick then sponsored legislation sought by the doctors.

The high court found that penalizing lawmakers for supporting legislation that benefits campaign contributors would effectively be criminalizing ordinary political activity.

The government's case against Mr. Benjamin was largely built around the cooperation of the developer, Gerald Migdol, who pleaded guilty earlier this year to related fraud, bribery and other charges. A lawyer for Mr. Migdol didn't respond to a request to comment.

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## U.S. WATCH

### FLORIDA

#### Tampa Police Chief Resigns in Scandal

The police chief of Tampa, Fla., resigned Monday, weeks after she flashed her badge to get out of a traffic stop, officials said.

The former chief, Mary O'Connor, was off duty and riding in a golf cart with her husband in Oldsmar, a city in Pinellas County just west of Tampa, on the night of Nov. 12, Tampa police said. In a body-cam video of the traffic stop, a sheriff's deputy said he stopped the couple because their golf cart wasn't tagged. In Oldsmar, golf carts are required to have a so-called annual registration decal, according to the city's website. Golf cart owners need to register their vehicle with the city. Early in the traffic stop, Ms. O'Connor asked if the deputy's camera was on, according to the video, which was released by the Pinellas County Sheriff's Office. When he said the camera was on, Ms. O'Connor said, "I'm the police chief in Tampa."

"I'm hoping that you'll just let us go tonight," she added as she showed him her badge.

—Alyssa Lukpat

### OBITUARY

#### 'Sesame Street' Cast Actor Bob McGrath

Bob McGrath, a founding cast member of "Sesame Street," has died, according to his family.

Mr. McGrath, who played Bob Johnson on "Sesame Street" for nearly 50 years, died at his home in New Jersey from complications after a stroke Sunday, his daughter, Cathlin McGrath, said. He was 90 years old.

"Bob embodied the melodies of Sesame Street like no one else," Sesame Workshop said. "His performances brought joy and wonder to generations of children around the world, whether teaching them the ABCs, the people in their neighborhood, or the simple joy of feeling music in their hearts."

He began performing on NBC's television show "Sing Along with Mitch" during the 1960s. He traveled the world singing and recorded several albums in Japanese.

A friend encouraged Mr. McGrath to audition for a new children's show that was under development, according to a biography on Mr. McGrath's personal



Bob McGrath, a founding cast member of 'Sesame Street' who appeared in more than 400 episodes, died at age 90 at his home in New Jersey. He played Bob Johnson on the show.

website. He wasn't interested initially. But Mr. McGrath went to a viewing to look at the early material put together by Jim Henson and his Muppets, and decided to audition.

He went on to become one of the four original cast members and appeared in the 1969 pilot episode.

—Joseph De Avila

### HOMELAND SECURITY

#### REAL ID Deadline Extended to 2025

Travelers will now have longer to switch over to a REAL ID, delaying what many fliers have anticipated will be a major hassle.

The Department of Homeland Security said on Monday it

would extend the REAL ID enforcement date by 24 months to May 7, 2025. The previous enforcement date was set to go into effect in under five months, on May 3, 2023.

Under the new regulations, every traveler 18 years or older will need a REAL ID-compliant driver's license or identification card, state-issued enhanced driver's li-

cense or another TSA-acceptable form of identification at airport security checkpoints for domestic air travel, officials said.

Congress passed the REAL ID Act in 2005 in response to the terrorist attacks of Sept. 11, 2001.

—Allison Pohle

### PHILADELPHIA

#### Krasner Sues to Stop Impeachment Trial

Philadelphia District Attorney Larry Krasner asked a state court to halt the impeachment proceedings that could result in his removal from office, as the Republican-led Pennsylvania Senate prepares to put the twice-elected prosecutor on trial next month.

Mr. Krasner, a Democrat, claimed in a lawsuit filed Friday that none of the seven impeachment articles approved by the House last month allege "misbehavior in office" within the meaning of the state Constitution, and that the legislature lacks authority to impeach him. The suit also said the Nov. 16 House vote is void because it came during a two-year session that ended Nov. 30.

—Scott Calvert

## FROM PAGE ONE

# Railroads Hit by Staff Levels

Continued from Page One

track workers, said they have shortages, too.

"Railroads said they're all trying to grow, to add more head count, but ultimately, they can't really create new demand. They're just trying to match their plans, their assets, with what's coming to the network. As you can imagine, it's quite hard," said Brian Ossensbeck, an analyst at JPMorgan.

Some freight railroad operators, such as Union Pacific and CSX Corp., said they have made progress on hiring and service levels since this past spring.

The most recent round of

collective wage bargaining, affecting more than 115,000 workers, went on for more than two years and eventually required Mr. Biden to intervene twice to break the stalemate and to enforce a resolution. Unions raised concerns about railroads' being understaffed, saying that their members are working irregular schedules more often and have less time off. They said that workers still need relief from having inadequate paid sick days stemming from railroads' efforts at streamlining operations since 2017.

"This legislation puts one major problem to rest, but we're certainly not out of the woods yet when it comes to fixing the breakdown of the freight rail network," said Chris Jahn, president and chief executive of the American Chemistry Council, a trade group.

A rail-service slowdown since the start of the year has

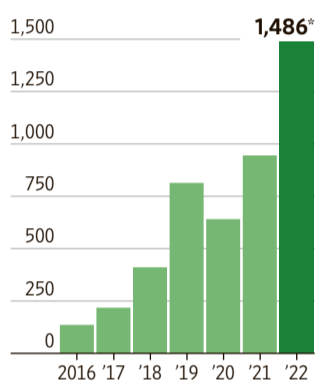
hampered operations of the Solid Waste Division for Washington's Snohomish County, which transports 600,000 tons of waste a year, its leaders said.

For a few days in May and September, the county closed solid waste transfer stations after it didn't receive enough shipping containers from a railroad to transport the waste to a regional landfill, said Public Works Director Kelly Snyder. At one location, garbage piled up 45 feet high, and staff had to go on a 24-hour watch looking for smoke and flames for five weeks because of the risk of combustion, she said. Public officials asked residents to take their yard debris to private composting stations.

"Rail reliability is incredibly important to us. It's our only way ultimately to export to landfills, so that level of service needs to be maintained over time," Ms. Snyder said.

The Surface Transportation

#### Number of embargoes reported by freight railroads each year



\*2022 data is through Nov. 25  
Sources: J.P. Morgan; Association of American Railroads

Board, a federal agency that primarily regulates freight railroads, said it received numerous complaints that the embargoes being instituted are hampering operations of businesses.

Embargoes used to be issued because of unforeseen disasters like a flood, but these have increasingly been used as part of railroads' operating plans to clear congestion, said Martin Oberman, chairman of the STB, in a recent speech at a railroad conference in New York. "Congestion: a railroad euphemism for 'we don't have enough crews to move our trains to keep our network fluid,'" said Mr. Oberman.

Union Pacific finance chief Jennifer Hamann described embargoes as a "tool of last resort." "We don't have other mechanisms to fully suppress volumes coming onto our network," Ms. Hamann said at a recent industry conference. She added that the company is providing permits to allow customers to continue to ship despite the embargoes.

Executives at Union Pacific are slated to testify at an STB hearing this month over its

use of embargoes. The STB board has said that Union Pacific in particular has issued more than 800 embargoes this year, compared with five in 2017.

Railroads have historically furloughed workers when cargo volumes declined and then brought them back when economic activity picks up.

When the Covid-19 pandemic began to shift customer demand in 2020, railroads followed the same pattern, aiming to call back workers once activity returned. Demand snapped back faster than railroads anticipated, but they found it difficult to rehire the furloughed workers.

Some executives acknowledge the current furlough model is outdated, especially because railroads typically aren't quick enough to get workers back to reap the benefits of an economic turnaround.



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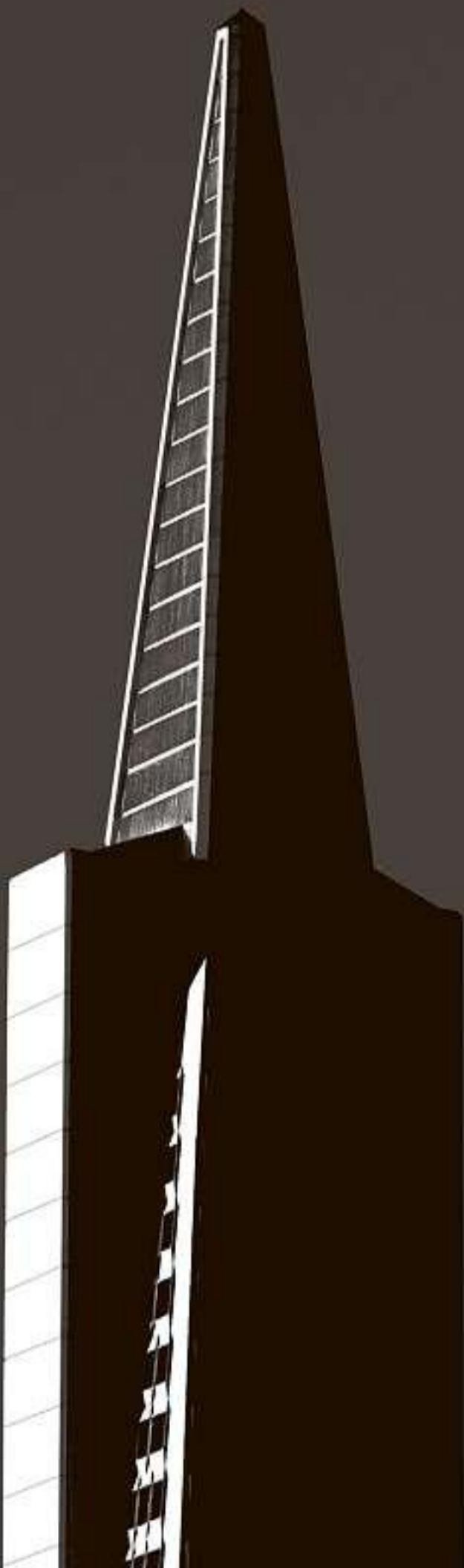
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# WORLD NEWS

## Oil Price Wavers as Russia Cap Kicks In

The EU, U.S. and allies also put curbs on shipping, insuring and funding crude globally

By Joe Wallace

The West imposed sanctions on Russian crude, pitching the energy conflict with Moscow into an unpredictable new phase that could inject further volatility into global oil markets. The European Union and U.K. barred inbound shipments of Russian crude Monday—a watershed for a continent striving to end its dependence on Russia’s fossil fuels after Moscow invaded Ukraine and weaponized supplies of natural gas. In tandem, the EU, the U.S. and allies put curbs on shipping, insuring and funding Russian crude worldwide.

Oil prices wavered. Most actively traded futures contracts for Brent, the benchmark for international crude sales, slipped 3.4% to \$82.68 a barrel. Analysts and traders said prices initially got a boost from loosening Covid-19 restrictions in China, which are likely to lift demand in the world’s second-biggest economy, but those gains faded in morning trading in New York. The restrictions are the first major attempt to curb Moscow’s fossil-fuel revenue, which steadied the Russian economy after a barrage of sanctions on other industries. But there is a deliberate loophole, enabling companies to facilitate Russian oil shipments to countries outside Europe if the price is no higher than \$60 a barrel.

That carve-out reflects concern that Russia, the world’s biggest exporter of crude and refined fuels, could wreak havoc through energy supplies even as its military campaign in Ukraine falters. It was designed by the U.S., where officials feared severing Russia from Western shipping and insurance entirely would ricochet back on the American



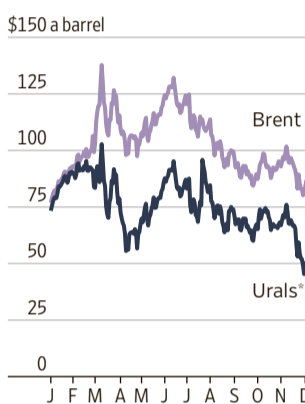
Crude-oil tankers at anchor in Nakhodka Bay. Uncertainty around an oil-price limit has dried up sales in recent weeks.

economy via higher oil prices. The untested nature of the sanctions makes the impact on energy markets hard to predict. Some analysts say the relatively high level of the cap means Moscow’s crude is likely to flow to buyers around the world, keeping a lid on the market. But Kremlin officials have said they would refuse to accept the cap, which could lead to a drop in exports, even though it is above the current price of Russian crude.

How Russia responds is the first big unknown for traders and officials. On Sunday, Deputy Prime Minister Alexander Novak said the Kremlin was considering ways in which it could ban companies from applying the price cap, and that output could fall.

“We will sell oil and petroleum products to those countries that will work with us on market terms, even if we have to slightly cut production,” he said in an interview with a

Price of crude oil from Russia and the North Sea



\*For crude leaving Primorsk, Russia; doesn't include insurance or freight costs. Source: Argus Media

state-owned broadcaster. Despite the U.S.’s aim to keep Russian oil flowing to the global market, uncertainty around the cap has dried up sales of crude from Russia in recent weeks. Monthslong negotiations

over the level at which the cap should be set went down to the wire Friday, leaving traders, shippers, refiners and insurers with little visibility until days before the sanctions took effect. Their wariness made it challenging for Russian producers to sell cargoes. Prices for Moscow’s crude have tumbled. Estimates vary because of the increasingly opaque nature of the Russian market, but companies that assess prices agree that they have skidded during the past month to levels below the cap.

Argus Media, one such firm, says the price of Urals crude exported from Primorsk on the Baltic, fell to about \$49 a barrel, down by 29% from the start of November. S&P Global Commodity Insights pegged the price at about \$53.50 a barrel. The prices don’t include the cost of insuring or shipping the crude, which isn’t included in the \$60-a-barrel cap. “It’s really the uncertainty

that created the problem,” said Livia Gallarati, senior oil analyst at Energy Aspects. “If the price cap had been announced a few months ago we may not be in this situation, and some of the Asian buyers that are currently staying away from Russian barrels may have bought more.”

OPEC+, an alliance between the Organization of the Petroleum Exporting Countries, Russia and other producers, acknowledged the unsettled backdrop Sunday. The cartel locked in current production levels to give it more time to assess the market effect of the price cap at a virtual meeting.

—Julie Steinberg contributed to this article.

### Watch a Video



Scan this code for a video on how a Russian oil cap affects U.S. consumers.

### Moscow Is Forced To Find New Buyers

The sanctions pose a stiff test to Russia’s giant oil industry. Losing most of the European market forces Russia to search for buyers for about 800,000 barrels of crude daily, analysts at OIIX say. From February, the embargo will apply to refined fuels, too. Finding new markets will be doubly hard if Russian producers lose access to Western shipping, insurance and banking, as they would do if the Kremlin refuses to abide by the price cap. Producers likely would tap tankers that had moved sanctioned Iranian crude, but they often are aging.

Russia is producing almost as much oil as it did before the war. Preliminary ship-tracking data suggest it exported 7.6 million barrels of crude and refined products daily in November, said Kpler’s lead crude analyst Viktor Katona—just below February’s level.

But Russia is putting some oil on boats unsold and sending them toward Asia in the hope of finding a buyer en route. Livia Gallarati, senior oil analyst at Energy Aspects, estimates that between 300,000 barrels and 400,000 barrels of Russian crude that set sail daily in November haven’t been sold. In total, Russia exported 4.5 million barrels of crude each day last month.

A big problem has been the reluctance of banks to finance trades in Russian crude to independent refiners in China, she said. China and India are likely to boost purchases in the coming weeks, but for now fear of the sanctions is curbing sales, she said.

Shipping firms and insurers also grew cautious. The cost of chartering tankers to move Russian crude recently surged. Brokers said insurers in the West are hesitant to touch anything Russian.

## Germans Skimp on Energy Use

Continued from Page One social media about who has kept the heat off longest as the weather turned colder, posting temperature readings as proof. They are swapping hot showers for washcloth wipe-downs, stocking up on thermal underwear, even lighting outdoor grills and camping stoves in their apartments.

Town councils have dimmed streetlights, lowered temperatures in public buildings and switched off hot water in public washrooms and showers. Swimming pools are left unheated. Some towns are considering turning off traffic lights. Saunas have closed. The city of Düsseldorf is considering lowering the temperature in a crematorium.

Grocery stores have shortened their hours and switched off some refrigerators. Churches are turning down the thermostat as low as 45 degrees and asking parishioners to donate blankets to older members. The Zugspitze ski resort is running chairlifts more slowly, and leaving their seats unheated.

Germans are trading tips on social media: Use the toaster to bake bread rolls. Do laundry every other week. Delete unneeded programs and apps from digital devices. Use the right lid for every pot.

A charity in the city of Bielefeld organized an energy-saving competition: Take two photos of your energy meter, six months apart. If your consumption is at least 10% lower

than the average household’s, you have a chance to win €1,000, equivalent to \$1,050.

“I have to admit, I’ve developed a certain sporting ambition about keeping the heating off for as long as possible,” Lion Hirth, professor of energy policy at the Hertie School in Berlin, posted on Twitter in October, triggering a deluge of me-too comments.

The Berlin Zoo has dimmed the lights and lowered the heat a bit for some animals, including giraffes and hippos, said spokeswoman Svenja Eisenbarth. At the city’s animal shelter, the thermostat in the dog kennels was dropped to 64 degrees. Dogs without warm fur are given winter

### Energy-saving fervor is colliding with another national passion: Christmas.

coats.

Owners of exotic pets such as iguanas, which need to be kept at a balmy 77 to 82 degrees, have been dropping them off at the shelter, said spokeswoman Ute Reinhardt, and there is a waiting list of 50 for dog owners who want to do the same with their pets.

In Wolftratshausen, the town council cut in half the energy used by streetlights by converting them to LEDs and dimming them between 10 p.m. and 5 a.m.

Even that wasn’t good enough for some local officials. “The LED lighting is too bright,” said city councilor Rudi Seibt, who wants the lights turned down to the lowest legal level.

Politicians in other coun-

tries often refrain from preaching about energy use, but not in Germany. Winfried Kretschmann, state premier of Baden-Württemberg, posted a video saying people should turn down their thermostats. He told a local newspaper that people didn’t need to shower as much, noting that “the washcloth is also a useful innovation.”

To shame officials or companies that aren’t taking their energy saving seriously, citizens are posting videos of well-lit monuments and overheated stores.

Last month, the Bild newspaper reported that a political party in eastern Germany had ordered portable oil radiators for the state parliament after room temperatures were reduced to 66 degrees. The newspaper published photos of the incriminating packages stacked in the parliament’s post room. “Uncooperative louts,” its front page blared.

Germany’s 21,000 chimney sweeps are helping police the energy-saving. The sweeps do more than clean chimneys. They check for gas leaks and problems in heating systems. Their inspections are mandatory.

“Suddenly, everything that emits heat in some form is an option,” said Andreas Walburg, a master sweep. “We see a dangerous trend here.” He said his clients have been experimenting with gas grills and gasoline-powered camping stoves indoors. “These heat sources are not suitable for closed rooms,” he said.

Now, Germans’ energy-saving fervor is colliding with another national passion: Christmas. Around the country, local authorities have been debating whether to allow traditional street markets, ice rinks and festive lights.

In Halle, the council decided to pare back Christmas lights. A fairy-tale forest on a market square will be illuminated only from 10:00 a.m. to 10:00 p.m., reducing energy consumption by half, according to officials. Civic buildings, monuments and fountains will remain dark. There will be no illuminated Christmas tree on another market square.

“In our opinion, Christmas can also be atmospheric under reduced lighting,” said Mayor Egbert Geier.



## I Am Not a Ring

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WORLD NEWS

# Iran Weighs Easing Strictures On Women as Protests Persist

By DAVID S. CLOUD

Iranian officials said they were finalizing plans to overhaul the enforcement of laws around women's dress, as hundreds of businesses in Tehran and other Iranian cities closed their doors Monday at the start of a three-day strike called by antigovernment protesters.

But the prospect of government concessions appeared unlikely to satisfy many protesters who have called for a mass rally in Tehran on Wednesday.

The protests erupted in September after 22-year-old Mahsa Amini died in police custody for allegedly violating the Islamic Republic's strict dress codes, unleashing a wave of nationwide unrest that has grown into calls for the downfall of Iran's clerical rulers.

As the demonstrations have continued, Iran's hard-line rulers have begun trying to peel off support for the protests. Steps have included disbanding the morality police, which detained Ms. Amini, and easing enforcement of laws requiring women to cover their heads with a veil, known as hijab.

On Monday a spokesman for the morality police, formally named the Committee for the Promotion of Virtue and Prevention of Vice, said its mission to enforce the hijab laws "has now ended" in a statement to Jamaran, an Iranian news site. He said "new methods, more up-to-date and more precise" were under consideration.

Iran's attorney general, Mohammad-Jafar Montazeri, first disclosed the government decision to disband the morality police over the weekend.

A 24-year-old female protester from northwest Tehran said the morality-police announcement was "misleading news to distract people from the calls [to protest] or to cre-



More women in Tehran have pushed back against the hijab law since protests erupted in September.

ate divisions and doubts among activists."

"It does not change the hatred of the people toward the government, and the protests will continue," she said.

The protesters will face their own test this week in turning out large numbers of people for the planned Tehran demonstrations. Past calls for mass protests have attracted only modest crowds, despite widespread public support for the antigovernment demonstrations.

That has produced a standoff between protesters trying to find new ways to bring pressure on the government and Iran's rulers seeking a strategy that will end the protests.

There were indications that the protesters' call for a nationwide strike was being observed. Videos posted Monday on social-media sites showed empty streets and closed businesses in parts of multiple Iranian cities, including Tehran, though life continued normally in large parts of the capital as well.

"The regime can't do anything about the strike now, but

if the protesters come to the street, we think they will respond with tear gas and bullets, as usual," said Atena Daemi, a human-rights activist in Tehran who supports the protests.

It is unclear how far Iranian officials intend to go in changing the system for enforcing hijab laws or if discussion of new moves to address at least some protester grievances are a ploy intended to defuse the demonstrations without major concessions.

"While some individual clerics still appear to support the morality police, all other government bureaucracies are scapegoating it for the protests," said Ali Alfoneh, an Iran expert at the Arab Gulf States Institute, a Washington think tank.

The hijab law is seen by Iran's ruling clerics as a pillar of the Islamic Republic, one that many conservatives believe can't be surrendered without jeopardizing the system's theocratic underpinnings.

Iranian officials have said they are planning new procedures for enforcing hijab laws

that appear to include stiffer fines for women found in violation, a step possibly aimed at de-emphasizing detention and questioning by the morality police.

"We will raise the cost of a bad hijab or no hijab," said Hossein Jalali, a Parliament member on the cultural committee, which is involved in drafting the new procedures, said in an interview on Iranian television last week. "We will make them know that if they want to disobey the law and create anarchy, they should pay a high price."

He added that a "good plan has been drafted" by government officials but provided no further details.

The morality police have taken a much less visible role in Tehran and other cities since the protests began in September, residents and activists said. That has led to many more women in Tehran appearing in public without their heads covered, often with a scarf draped around their shoulders, residents say.

—Benoit Faucon contributed to this article.

# Europeans Don't Spend, Auguring a Recession

By PAUL HANNON

Europeans cut back sharply on their spending on goods during October, a sign that high prices at the start of a period of increasing energy use are pushing the region's economies toward recession.

Consumer prices have surged since Russia's invasion of Ukraine, and the Kremlin weaponized the country's vast stores of energy to undermine European support for Kyiv.

Earlier in the year, the extra savings accumulated during the pandemic and falling unemployment helped households to offset these higher costs, buttressing economic growth.

That changed in October, typically the first month of the year in which many European households begin to heat their homes. This year, the cost of doing so was significantly higher, with household energy prices up 41.5% from a year earlier despite government efforts to shield consumers.

In response, households cut their spending on other goods, with the European Union's statistics agency on Monday recording a 1.8% drop in retail sales from September, the largest fall since July 2021.

By contrast, U.S. retail sales were up 1.3% in October, as shoppers shelled out more on discretionary items such as cars, furniture and restaurant meals. U.S. home energy prices were 17.6% higher than a year earlier in October, less than half the scale of the increase in Europe.

Hennes & Mauritz AB last week became the first major European retailer to announce payroll cuts in response to high inflation and weakening demand, saying it would trim about 1,500 jobs from its global workforce.

Separate surveys released Monday by S&P Global indicate that a decline in spending also is hitting providers of consumer services. S&P's Purchasing Managers Index for the eurozone's services sector fell to 48.5 in November from 48.6 in

October, reaching a 21-month low. A reading below 50 points to a decline in activity.

"With the surveys also bringing signs of inflation having peaked, the headwind on demand from rising prices should also start to ease in coming months, barring severe weather over the winter, hinting that any recession may be both brief and relatively mild," said Chris Williamson, chief business economist at S&P Global.

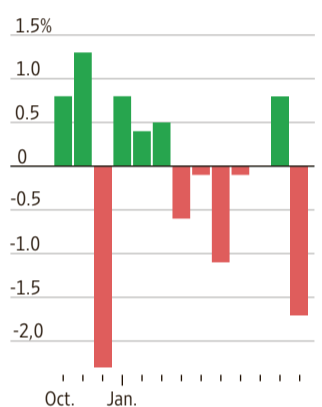
The decline in household spending on goods and services is a sign that the eurozone economy is likely already contracting. The European Commission in November forecast that the economy would shrink this quarter and during the first three months of next year, meeting a widely used definition of recession.

One reason for that forecast is weakening household consumption, which the commission expects to stagnate in 2023, having grown by 3.7% this year.

Its economists estimate that much of the €1 trillion (\$1.054 trillion) in additional savings built up during the Covid-19 pandemic have been eaten away by higher consumer prices, and are no longer supporting spending.

One upside for Europe is the jobs market, which continues to show resilience.

Eurozone retail sales, change from the previous month



Source: Eurostat



## The iPhone Baby: How 15 Years Shaped A Generation

WSJ presents a new documentary reported by Emmy Award-winning Personal Tech columnist Joanna Stern—The iPhone Baby: How 15 Years Shaped a Generation. By following Noah Schmick, a 15-year-old boy born on the same day the first iPhone went on sale, Stern dissects the impact of technology on the youngest generation. Through interviews with current and former Apple executives, the documentary traces the evolution of the smartphone alongside how the invention has shaped us all.

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# Couples Weigh Combining Their Finances

Those who pool resources tend to be happier, but joint bank accounts also can have risks

By JULIA CARPENTER

All couples hitch their fortunes together. Only some choose to also pool their finances.

It might not seem as pressing a question as when to meet the parents or whether to start a family, but deciding to move your money in together can have a big impact on future wealth. Couples who combine bank, credit-card and investing accounts are happier in the long term and find that pooling resources helps clear the path to traditional money milestones such as buying a house and saving for retirement, studies have found.

Married couples hold four times as much wealth as unmarried couples who live together, and researchers point to combining finances as one reason why.

## 43%

Of couples surveyed said they have only joint bank accounts

So why don't more couples join finances?

By one measure, 43% of couples said they have only joint bank accounts, according to a 2022 survey from CreditCards.com. Thirty-four percent of couples in the same poll have a mix of joint and separate accounts, and 23% keep their finances entirely separate.

The choice often comes down to how people evaluate the risks and the rewards. Should a couple break up or divorce, joint finances can be harder to disentangle, and one person's hard-won money might be lost in the ensuing dissolution of what is considered "yours" versus "theirs."

There are some advantages to merging accounts, according to research from Emily Garbinsky, associate professor of marketing and

behavioral scientist at Cornell University, and Joe Gladstone, an assistant professor of marketing who studies consumer decisions at the University of Colorado at Boulder. Their research shows couples who share money also boast greater relationship satisfaction. In addition to the benefits of having access to a larger pool of assets, combining finances leads to a greater feeling of accountability, since each half of the couple can observe the other's spending and saving habits more closely, they found.

In many studies, Prof. Garbinsky and Prof. Gladstone looked at how individual partners' money decisions changed depending on whether they were spending from their separate or joint accounts shared with a partner. They found that those spending from a joint account were less likely to make "hedonic" purchases and instead fell back on more "utilitarian" options. In one study, for example, participants spending from a joint account more often chose to buy a coffee mug—perceived as a more sensible purchase—over a beer tankard, which was seen as the less reasonable option.

The research demonstrated that greater accountability doesn't mean greater conflict, Prof. Gladstone said. "Maybe in some ways, the more that we can increase that transparency and awareness of each other's behavior, that might keep everyone more coordinated and on track," he said.

Not every couple is ready to take the financial plunge.

Nathan Gallagher, a 30-year-old waiter and bartender living in Brooklyn, doesn't yet share a bank account with his live-in partner. But every month, the two sit down to talk about their respective accounts, shared expenses and the financial progress they are making together as a couple. They split rent and other household bills, and if one of them needs funds during a lean time, the other partner doesn't hesitate to step in and help with the cost, Mr. Gallagher said.



PHOTO ILLUSTRATION BY SAM KELLY/THE WALL STREET JOURNAL, ISTOCK (5)

"We're really fine with sort of taking things at our own pace, but combining finances, I can see being a step in the future that we take," he said.

To Jesse Cramer, relationship manager at Cobblestone Capital Advisors in Rochester, N.Y., Mr. Gallagher's approach speaks to the range of ways younger couples choose to combine finances.

"On one end, you have finances that are so separate that it's like two strangers, from a financial point of view, and when one of them picks up dinner, the other Venmos them for half," Mr. Cramer said. And on the opposite end are couples who share everything.

There is also a middle road to take, and Mr. Cramer says that has been his approach. While he has plans to one day join finances with his wife, to whom he just got married in September, they have yet to open a joint account. Still, the two have already had important conversations about shared financial goals. They agree to discuss when they will share costs and when keeping purchases separate makes sense.

When it comes to sharing money with a partner, Mr. Gallagher said he is of the opinion that doing so really depends on an individual's personal goals and their own risk tolerance. Weighing

what you gain versus what you lose is a very personal calculation, he said.

"A lot of people have money trauma they bring into relationships," he said. "How money and relationships interact is based on people's personal history with money."

But the benefit of combining finances might outweigh those risks, especially for those with less wealth, Prof. Gladstone said.

"If you have lower income and then pool together, it might feel like a lot more money, whereas if you have two really affluent people and you pool together, you're still super rich," Prof. Garbinsky said.

# How to Avoid Tipsy Texting and Posting

New smartphone features and apps can protect you from embarrassment after holiday parties

By DALVIN BROWN

**IT'S THE MORNING AFTER** an evening of holiday overindulgence. You wake up bleary-eyed, grab your phone and discover, with creeping shame, all the tipsy texts or posts you fired off the night before.

Relatable? Maybe. Avoidable? Yes.

Don't forget that digital missteps can cause temporary awkwardness or very real devastation. Whether you're attending the company holiday party or prepping for a New Year's Eve soiree, a smartphone game plan could protect your personal and professional life. It makes it harder for you to send texts, call others or post pics that you—and your unwilling contacts—might later regret.

Drunk texts are older than smartphones. What's new? The device settings that can help set up a block between your thumbs and other people's screens. Social-media apps have added tools to help, too, ensuring any cringy posts that slip through the cracks have a limited and forgiving audience.

The catch: You must set things up before the first sip.

"You want to walk into the party prepared," said Diane Gottsman, an etiquette expert and founder of the Protocol School of Texas, an executive- and business-training company. "You need to do things pre-emptively to put more time between your thoughts and your actions. Don't leave anything to chance."

Let these smartphone features and apps be your first line of defense.

## Limit communication

The most powerful tools can effectively prevent you from making calls and texts.

iPhone users can block incoming and outgoing phone calls, FaceTime calls and messages with everyone but your most important (i.e., emergency) contacts. And you can pick a time frame to cover your behavior just for the night.

To set communication limits, go to Settings > Screen Time > Communication Limits > During Downtime



time > Specific Contacts. Choose which contacts you want access to at all times. Then, to select which hours you would like to be incommunicado, go to Settings > Screen Time > Downtime.

Downtime is different from Do Not Disturb and other Focus modes because it stops communications in both directions. It renders most other apps inaccessible for the duration as well, so it could prevent social-media blurs.

Once downtime is on, you will be able to reach only your specified



Set things up before taking your first sip. AppBlock, left, halts your access to certain apps for a set amount of time. Drunk Mode Keyboard can prevent you from using your iPhone keyboard across many apps.

contacts. If you try to call or text others, their names or numbers appear in red in your list of recent calls or messages, and your communication won't go through. To reverse this, you would have to go back to the Downtime setting and turn it off. Setting a Screen Time passcode can add to the friction.

Android phones have a Focus mode that will let you choose apps you want to pause, so you can't use them for a window of time. Go to Settings > Digital Wellbeing & parental controls > Focus mode. You can set a schedule so it turns on automatically.

## Delete or block contacts

"Seeing certain names on your phone might compel you to compose a text," Ms. Gottsman said. "Once a false sense of confidence

takes over, all of a sudden, boom—you've hit send."

Consider writing down the contact info of any red-flag individuals and stashing it in a desk drawer. Then, delete their info from your phone before heading out. If you want to keep them in, change their names to something like "Do Not Text This Number."

If you're more afraid they will be reaching out to you, you can block their numbers by going to their last message or call. This is simple to undo.

## Enlist an app

When temptation is high, and willpower is low, you can employ apps to limit your mishaps. They're often clunkier than built-in smartphone tools, but they could potentially help more.

AppBlock, available for iPhone and Android, lets you select specific apps and app categories you would like to temporarily ban. The free version lets you pick up to three apps. While AppBlock is running, a pop-up will prevent you from opening them.

For \$199, iPhone users can install Drunk Mode Keyboard. It lets you open your social-networking apps, but once activated, it blocks your keyboard to prevent you from commenting and sending DMs.

Bacco—Drunk Mode for Android users is free in the Google Play Store. It lets users stop themselves from texting words that might get them in trouble. (You choose the words.) The word will appear, instead, as a series of asterisks. It also blocks access to certain apps, unless you can pass a sobriety test of puzzles and patterns.

## Narrow your audience

If your biggest concern is making an involuntary outburst on social media, most major apps have guardrail features to limit who sees what you post, and how long it's visible at all. You can make your account private, which could protect you—unless one of your approved inner-circle friends takes a screenshot.

You can also share posts with a smaller crowd by setting up a list of Close Friends on Instagram or a list of select followers using Twitter Circle.

Facebook and TikTok let you easily narrow your posting to an audience of one: yourself.

On Facebook, tap Settings & Privacy > Settings > Audience and visibility > Posts > Who can see your future posts. Tap "Only me"—but don't forget to change that back later when you actually want an audience.

On TikTok, go to Privacy > Interactions and switch your default audience for Stories (which stay visible for 24 hours) and Duets (remixes of other creators' videos) to "Only me." For your main TikTok video posts, before sharing, tap "Who can watch this video" then choose "Only me." The app will remember this preference.

## PERSONAL JOURNAL.

By BETSY MORRIS

**IS IT TRUE** that you're only as old as you feel?

Studies are finding a link between people's "subjective age" or "psychological age" and their future health and longevity. Psychological age can differ from chronological age, and some psychologists and gerontologists say there might be ways to improve physical health by making yourself feel younger—or at least taking a positive attitude toward aging.

Feeling older than your chronological age is associated with a higher likelihood of dementia, frailty, stroke and heart disease, according to recent research by scientists and academics studying links between psychology and health.

Some research focused on the correlation between attitudes and mortality have linked positive feelings about aging—and feeling younger than you actually are—with a longer life. In one German study of 2,400 adults over more than 20 years, participants who said they expected to continue to grow and develop into old age lived on average 13 years longer than those who didn't expect such growth.

"It is really good and important to feel younger. It is soft protection. If I feel younger, I am more motivated to be engaged and active," says Susanne Wurm, professor at University of Greifswald and an author of the study published earlier this year in the *Journal of Personality and Social Psychology*.

Participating in new experiences, such as traveling or taking classes, and resisting negative assumptions about getting older might help you feel younger and improve your outlook, researchers say.

Being in good health is a big reason why many people might feel younger than they are—and therefore might live longer, according to scientists who study the psychology of aging. Many of those researchers believe the effect can go the other way, too, noting that those with a younger and more optimistic sense of aging might be more apt to take care of themselves.

People who feel older might generate more stress, too, whether they are 30 and fretting about early signs of wrinkles or 65 and concerned that co-workers think they are losing their edge. Scientists searching for biological reasons for the link between subjective

age and long-term health have, in recent studies of men over the age of 50, found that those who feel older than their actual age have elevated levels of the stress hormone cortisol and C-reactive protein, an inflammatory marker associated with heart disease and other illnesses.

Our experiences can influence our feelings about aging. Becca Levy, a professor of epidemiology and psychology at the Yale School of Public Health, has conducted studies that found older people functioned differently after being exposed to either negative or positive words related to aging.

"Age beliefs are quite malleable. They are not set in stone," says Dr. Levy.

She believes it is possible to shift your attitude about getting older. In her book "Breaking the Age Code," Dr. Levy suggests writing down your beliefs about aging

## Can Feeling Younger Make You Healthier?

to make yourself aware of them and tracking ways in which older people are portrayed in the media to identify stereotypes that might be influencing you.

"Try to become aware of both our own beliefs and the ones we're exposed to and don't let them hurt you," says Dr. Levy.

Some scientists believe that biology, more than mind-set, might be the reason people feel older or younger than their calendar age. One study found physiological differences in the brains of people who said they felt older than their real ages and those who said they felt younger.

The study, by South Korean researchers at Seoul National University and Yonsei University, gave 68 healthy older adults assessments to evaluate their subjective age and scanned their brains. The

participants whose subjective ages were older than their real ages had smaller amounts of brain gray matter than participants whose subjective ages were younger than their real ages.

Companies are beginning to market what they say are ways to measure and manage psychological age. Deep Longevity, a Cayman Islands-based biotech company, provides personalized mental-health tips based in part on an online psychological-age assessment and artificial intelligence—technology it hopes to be able to sell to employers as a wellness benefit. Modern Age, a New York-based health and wellness company, offers an online subjective-age assessment and sells beauty procedures and products such as Botox, creams and supplements.

Some scientists are skeptical of these efforts. Dayna Touron, associ-

ate dean and professor of psychology at the University of North Carolina at Greensboro, says they could make people feel worse about aging. "Would you feel younger if you didn't have wrinkles? Sure. But would that lead to better health outcomes as a result?"

Deep Longevity Chief Executive Deepankar Nayak says the company's technology is designed to improve employee resilience and mental health. Anant Vinjamoori, chief medical officer at Modern Age, says the company's products and services empower people and help them through the aging process.

To assess your subjective age, start by asking: How old do I feel? You can ask the question on any given day or in specific situations, such as when you are with younger people, Dr. Touron says. You can also ask how old you feel in

different areas, such as your physical abilities, mental performance or social connections.

Being open to new experiences and challenges is one way to lower psychological age, Dr. Touron says. Take classes. Travel. Attend workshops. Spend time with friends who have positive attitudes about aging.

Don't assume that common slip-ups are necessarily signs of cognitive failure, adds Dr. Touron. Repeated memory lapses that interfere with your daily life can warrant a call with your doctor. But plenty of younger people sometimes lose their keys or can't find their cars in the parking lot. If your friends or family attribute those mistakes to age, correct them, she and other scientists say.

"The beliefs you have about the inevitability of decline as you age can be self-fulfilling," she says.



Research is uncovering links between people's 'subjective age' or 'psychological age' and their future well-being and longevity.

PHOTO ILLUSTRATION BY ELENA SCOTTI/THE WALL STREET JOURNAL; ISTOCK; GETTY IMAGES

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ERIC WAGNER FOR THE WALL STREET JOURNAL (2)

MY RIDE | A.J. BAIME

### A Race Car Built for the Street

His Dodge Viper ACR is an apex predator on the road

*Emerson Moser, 46, of Cincinnati, general counsel for Meridian Bioscience, on his 2010 Dodge Viper ACR, as told to A.J. Baime.*

**I GREW UP** in a car house. My dad was a General Motors engineer, and we spent a lot of time going to race tracks and car shows. When I was in college at Purdue in the 1990s, I was walking across campus one day when I saw a Dodge Viper on display in the Engineering Mall. The hood was up. I thought: This is the coolest, most exotic American car I have ever seen. It had a V-10 engine partially developed by Lamborghini.

I ended up going to law school, raising kids, and driving boring cars. But, in 2016, I started looking for a Viper. I found one at a local dealership, bought it, and drove it for five years. Then, when Dodge announced the end of Viper production, they had a homecoming at the factory in Detroit in 2017. My dad and I went. We got to tour the assembly plant and see how these cars had been built by hand. There were about 200 Vipers there, and I saw one in Snakeskin Green paint. The color spoke to me. I told my dad, "I need to find a Viper in that color."

For several years, I looked

no traction control. No cruise control. No automatic transmission. The car is totally raw. Before I bought my car, the 600-horsepower, 8.4-liter V-10 engine was signed by Ralph Gilles, who, when this car was built, was the head of Dodge and a big deal in the Viper world.

Now, I park this car in my garage next to a collection



Emerson Moser and his 2010 Dodge Viper ACR, top.

ACR stands for American Club Racer. This version comes with higher-performance wheels and brakes, added carbon fiber, and there is a big wing on the back that creates over 1,000 pounds of downforce. It is basically a race car built for the street.

To me, the Viper is a purist's sports car. The interior is spartan—no more luxurious than a minivan. There is

of Viper memorabilia. I have a banner that was hanging in the Viper factory that I got at an auction. I have posters. The highlight is a Viper-themed pinball machine. When I drive the car, it feels like an apex predator. Excuse the mixed metaphor, but the Viper feels like a great white shark on the road. When people see this car coming, they get out of the way.



ARTS IN REVIEW

MUSIC REVIEW | MARK RICHARDSON

Renewing a Jewish Musical Past

On its first album in 16 years, the ensemble Black Ox Orkestar adapts Jewish folk forms into songs that speak to the present



MARGOT FLORES/TORRE

Black Ox Orkestar, a quartet assembled in Montreal in 2000 to explore the sound of the Jewish diaspora, has always been one project among many for its members. Lead singer and songwriter Scott Gilmore performed with several local bands and eventually became a human-rights lawyer in Washington; reed player Gabriel Levine worked in the roots-rock outfit Sackville and also writes and teaches about music and performance; bassist Thierry Amar played in the symphonic post-rock outfit Godspeed You! Black Emperor, along with other collectives; and violinist and vocalist Jessica Moss joined Mr. Amar in the folkier Godspeed offshoot Thee Silver Mt. Zion, and has released a string of excellent solo albums.

Even amid such eclectic assemblages, Black Ox Orkestar offered something very different—an experimental take on folk forms, many of which could be traced to sounds created by Jewish musicians from Eastern Europe in the 19th and early 20th centuries. But other projects eventually took precedence—the band, after releasing its first two records in 2004 and 2006, disappeared from the scene, even as all its members remained active on their own. After 16 years away, the group's just-released third album, titled, appropriately

enough, "Everything Returns" (Constellation), finds Black Ox Orkestar in excellent form, making its richest and most affecting music yet.

Other artists working in experimental realms have adapted Jewish folk melodies and klezmer arrangements into other contexts—see John Zorn's Masada, which incorporated these elements into a free jazz quartet inspired by Ornette Coleman. But Black Ox Orkestar, though faithful to the traditions at the root of its sound, uses the music of the past for an ex-

Topical music that speaks to political turmoil and displaced communities.

pression that's relevant to the present. The band creates immersive experiences that not only channel the sounds of the earlier folk styles but also pay close attention to lyrical content, arriving at topical music that speaks to political turmoil and displaced communities, how shifting power structures and lines on a map can tear families apart.

Political content is present throughout the record, on both the band's rendering of traditional

tunes and Mr. Gilmore's originals. The opening pair of tracks illustrates the band's range. "Tish Nign" combines a swaying waltz-time rhythm with haunting wordless vocals harmonized by Mr. Gilmore and Ms. Moss, and it's drawn from a collection of folk melodies assembled by Ukrainian ethnographer Moisei Beregovsky. The following "Perpetual Peace," written by Mr. Gilmore, tells a story inspired by the migration of the singer's great-grandfather, who fled czarist persecution in what is now Latvia and made his way to Montreal. As he does with his vocals on most of the record, Mr. Gilmore, singing in Yiddish, voices the song in a highly theatrical bellow, bringing to mind the demonstrative phrasing of French chanson singers like Jacques Brel. His lyrics mention Immanuel Kant's book "Perpetual Peace: A Philosophical Sketch," and contrast the street-level struggles of his great-grandfather, freezing outside during the Depression, with the abstract ideals found in books of theory.

"Everything Returns" comprises three traditional instrumentals, one traditional folk song with lyrics, and five tracks with lyrics written by Mr. Gilmore. The lyrics are mostly in Yiddish, with touches of English and French, and the traditional numbers have roots in Ukraine and Moldova. But the record flows seamlessly as a

Black Ox Orkestar's new record, 'Everything Returns' (Constellation), is out now.



whole and blurs lines between old and new. Mr. Gilmore shifts between piano and cimbalom, a large instrument that looks something like a harp laid on its side and fixed on a table. The chiming tones of the latter instrument certainly evoke a much earlier era, but Mr. Gilmore's hyper-expressive singing brings the mind back to the present, and the liner notes, which detail source material, include translations and offer commentary, should be understood as an essential part of the experience.

The arrangements highlight the lyrical content. Mr. Gilmore's original "Mizrach Mi Ma'arav" is about travel, deportation, being separated from the one you love by po-

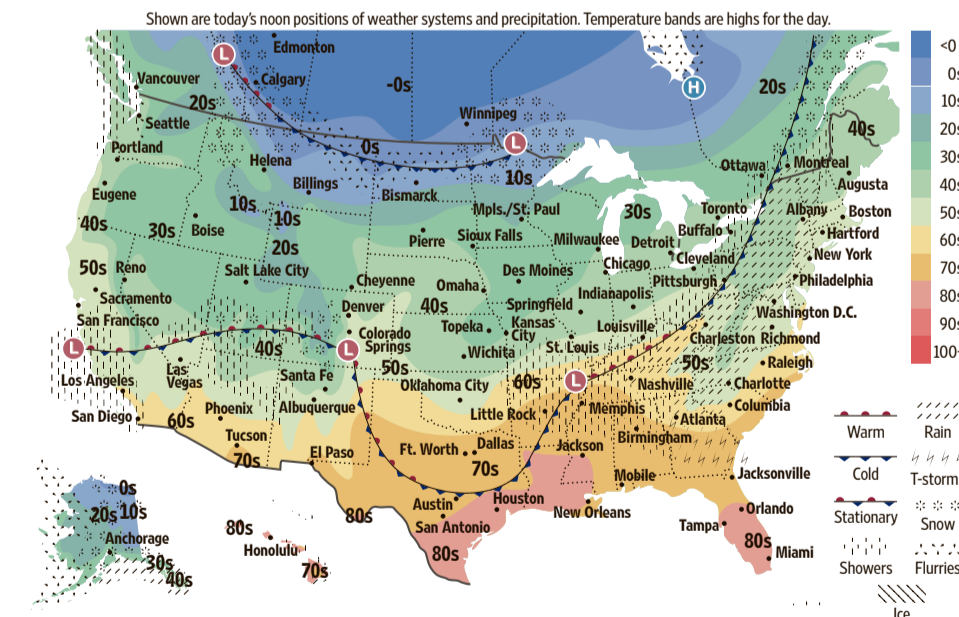
litical forces you cannot control. It's a powerful lament that finds Mr. Gilmore and Ms. Moss harmonizing beautifully, while Mr. Levine's growling bass clarinet evokes an engine from a machine that is going to take the narrator far away. The chord progression of "Viderkol (Echo)" brings to mind Bob Dylan's "I Shall Be Released," a song steeped in American gospel music, and Mr. Gilmore singing partly in English reinforces the distant but noticeable connection.

While many of the arrangements are thick and full, with instruments darting and weaving back and forth, the closing "Lamed-Vovnik" is just Mr. Gilmore and Mr. Amar on a quiet and spacious ballad. Mr. Gilmore breaks character slightly, slipping into singing that sounds closer to his speaking voice, almost as if easing us back into our world after spending 45 minutes immersed in the band's highly cinematic creation, and his lyrics are mostly in English. Its lyrics are about the fragility of life, how one can't assume things will work out as it seems they should—life is "so cruel, but it's beautiful," goes one line. Such contrast appears throughout "Everything Returns," an ambitious and unusual album that rewards focused attention.

Mr. Richardson is the Journal's rock and pop music critic. Follow him on Twitter @MarkRichardson.

Weather

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U.S. Forecasts

Table with columns for City, Today (HI, Lo, W), and Tomorrow (HI, Lo, W). Lists major cities across the US with their respective weather forecasts.

International

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

The WSJ Daily Crossword | Edited by Mike Shenk

A crossword puzzle grid with numbers in the starting squares. The grid is 13 columns wide and 15 rows high.

EXTREME MEASURES | By Dory Mintz

- A list of crossword clues categorized by length (Across and Down). Clues include 'Big swigs', 'Rough guess', 'Many a modern cash register', etc.

- A list of crossword clues categorized by length (Across and Down). Clues include 'Be compliant', 'Novelist Zora Hurston', 'Paintball need', etc.

A small crossword puzzle titled 'Previous Puzzle's Solution' with the words filled in.

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

## SPORTS



France's Kylian Mbappé has scored five goals at the Qatar World Cup.

JASON GAY

# The Joy of Kylian Mbappé

Still just 23, France's phenomenon is having another World Cup of a lifetime



Is there anything more joyful in sports than watching an athlete who is the very best in the world at what they do, who is living up to that ridiculous hype and mantle and all of its associated pressure, and *delivering*?

Shorter version: Is there anything more fun than watching the French soccer sensation Kylian Mbappé in the World Cup right now?

He is the one. As in: If you're a sports fan, and even if you're not a sports fan—even if you've mistakenly wandered into this column hoping it's Jason Zweig, about to drop more investing intelligence—take my advice. Mbappé (pronounced Mmm-Bah-Pay) is the one athlete on the planet at this moment that should make you drop everything and watch.

If you have a TV, make an appointment with Mbappé for the France vs. England quarterfinal, Saturday at 2 p.m. ET.

If you don't have a TV, buy one. Worth every penny, just for Mbappé Time.

The Parisian soccer phenomenon, age 23, is that good. Already a superstar via his performances for France's 2018 World Cup title team and his pro club Paris Saint-Germain, Mbappé arrived in Qatar with an expectation to announce himself as the world's premier player.

This tournament is being billed

as The Sunset Cup for aging legends Cristiano Ronaldo and Lionel Messi—both still alive with Portugal and Argentina, respectively—and a passing of the torch to a next generation of GOATs.

Mbappé has seized the opportunity, almost giddily.

Through four games at this 2022 tournament, Mbappé leads all scorers with five goals, giving him nine World Cup goals already in his young career. No player has tallied as many World Cup goals before the age of 24 as Mbappé has—not even Pelé, whose pre-24 mark Mbappé broke Sunday with two goals in France's 3-1 Round of 16 cruise over Poland.

Those are just the numbers. Mbappé is a sensory experience.

You can detect him within seconds. Even surrounded by world-class talent, the Frenchman is a cut above—his speed, his physicality, his ability to toy with defenders and goalkeepers as if he's a varsity player dropping down to mess with the JV.

Every touch is a possibility. Every shot feels like it's going in.

Mbappé occupies that space between athleticism and grace held by the rarest athletes—the Steph Curry Zone; peak Roger Federer; Barry Sanders in his absolute prime. France is loaded with playmakers—Les Bleus are a juggernaut, a favorite to become the first back-to-back champion since Brazil did it in 1958 and 1962. Mbappé stirs the whole attack.

Poland thought it had a Mbappé Plan, swarming the forward with multiple defenders who pounced on his every move. It was comically futile. First Mbappé found veteran striker Olivier Giroud for a brilliant assist on France's opening score, a goal that allowed Giroud to pass Thierry Henry as France's all-time leading scorer. Then Mbappé got on the board himself with a calmly wicked shot over the shoulder of Poland goalkeeper Wojciech Szczęsny. He added an exclamation in the closing minutes.

There is no Mbappé Plan. There is only Mbappé.

Want to see an England fan sweat? Ask them what they're going to do about Mbappé. It's already a national panic.

Soccer fame is different. The celebrity of a domestic sports star like Patrick Mahomes or Aaron Judge can't compare to the stardom of someone like Messi or Ronaldo, who are beloved across oceans and continents. Mbappé's machinations can bring France to a standstill, as they did this past spring, when Mbappé flirted with leaving Paris Saint-Germain for Real Madrid, the favorite team of his childhood.

The president of France, Emmanuel Macron, called Mbappé to ask him to stay at PSG. The prior president of France, Nicolas Sarkozy, did the same. Mbappé wound up staying, for a deal reported to be around \$200 million over three seasons.

That's a stressful situation for a young athlete to navigate. And yet Mbappé wants all of it. Identified as a world-class talent before his teens, a global icon before 20, it'd be understandable if Mbappé already seemed weary, weighted down by the hype. Instead he is thriving.

"This is the competition of my dreams," he said Sunday.

The Journal's Joshua Robinson sat with Mbappé this summer for a feature for WSJ Magazine, and encountered a star who expected to captivate the globe.

"I don't think I have a choice," Mbappé told Robinson. "The brake pedal doesn't work anymore."

Translation: *I can't help but do this.*

He can't. He's Mbappé, and the brake pedal doesn't work. Do watch on Saturday. At this World Cup, Mbappé's the one.



Jimmy Garoppolo suffered a season-ending foot injury on Sunday.

## The 49ers' Twisted Fate At Quarterback

By ANDREW BEATON

**THE SAN FRANCISCO 49ERS** spent the summer openly trying and failing to get rid of quarterback Jimmy Garoppolo. It was awkward, yet coach Kyle Shanahan was absolutely thrilled to still have him when Garoppolo stepped in for an injured Trey Lance and helped turn the team into a Super Bowl favorite.

Then Garoppolo got hurt. Again. For the second time this season, the 49ers lost their starting quarterback to a season-ending injury. After Lance went down in the second week, Garoppolo will require surgery for broken bones in his foot suffered just a few plays into Sunday's 33-17 win over the Miami Dolphins.

In the near term, the injury completely upends a portion of the playoff picture. San Francisco, led by Garoppolo and now with an 8-4 record, had looked like one of the NFL's best teams. Over the longer run, the circumstances only make one of the weirdest relationships between a team and a star quarterback even weirder.

Fans and talking heads have debated for years whether the 49ers have won because of Garoppolo or in spite of him. The answer, likely somewhere in between, hasn't stopped it from becoming a pivotal issue for the entire franchise. It will also determine San Francisco's fate over the course of the rest of this season.

Garoppolo's detractors have long

noted that he gets the tailwind of playing for Shanahan, who's widely regarded as one of the most influential offensive schemers of his generation. They also point to how San Francisco may have beaten the Kansas City Chiefs in the Super Bowl after the 2019 season if Garoppolo had completed a few more throws, and that those types of misses aren't an anomaly for him. Moreover, Garoppolo has a long injury history—this will be his third time finishing a season on injured reserve since 2018.

Garoppolo's defenders can quickly point to one rudimentary stat: He has a long track record of winning. Shanahan's 49ers are 42-19 in games started by Garoppolo. They're 9-29 in games started by everyone else.

The thinking on Garoppolo had swung so dramatically before this weekend's games that there was buzz that he could be back with the 49ers again in 2023. His injury will sap any talk of that for now, but the question for the 49ers will be if they can ride the team's strong talent to a playoff run anyway.

The player who likely will influence that more than anyone else is a rookie named Brock Purdy, who earlier this year was dubbed Mr. Irrelevant—the title bestowed on the last player selected in the NFL draft. Purdy, who played at Iowa State, stepped in for Garoppolo and completed 25 of 37 passes for 210 yards with two touchdowns and one interception in the win over Miami.

## Brazil's World Cup Telenovela Rolls On

By JONATHAN CLEGG AND JOSHUA ROBINSON

**T**wenty years since its most recent triumph at the World Cup, it looked like everything was finally going according to plan again for Brazil.

The team arrived in Qatar as the favorite to lift the trophy for the sixth time, cruised into the knockout round after just two games, and brushed aside South Korea in the round of 16 on Monday with a blistering 4-1 victory that marked the return of its star player, Neymar, from an ankle injury.

Brazil will face Croatia in the World Cup quarterfinals on Dec. 9. So, *tudo bem?* Not exactly.

While the Seleção, as the team is known, delivered a reminder that it remains the most stylish team in the game with its masterclass against South Korea, away from the pitch things haven't been going quite so smoothly. Brazil heads into the most meaningful part of the tournament caught up in more drama and nervous tension than a Brazilian telenovela. The country is fretting over the health of its favorite son, the 82-year-old Pelé, who was admitted to hospital in Sao Paulo last week. And in Doha, fans are also unsure whether Neymar can make it through the rest of the tournament unscathed.

Neymar scored on a penalty kick and played a part in two other goals against South Korea, but was also fouled five times before he was substituted after 80 minutes.

Set against all of this is a bizarre suspicion among supporters and members of the Brazilian media that the team's coaching staff is intentionally fielding injured players, a theory that first emerged when Neymar went down. It gathered pace with injuries to two more Brazilian players in the team's final group-stage game against Cameroon. Striker Gabriel Jesus and defender Alex Telles were later ruled

out of the tournament.

When Brazil coach Tite addressed the media before the South Korea game, he was forced to deny that he had knowingly fielded any injured player. His news conferences here are quickly turning into public trials.

"I don't like hearing lies out there, evil lies," Tite said. "At no time here did we play for a victory at the risk of a player's health or by putting a player in peril. So the liars out there, the haters out there, I take this opportunity to say: Go and do something else and stop giving fake news."

His assistant coach Cesar Sampaio raced to his boss's defense.

"I reiterate what Tite said: We don't trade health for results," he

Brazil every four years, but which feels particularly pointed this time around. The Qatar World Cup was widely seen as Brazil's best chance to end its 20-year drought. Heading into the tournament, Brazil had lost just once in 28 matches over the past two years and was the No. 1 team in the FIFA rankings.

Yet there's also a feeling that it could be the country's last chance for some time. Neymar, the team's 30-year-old top scorer and talisman, has indicated this could be his final World Cup appearance.

It means that every little thing is subject to intense scrutiny. Tite, for instance, was pressed repeatedly on his decision to field a second-choice lineup in the team's group-stage finale against Cameroon—a match

that had no bearing on either team's chances of advancing. But Brazil lost the match 1-0, which made it another serious problem for Tite to deal with.

The anxiety around the team is particularly mystifying given how irresistible Brazil looked against South Korea here Monday. It took just seven minutes for Vinicius Jr. to put the Seleção in front with a cool finish into the top corner. Neymar's penalty doubled the lead, and Brazil was 3-0 up inside half an hour when Richarlison swept home at the end of a slick passing move.

Lucas Paqueta's finish gave Brazil a four-goal lead and put the game to bed before halftime. Paik Seung-Ho pulled one back for South Korea with a long-range effort, but by the end, this World Cup knockout game had come to resemble a training-ground exercise.

In other words, this is no time to panic. Brazil's captain Thiago Silva, known as one of the coolest heads in the country, tried to remind people of this on Sunday.

"We accept our responsibilities, but we have to move on," he said. "Sometimes we are looking for problems where there are no problems."



Neymar, center, and teammates during Brazil's 4-1 win on Monday.

added.

Overshadowing everything happening on the field is the trickle of updates back home from Pelé's family. The three-time world champion, widely regarded as the greatest player of all time, was diagnosed with colon cancer last year and admitted to hospital last week. Reports soon emerged in the Brazilian press that he was no longer responding to chemotherapy and had been placed in hospice care. But his daughters denied those, insisting that their father wasn't in immediate danger.

Still, Pelé's name is now unavoidable at this World Cup—even more so than usual.

"It's something all of us feel, it's a difficult moment," said Tite.

This storm of uncertainty speaks to the collective neurosis that grips

## OPINION

## Tim Cook's Bad Day on China



**MAIN STREET**  
By William McGurn

Apple CEO Tim Cook has been taking a beating over his company's coziness with Beijing. It comes amid protests across China against the government's strict Covid-19 lockdowns, including at a factory in Zhengzhou where most of the world's iPhones are made. Hillary Vaughn of Fox News perfectly captured Mr. Cook's embarrassment on Capitol Hill Thursday when she peppered him with questions:

"Do you support the Chinese people's right to protest? Do you have any reaction to the factory workers that were beaten and detained for protesting Covid lockdowns? Do you regret restricting AirDrop access that protesters used to evade surveillance from the Chinese government? Do you think it's problematic to do business with the Communist Chinese Party when they suppress human rights?"

A stone-faced Mr. Cook responded with silence.

Businesses have been answering these kinds of questions at least since the Tiananmen Square massacre in 1989, when China trade and investment became a hot political issue. Typically American companies say something about how trade and foreign investment are creating jobs and contributing to a better life for the Chinese people.

But that kind of answer doesn't work for Mr. Cook.

Not anymore. Apple is a technology company. It isn't selling sneakers or hamburgers like Nike or McDonald's. One issue these Big Tech giants have that other companies don't is whether their technologies are being co-opted by Beijing to suppress the Chinese people.

In April, for example, the senior Republican on the Federal Communications Commission, Brendan Carr, wrote a letter questioning Apple's decision to drop the Voice of America mobile app in China. He quoted Amnesty International's Asia director as characterizing Apple as "a cog" in China's "censorship machine."

But the issue attracting the most attention now has to do with AirDrop, an Apple file-sharing tool that many Chinese had been using to coordinate demonstrations beyond the reach of Beijing's internet censors. AirDrop works by letting iPhone users who are within 30 feet of each other exchange photos and documents without going online. On Nov. 9, Apple released a software update only in China that limits to 10 minutes the amount of time files can be shared among iPhone users who are not in each other's list of contacts. This robs Chinese iPhone users of a tool they had been using to organize protests.

Mr. Cook's problem: When coupled with his outspokenness at home, the accommodations on China make him look like a hypocrite.

In 2015 a couple inspired by Islamic State opened fire at a San Bernardino, Calif., office,

killling 14 people. Though gunman Syed Rizwan Farook was killed in a shootout with police, authorities recovered his iPhone 5c at the scene.

Trouble was, it was locked, and the iPhone was programmed to delete all its data after 10 failed attempts to log in. The Federal Bureau of Investigation asked Apple to help the government get into the phone, but Mr. Cook refused, saying the company couldn't possibly participate in something that "threatens the security of our customers."

**Apple speaks out boldly at home but is silent about Beijing's growing oppression.**

That isn't the only public stand Apple has taken to underscore that it's a moral lodestar, not just another grubby business seeking profits.

When Georgia last year passed new reforms to ensure the integrity of its voting system, Mr. Cook happily joined a chorus of corporate leaders who condemned the state for supposedly engaging in an effort to suppress the vote of African-Americans and other racial minorities. In 2015, when Indiana passed protections for religious freedom, he called it an effort to "rationalize injustice." After George Floyd's killing in 2020, he decried "deeply rooted discrimination" and noted how iPhones, with their built-in

cameras suitable for filming police malfeasance, were a force for advancing social progress.

Mr. Cook, of course, has the right to speak out and enlist Apple in whatever causes he wishes, at least as long as his shareholders don't object. But on China the market is exacting its own revenge.

Reports are that Apple is trying to reduce its overreliance on supply chains that run through China. Like many businesses that have prospered by doing business in China, Apple is now finding that dependence leaves them highly vulnerable when things go wrong. Mr. Cook's many critics are only too happy to pile on. True, it's unlikely Congress will come up with solutions that will actually improve things, and some of the criticisms lack an appreciation for the realities of doing business in China. Then again, Mr. Cook has never displayed much regard for messy details when he's the one doing the condemning.

CEOs can always justify their operations by pointing to the economic benefits their companies bring to the communities in which they operate. Or CEOs can go the progressive route, presenting their companies as moral paragons. But they can't have it both ways: holding themselves up as courageous in places where the risk from speaking out is low while keeping quiet about real oppression in places where speaking out can really hurt the bottom line.

*Write to mcgurn@wsj.com.*

**BOOKSHELF** | By Leslie Lenkowsky

## Yet Another Conspiracy Theory

**The Scheme**

By Sheldon Whitehouse with Jennifer Mueller  
(The New Press, 288 pages, \$27.99)

In his 1845 novel "Sybil," Benjamin Disraeli describes a politician who "was distinguished for ignorance, for he had only one idea—and that was wrong." To be fair, Sheldon Whitehouse, Rhode Island's junior senator, has more than one idea. But for about a decade, in hearings, speeches and legal briefs, he has repeatedly asserted that politically conservative groups, fueled by "dark money" from secretive foundation and business sources, are conducting a campaign to seize control of the American government—and that, as Disraeli might say, is wrong.

In "The Scheme," Mr. Whitehouse presents his case. He claims to have discovered a "behind-the-scenes manipulation of our political and justice systems to capture our courts—especially the Supreme Court—as a way to control the future of our democracy." Moreover, this scheme has achieved its goals, in part, by ignoring conservative principles when convenient, such as precedent (to reverse *Roe v. Wade*) and originalism (to find an individual right to own firearms in the Constitution).

At the heart of the conspiracy, Mr. Whitehouse says, is the Federalist Society, a group founded in 1982 to challenge left-wing scholarship in law schools. (I directed a foundation program that provided early support to the Federalist Society.) Its members now include a majority of justices on the Supreme Court. If Mr. Whitehouse had his way, their membership in itself would constitute a violation of judicial ethics.

In Mr. Whitehouse's telling, the conspiracy began with an unpublished 1971 memo from Lewis F. Powell Jr., then a lawyer in Richmond, Va., to the U.S. Chamber of Commerce. It argued that the "free enterprise system" was under attack in colleges and universities and in the media and that business needed to mobilize its resources to respond to liberal activists. It should flood the airwaves with advertising and use pressure to obtain a fair hearing on campus.

This was hardly a novel or unjustifiable view. Former Treasury Secretary William Simon, writer Irving Kristol, entrepreneur David Packard and others made similar observations in the 1970s. Although Mr. Whitehouse overlooks them, they were far more influential than Lewis Powell. But Powell, who became a Supreme Court justice in 1972, plays a critical role for Mr. Whitehouse, as the insider behind the scheme.

Mr. Whitehouse concedes that Powell disagreed with "the radical right wing" in several cases, such as *Roe v. Wade* and the *Bakke* decision upholding the constitutionality of affirmative action. But Powell voted with the majority in two opinions that, in Mr. Whitehouse's view, ominously increased the political influence of business: *Buckley v. Valeo* (1976), which exempted spending by organizations independent of candidates from campaign-finance rules; and *First National Bank of Boston v. Bellotti* (1978), which accorded First Amendment speech rights to corporations.

Although Powell left the Supreme Court in 1987, these decisions, according to Mr. Whitehouse, led straight to the 2010 *Citizens United* ruling, which removed all restrictions on corporate political donations to independent groups. These groups generally don't have to disclose the identities of their contributors: hence the term "dark money." After *Citizens United*, the flow of such money increased dramatically.

Mr. Whitehouse devotes little effort to weighing the legal reasoning behind these decisions. He is more interested in who benefits: overwhelmingly, in his view, business interests. He acknowledges that "The Scheme" is meant to be a brief for the prosecution and rests on circumstantial evidence, not proof of improper influence. Much of the ground he covers is well-trodden, including the role of the Federalist Society in the Trump administration's judicial nominations and the role of conservative donors and foundations (such as Charles and David Koch and the Lynde and Harry Bradley Foundation) in supporting groups bringing lawsuits or filing briefs with the courts.

**A Democratic senator lays out what he says is the 'dark money' cabal that has succeeded in capturing the Supreme Court.**

But much is omitted, including context. There is no effort, for instance, to address the politicization of Supreme Court confirmation hearings that began with the nomination of Robert Bork in 1987. And there is no acknowledgment, let alone condemnation, of the enormous amount of "dark money" that goes to liberal causes. (George Soros gets hardly a mention.) Mr. Whitehouse is not above suggesting that if judges were barred from accepting "personal hospitality" gifts, the late Antonin Scalia might never have gone on the hunting trip during which he died.

Mr. Whitehouse laments the failure of President Biden's Commission on the Supreme Court to come to grips with "this crisis of judicial legitimacy." But his main response would require reversing a 65-year-old precedent that was reaffirmed only last year: In the original case, the court had voted to protect the Alabama chapter of the NAACP from having to reveal the names of its members lest they face reprisals. For most supporters of nonprofits, Mr. Whitehouse believes, such concerns are unwarranted today. But his own efforts to stigmatize membership in the Federalist Society suggest the opposite.

To be sure, money from independent groups in politics is greater now than it once was. Nor do these groups always look as independent as they should be. But rather than spinning up a shaky conspiracy theory about a threat to "our democracy"—while failing to monitor the "dark money" of the left—Mr. Whitehouse would have done better to examine various campaign rules for effectiveness and potential reform. And, yes, conservatives now have a majority on the Supreme Court, but they don't always agree, let alone invariably favor business: Think only of Chief Justice John Roberts's opinion in support of the Affordable Care Act or Justice Neil Gorsuch's vote to extend civil-rights law to cover the sexual orientation of employees.

The judiciary plays a big role in American society, but so do the two other branches of government—not to mention colleges, the media and business. It would take a commitment to being distinguished by ignorance to believe that conservatives control "the future of our democracy."

*Mr. Lenkowsky is a professor emeritus at Indiana University.*

## Behind the Global Surge in Anti-Semitism



**GLOBAL VIEW**  
By Walter Russell Mead

It's a busy time for news about Jews. In Israel, Benjamin Netanyahu is assembling the most right-wing, pro-settlement government in the country's history even as violence between Israelis and Palestinians surges. In the U.S., Donald Trump sat down to dinner with some of the country's most unhinged anti-Semites.

Like it or loathe it, the inclusion of pro-settlement and pro-annexation parties in the next Israeli government is a recognition of political reality. Israeli public opinion is increasingly influenced by Mizrahi or Middle Eastern Jews whose ancestors were driven from their homes in Arab countries because of the conflict. These Jews often feel no responsibility for or guilt about the plight of the Palestinians.

That leaves many Israeli politicians less willing to give up the West Bank, which is a problem for the Biden administration and American Jews. Support for a two-state solution that protects Israeli security while securing self-determination for Palestinians unites the many Democrats who wish both Israelis and Palestinians well. And it is a position that allows liberal American Jews to reconcile their support for the Jewish state with a commitment to the human rights of all peoples, Palestinians included.

The fading prospects of the two-state solution exacerbate the conflict between progressive and centrist Democrats over Israel policy while polarizing opinion among American Jews. The dwindling prospects also open the door to those hoping to delegitimize the

Jewish state. If Zionism leads to an "apartheid state," some progressives argue, the only moral choice is a single state where all the inhabitants of former British Palestine (modern Israel, Gaza and the West Bank) enjoy equal rights.

Superficially appealing, the one-state solution is both wildly impractical and grossly unjust. More than a century of conflict hasn't prepared two different peoples to live harmoniously in a single state. In addition, Israel, a regional superpower enjoying unprecedented friendly relations with the most powerful Arab states, won't voluntarily surrender its sovereignty no matter how many American colleges pass boycott, divestment and sanctions, or BDS, resolutions.

**Despite likely friction, relations between the U.S. and Israel have a strong foundation.**

To argue that the Jewish state must continually earn the right to exist by satisfying its moral critics and political opponents is absurd. People criticize Chinese actions in Xinjiang and Tibet without saying that those misdeeds deprive the Chinese people of the right to a state of their own. The Palestinian plight is real and criticism of Israel is not unwarranted. Israelis and Palestinians should both think creatively and act wisely to address the human tragedy of Palestinian loss, but Israel's legitimacy doesn't need to be earned.

The new anti-Zionism, however, is becoming entrenched among many American progressives. Depending on what policies Mr. Netanyahu's cabinet adopts, the Biden administration could be

moving toward battles with the new Israeli government more bitter than those of the Obama years. And on campus and elsewhere, individual American Jews are being challenged to earn their way into progressive respectability by dissociating themselves from the Jewish state and the Jewish national movement.

But progressives' anti-Semitism disguised as human rights activism is only one of the dangers confronting American Jews. Almost two-thirds of religious hate crimes reported in the U.S. are directed against a group representing 2.4% of the population. Race-baiting political agitators seek to mobilize this hatred to advance their careers.

Jew-hatred has always existed in America. Equally at home in trailer parks and country clubs, it tends to peak at moments of social and economic stress. Today's genteel anti-Semitism among upper-middle-class BDS proponents and the less subtle Jew-hatred among radical black and white nationalists matches the classical pattern well. American populism also has a long history of anti-Semitic rhetoric. William Jennings Bryan's most famous speech climaxed in an anti-Semitic dog whistle: "You shall not crucify mankind upon a cross of gold." Radio priest Father Charles Coughlin and others enlisted Jew-hatred in their populist appeals during the Great Depression.

At present, the political prospects of the Jew-haters look weak. Most Americans staunchly reject the politics of racial and religious hate. The danger is less that a demagogue will ride Jew-hatred into the White House than that ugly rhetoric will inspire ugly deeds and that anti-Jewish hate crimes, like other hate crimes in our discordant era, will become more common

and more serious.

Anti-Semitic at home, radical populism is often isolationist abroad. Pat Buchanan used to argue that the American relationship with Israel is the result of Jewish control of the media and politics. "They" drag America into foreign quarrels that are none of "our" business. Even so, the U.S.-Israel relationship is likely to survive Mr. Netanyahu's return to power. Expect friction between the U.S. and Israel over a variety of issues, the position of the Palestinians prominent among them—but the foundations of the relationship remain strong.

Anti-Semitism has a long history in America, but that isn't the whole story. American Jews today enjoy greater equality, acceptance and opportunity than any group of diasporic Jews in the past 2,500 years. Overcoming ancient prejudice is what a healthy America does.

Arguments against anti-Semitism need to be made, and crimes of anti-Semitism must be vigilantly prosecuted. But the heart of the matter isn't about winning the argument with Jew-haters. It is about making America work. Populist anti-Semitism exploded during the 1880s and early 1890s as economic difficulties rose. Positive leadership under William McKinley and Theodore Roosevelt brought better times. Similarly, decades of prosperity after World War II marginalized anti-Semitism in American life—and reduced many other forms of prejudice.

American Jews aren't a foreign body in the U.S. They are an integral part of this ethnically and religiously diverse nation, and we stand or fall together. As Mr. Trump may be about to discover, politicians who fail to understand this great truth are unlikely to prosper for long.

*Ms. Noem, a Republican, is governor of South Dakota.*

## South Dakota Bans TikTok

By Kristi Noem

*Pierre, S.D.*  
The first responsibility of government is the security of its people. This is why I recently signed an executive order prohibiting the use of TikTok by South Dakota's government agencies. As of last week, TikTok can no longer be accessed on state-owned or state-leased devices.

We know that TikTok makes available to the Chinese Communist Party the personal information of its users, which may include internet browsing data, keystrokes and location

information. Given that government workers often access the personal information of South Dakotans on their work devices, this presents a serious vulnerability to a hostile foreign power.

The federal government exists in part to protect us from foreign adversaries. But the Biden administration has lost sight of this responsibility. Mr. Biden hasn't demanded that Beijing or TikTok cease gathering the data of American citizens, and he hasn't pushed Congress to ban the app nationally. By refusing to respond to this threat, the

president is allowing China's communist leaders to continue their attack on American security.

Similarly Mr. Biden hasn't tackled the threat posed by China's purchase of American farmland. I will soon be announcing plans to work with our legislature to address this threat in South Dakota, as well.

Many American intelligence officials believe that the Chinese Communist Party poses the greatest threat to the U.S., and most American people agree. If Mr. Biden won't take this threat seriously, then

Congress and state governments must fill the gap.

South Dakota is showing the nation how to create a state-led response to threats from communist China. We are taking the lead on preventing Beijing from accessing the private data of our citizens and throttling our food supply. South Dakota will continue to defend its citizens. I encourage other states to follow our lead. America's security depends on it.

## OPINION

## REVIEW &amp; OUTLOOK

## Biden Starts a Climate Trade War

Wasn't President Biden going to end Donald Trump's destructive trade wars against allies? Apparently not. His "super aggressive" climate protectionism—to quote French President Emmanuel Macron—is infuriating U.S. friends and may set off a subsidy and tariff war.

U.S. allies are upset about the Inflation Reduction Act's generous subsidies for domestically manufactured green technologies. In his trip to Washington last week, Mr. Macron said the U.S. subsidies may "perhaps fix your issue but you will increase my problem." They're really a problem for everybody.

The dispute involves tax credits for electric-vehicle and battery production. The IRA's \$7,500 consumer tax credit are restricted to EVs assembled in North America. Most foreign auto makers make EVs abroad and export them because the global and U.S. markets are still small. They can't tap the consumer tax credit unless they invest in American production. But making EVs in the U.S.—or Canada or Mexico—may be more costly and could render their cars less competitive in other export markets.

Half of the U.S. \$7,500 tax credit is also contingent on an increasing share of the vehicle's battery minerals being extracted or processed in the U.S. or a country in which the U.S. has a free-trade agreement—starting at 40% in 2023 and increasing to 80% in 2027. The other half will be available only to EVs whose battery components are mostly made in North America, starting at 50% in 2023 and reaching 100% by 2029.

No auto maker is expected to qualify for the full \$7,500 tax credit next year, but Tesla and GM may be eligible for half. Foreign auto makers will become less competitive in the U.S. and struggle to meet stringent fuel-economy mandates. The upshot? They will have to buy regulatory credits from Tesla and GM.

The law also offers generous tax credits for domestic EV battery production, including a \$35 per kilowatt-hour credit for U.S.-made battery cells, plus \$10 per kilowatt-hour for domestically produced modules. These credits are expected to shave the cost of producing an EV battery by 30% to 40% and reportedly prompted Tesla to reconsider plans to make battery cells in Germany.

The biggest winner of Mr. Biden's climate protectionism may be GM, whose joint venture with LG Energy Solution this summer received

### The Inflation Reduction Act's subsidies are angering U.S. allies.

a \$2.5 billion federal loan guarantee to build three U.S. battery factories. RBC Capital Markets has estimated that GM could pocket \$3 billion from the battery credit in 2025. GM recently projected the IRA tax credits will add \$3,500 to \$5,500 in profit to each EV.

The law also includes up to \$40 billion in loans to build new EV and battery factories. Oh, and don't forget the manufacturing tax credits for wind turbines, solar panels and other CO2-reducing technologies. "The U.S. has turned on a shop vac to suck up incentives and we're standing here with a dust buster," a Canadian Manufacturers & Exporters official said last month.

A Toyota spokesman in Canada spoke the truth: "While the IRA is being presented in many quarters as key legislation to fight climate change, in reality it is an act of trade protectionism." The Canadian Steel Producers Association has warned that U.S. steel producers would also indirectly benefit from the climate subsidies without incurring carbon costs.

Ah, yes—carbon costs. Complaints by European and Canadian leaders would merit more sympathy if they hadn't handicapped their own manufacturers with renewable subsidies that increase energy prices. Many European manufacturers are shifting investment from the Continent because of surging energy prices. Cap-and-trade systems in Europe and some Canadian provinces have also raised the cost of energy and manufacturing.

As for "climate protectionism," Europeans also play the game. Europe is planning to implement a carbon border adjustment tariff on imports produced in countries with higher CO2 emissions, including possibly the U.S.

\* \* \*

European leaders are threatening to file a complaint with the World Trade Organization if the Biden Administration doesn't rewrite the IRA to extend subsidies to foreign EVs and green technologies. But the latter would compound the policy felony by forcing U.S. taxpayers to subsidize foreign-made cars. Europe could also impose subsidies for domestic manufacturers or tariffs against U.S.-made EVs.

The West's climate policies are already harming consumers and slowing economic growth by raising energy prices and distorting investment. Now they are threatening a trade war that will cause more harm. The new climate protectionism won't end well.

## Donald Trump Is . . . the Terminator

President Trump would like to issue a clarification. "The Fake News is actually trying to convince the American People that I said I wanted to 'terminate' the Constitution," he wrote Monday on Truth Social. What he really said, Mr. Trump insisted, was only that the 2020 election "SHOULD GO TO THE RIGHTFUL WINNER OR, AT A MINIMUM, BE REDONE."

Is that all? In reality, there's little distinction: The Constitution contains no provision for muligan presidential elections, so what Mr. Trump is talking about is impossible under the parchment written by the Founders. But if he doesn't grasp why he's being called the constitutional Terminator, he should reread what he wrote two days earlier. The stolen 2020 election, Mr. Trump said, "allows for the termination of all rules, regulations, and articles, even those found in the Constitution."

For years, Mr. Trump's Twitter feed was the gift that kept on giving—to Democrats. Now his Truth Social account is playing the same role, giving the media a way to turn unfavorable stories back to Mr. Trump's outburst du jour. Last week Elon Musk divulged new information

about Twitter's 2020 censorship of the Hunter Biden laptop story in the New York Post. Republicans should be on offense this week. Instead they are facing hostile questions about Mr. Trump's Terminator fantasy and whether they will support him in 2024.

House Republicans are eager next year to take on social-media companies, which have earned some hard questions about their speech policies. But Mr. Trump undermines the effort when he says it's proof of "OPEN AND BLATANT FRAUD." The fact is he lost in 2020. Last month Mr. Trump's handpicked "stop the steal" candidates lost in Arizona, Pennsylvania, New Hampshire and beyond. This is a dead end for the GOP.

Truth in advertising, though. Mr. Trump is giving Republicans a taste of what they're in for if they nominate him again in 2024. His presidential campaign is less than a month old. Already Mr. Trump has dined with anti-Semites and a white nationalist, while calling for himself to be reinstated as President, even if this requires the "termination" of whatever in the Constitution stands in the way. What he'll really terminate is the GOP.

## The B-21 Bomber Is Needed Now

The Air Force unveiled its B-21 stealth bomber on Friday evening, and the California ceremony included encomiums to American military power. The self-praise would be more credible if the long-range aircraft weren't so urgently needed.

Defense Secretary Lloyd Austin touted the B-21, the first new U.S. strategic bomber in three decades, as "deterrence the American way." If "you want to see America's enduring advantages in action, if you want to see integrated deterrence in action" he said, "well, just look at this aircraft."

The B-21 is a formidable plane, an upgrade from the B-2 stealth bomber that entered service in the 1990s. The B-21 can fly long distances, takes advantage of advances in stealth technology, and carries a heavy weapons payload that can be conventional or nuclear and fired at a standoff distance. (The details of these points are classified.)

All of this should make it more survivable against modern air defenses and especially suited for deterrence against China in the Pacific. One goal of Beijing's military buildup, as the Pentagon explained in a report last month, is "to restrict the United States from having a presence in China's immediate periphery and limit U.S. access in the broader Indo-Pacific region." Long-range Chinese missiles put U.S. aircraft carriers at risk and make the defense of Taiwan more difficult.

The big question is: How soon can U.S. military planners count the B-21 as part of their us-

### The plane is vital for Pacific deterrence but is rolling out too slowly.

able arsenal? The B-21's first flight isn't scheduled until 2023, and it may be years before it's serving at scale in the Air Force fleet. This is an acute problem because the current bomber inventory is geriatric and less than half the size it was during the Cold War, the last time the U.S. dealt with such a significant military competitor.

The B-52 and B-1 bomber fleets are 61 and 35 years old on average, respectively, and neither are suited to operating amid sophisticated air defenses. The B-2 bomber handles the stealth mission for the Air Force now, but the U.S. has only 20 after the Pentagon bought fewer after the Cold War ended. Only a dozen or so are mission-capable at a time, and such dismal readiness rates persist across the bomber fleet.

The Air Force has said it needs a minimum of 100 B-21 bombers and perhaps 150. Former Air Force Secretary Heather Wilson was right that the force needs at least five more bomber squadrons to be ready to prevail against a competitor like China. The U.S. currently has nine bomber squadrons.

The B-21 bomber has been praised as the rare defense acquisition program that isn't a disaster, at a cost of about \$700 million a plane, and no one wants to risk a premature rollout. But speeding up the program even six or 12 months could be significant in deterring China's plans for taking Taiwan. The only military assets that change Beijing's calculus today are the ones that are ready to drop weapons tonight.

## LETTERS TO THE EDITOR

## 'Blame Your Predecessor' and Other Lessons

A.G. Lafley's op-ed "A Two-Time CEO's Advice to Disney's Bob Iger" (Dec. 1) reminds me of the joke about the departing chief executive and the three envelopes.

A departing CEO met with his successor, presented him with three numbered envelopes and advised him to open these if he ran into trouble. After sales and profits dropped during the next quarter, the new CEO opened the first envelope. It contained the message: "Blame your predecessor."

The company continued to struggle

during the next two quarters, so the new CEO opened the second envelope. It contained the message: "Distract your critics by reorganizing."

Finally, because the company's year-end results were still disappointing, the new CEO rushed to his office and opened the third envelope. It contained the message: "Prepare three envelopes."

I hope Disney's Mr. Iger doesn't have to prepare envelopes of his own.

PETER K. NEWMAN  
Dayton, Ohio

## Why Parents Deserve a Tax Credit for Children

In "The Child Tax Credit Is a Failed Experiment" (op-ed, Nov. 29), Scott Hodge writes that this credit "made its debut in my February 1993 Heritage Foundation paper." This credential is then used to support his skewering of the credit. The real debut, however, came years earlier from C. Eugene Steuerle, a fellow at the Urban Institute.

In 1984 Mr. Steuerle documented a remarkable shift of the federal income-tax burden onto families with dependent children, caused by inflationary erosion of the personal exemption. He subsequently proposed child tax credits as one way to repair the damage. In 1989 I wrote "A Pro-Family Income Tax" for the Public Interest, urging the creation of a universal child tax credit of \$600. Two years later, the bipartisan National Commission on Children, on which I served, unanimously endorsed "a \$1,000 refundable tax credit for all children through age 18."

Your accompanying editorial "The Parable of the Child Tax Credit" (Nov. 29) laments that "the top 1% of taxpayers" pay over 38% of federal income taxes while thousands of families have recently left the tax rolls through the credit. Some parents also took advantage of the retained or augmented income to reduce hours at work. My guess is that many were simply providing more child care at home. The editorial board's response?

Cut the credit, push slacker parents back into the workforce and "lower taxes for everyone," presumably including the top 1%. All that's lacking is endorsement of Mr. Potter's famous line in "It's a Wonderful Life": "They're not my children!"

The child tax credit is an affirmation of children as gifts to the nation, different in kind from, say, pets. Financial relief to parents while they raise children is one of the few real acts the federal government can take to strengthen families. The Democrats dimly understand this. The Republicans' default setting is to defend the interests of the top 1%. This will assure them future electoral defeats.

ALLAN C. CARLSON  
Rockford, Ill.

Mr. Hodge's article is excellent. I agree that more thought must go into these payments. I am all in favor of returning to taxpayers some of their money, but it escapes me why those who don't pay federal tax should get some of my money in this case. Moreover, why is it only parents who are singled out for support? Where does that leave single people or those like my wife and me, who for the 43 years we have been married without children have already been subsidizing parents in the form of property taxes to support schools?

JACK CORSER  
Wake Forest, N.C.

## Time for Republicans to Say No to More Debt

I've been in the Senate for almost four years, and one thing I've learned is that in Washington compromise means everyone gets everything so that nobody has to make a tough choice. The result is gross fiscal mismanagement and unsustainable debt. Democrats are again pushing a massive omnibus spending bill that keeps this inflation-bomb deficit spending going ("Democrats Want a Lame-Duck Blowout," Review & Outlook, Dec. 1). It's time for Republicans to be a brick wall to stop the madness.

While I've fought to rein in insane spending, Congress has been fiscally irresponsible for so long that people think it's normal. It isn't. If you had siblings that acted the way Congress does with its money, you would step

### Maybe Biden Meant What He Said About Fossil Fuels

Your editorial "Biden's Man in Venezuela" (Nov. 29) seems to find the president's behavior toward oil-rich dictatorships inexplicable. Why beg dictators when we have so much here? The answer is straightforward.

When campaigning, Mr. Biden made clear that he would do whatever was necessary to shut down fossil-fuel production in America. He said it; he meant it. If, in the short term, it requires kowtowing to dictators, jeopardizing national security, harming the U.S. economy, buying dirtier oil and exporting high-paying jobs to autocracies, it's worth it. It still advances the long-term goal of shutting down domestic fossil-fuel production, so the end justifies the means. Reprehensible? Perhaps. Inexplicable? Hardly.

JAMES SPIRO  
New Orleans

## The Neglected Conservatism

The biggest problem with conservatism isn't so much the label ("Conservative" Is a Bad Label for Republicans' Good Policies" by Hyrum Lewis, op-ed, Nov. 26) as constant neglect and mischaracterization. Conservatism isn't about halting progress but maintaining the freedom necessary to facilitate it. Conservatism, in the American political sense, represents the ideals of limited government, free markets, individual rights and the rule of law. These core principles are as relevant now as ever, but Republicans have strayed from the playbook.

JOHN BASSFORD  
Jacksonville, Fla.

in and try to help them. You might even stage an intervention.

I ran for Republican Senate leader because if we're silent and never challenge the status quo, we sentence America to more of the same: More bureaucracy, more reckless spending, more multithousand-page bills dropped at the last minute that no one can actually read, more debt and more inflation.

I reject that, and so do American families who are sick of being stuck with the consequences of Washington's wasteful spending. Congress should go through the budget process and pass a balanced budget. Anyone supporting a bloated omnibus that spends taxpayer dollars on radical waste, like 87,000 IRS employees, has surrendered to massive debt and raging inflation, which are affecting every American family.

How much debt is too much? Is it \$45 trillion? More? Few in Washington will say. Caving to more debt isn't an option. We must fight for our country while we still have something to save.

SEN. RICK SCOTT (R., FLA.)  
Naples, Fla.

## Let Teachers Unions Compete

While size contributes to the challenges of public-school education ("America's School Districts Are Too Big" by Andy Smarick, op-ed, Dec. 1), the underlying issue is a lack of flexibility to hire the best teachers. This is a function of the teachers unions' "resource monopoly." The unions should be converted to a "competency" model. School districts would have contracts with multiple unions on rate and working conditions while maintaining the flexibility to source the best talent. Unions would have an incentive to maintain high standards to compete with other unions.

JOHN CROOK  
Cincinnati

### Pepper ... And Salt

THE WALL STREET JOURNAL



"I want to quit being a prophet but I have too many followers."

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## OPINION

## Twitter's Duty to Protect Free Speech

By Ro Khanna

Defending free speech is easy when it's speech you agree with. Defending speech you dislike, or speech that doesn't advance your interests, is more challenging. But it is in exactly those uncomfortable situations that American democratic principles call on us to protect the free exchange of ideas and freedom of the press.

Free speech is a foundational value of our democracy. In *New York Times Co. v. Sullivan* (1964), which overturned a libel judgment that racist local officials had won in an Alabama court, Justice William Brennan Jr. wrote that "debate on public issues should be uninhibited, robust, and wide-open." Brennan noted that this speech "may well include vehement, caustic, and sometimes unpleasantly sharp attacks on government and public officials."

**Censorship of the Hunter Biden story might have helped my party, but it was bad for our democracy.**

The kind of political debates once held via letters to local papers, as well as in political ads such as the one at issue in *Sullivan*, have moved online, often in the form of tweets. Attacks on public officials and candidates for office have continued.

This tension was on full display when the New York Post's Hunter Biden laptop story dropped less than a month before the 2020 election. Twitter's suppression violated the First Amendment principles Brennan articulated in *Sullivan*. Twitter banned links to the story and suspended accounts that shared it, including President Trump's press secretary and the New York Post itself—arguing that the story violated



SAMUEL CORIUM/GETTY IMAGES

company policy because it contained information obtained through illegal means. Under the same logic, they'd have to suspend any account that posted the Pentagon Papers, which is protected by *New York Times Co. v. U.S.* (1971), or the story of Mr. Trump's leaked tax returns.

As Silicon Valley's representative in Congress, I reached out to Twitter at the time to share these concerns. In an email meant to be private, but recently made public by Matt Taibbi's "Twitter Files" thread, I wrote to Twitter's general counsel that the company's actions "seemed to be a violation of First Amendment principles." Although Twitter is a private actor not legally bound by the First Amendment, Twitter has come to function as a modern public square. As such, Twitter has a responsibility to the public to allow the free exchange of ideas and open debate.

There are, to be sure, limits to certain types of speech. In *Brandenburg v. Ohio* (1969), the Supreme Court held that the government could prosecute speech if it will produce "imminent lawless action and is likely to incite or produce such action." *Sullivan* allowed liability for

false defamation of a public official in limited circumstances. But in the case of the New York Post's laptop story, there was no threat of lawless action, and the Post would be responsible for any defamation—Section 230 of the Communications Decency Act absolves Twitter of liability.

I agreed with Twitter's decision to take down explicit photos of Hunter Biden and to prevent algorithmic amplification of the Post story. But there's a difference between sharing and artificially amplifying. Social-media companies shouldn't have bots that amplify speech in the first place—they add chaos to the dialogue. They certainly shouldn't be abusing people's data by using it to target them with sensational content. We need to uphold the sovereign right to our data. Even so, the story itself shouldn't have been censored, and those who shared it shouldn't have been suspended. That went too far.

To the extent Twitter makes value decisions on the forum—types of conspiracy theories or hate-inciting content that gets removed or isn't promoted—the company should

have clear and public criteria. Elon Musk has said Twitter will be "more aggressive than ever, using technology to reduce the reach of hateful Tweets and prevent their amplification." Transparency into how decisions are made, including some recourse to appeal, is crucial—with some independent committee or board that will thoughtfully consider a complaint of censorship.

A robust defense of First Amendment principles online is more important than ever. Citizens in our polarized country need to have conversations with each other based on mutual respect. Suppressing speech we don't like leaves us blind to alternative perspectives that help us see the whole, complex truth.

My belief in a marketplace of ideas is why I do interviews on media channels across the political spectrum. It's why I engage perspectives different from mine, why I visit factory towns, rural areas and Republican-dominated congressional districts. Imagine if Democratic lawmakers were required to have town halls in deep red areas and Republicans in deep blue ones.

There will always be extremists and partisan media outlets that increase polarization and make conversations more difficult. But we would be wise to remember the teaching of the great liberal political philosopher John Rawls: "It is extremely unwise to conceive of the ideal political society as moved by scarce supererogatory moral motives alone. That leads to hating other persons and taking pleasure in condemning them as falling short." Rawls believed we should be humble about our own certitude of truth and not rush to condemn others who we think don't measure up. Robust public debate is the first step in America's healing and reconciliation.

*Mr. Khanna, a Democrat, represents California's 17th Congressional District.*

**Who Defines A State's 'Legislature'?**

By Steven G. Calabresi

The Supreme Court hears the most consequential case of the 2022-23 term Wednesday. *Moore v. Harper* is generally framed as a case about election law, but it's more properly understood as being about states' rights. The question is whether federal courts can dictate to the states how their legislatures are composed.

The case emerges from North Carolina, where in 2021 state lawmakers enacted new congressional maps. When state courts ruled that the maps ran afoul of the state constitution, lawmakers petitioned the Supreme Court for relief, claiming that the state courts had violated the U.S. Constitution by reviewing the maps. They argue that because the Constitution empowers state legislatures to draw congressional maps and appoint presidential electors, state courts can't deem lawmakers' actions unconstitutional under state constitutions.

**Whether state judges can review election laws is up to the state constitution, not the federal courts.**

Under the lawmakers' "independent state legislature" theory, which three justices floated in *Bush v. Gore* (2000), an unchecked state legislature could give the state's electoral votes to the loser of the popular vote—even if the state constitution orders that the people decide. That's the theory by which in 2020 Donald Trump hoped GOP legislators in Arizona, Georgia, Pennsylvania and Wisconsin would hand him their states' electoral votes—even though he had lost at the polls.

An affirmation of the theory would be a constitutional travesty. It's true that the U.S. Constitution empowers state legislatures to draw congressional districts and determine how presidential electors are chosen. But it doesn't authorize the Supreme Court to decide what a state legislature is or isn't. State constitutions define the state legislature, subject only to the U.S. Constitution's requirement that "the United States shall guarantee to every state in this union a republican form of government."

This means that no state could be a theocracy, a monarchy, an aristocracy, a dictatorship or an oligarchy, or subject to mob rule. But the states are free to have a unicameral legislature, as Pennsylvania and Georgia did in 1787 and Nebraska does now. They can deny governors an unqualified veto power, as 12 out of 13 states did in 1787. The states can by direct democracy opt for nonpartisan redistricting commissions, as several states have recently done. The states are even free to adopt parliamentary systems of government, although none have ever done so.

The North Carolina lawmakers' theory conceives of "state legislatures" as referring to state houses and senates alone. But no modern state legislature comprises only those two bodies. Twenty-six states allow for lawmaking by initiative or referendum, and all 50 states give the governor a veto. If the North Carolina Constitution allows for judicial review of congressional maps or of the selection of presidential electors, federal courts have no business saying otherwise. All of these matters are political questions, as the U.S. Supreme Court held in *Pacific States Telephone & Telegraph v. Oregon* (1912), which allowed states to make law by direct democracy.

The Guarantee Clause doesn't even mandate the separation of powers at the state level. In *Calder v. Bull* (1798), the U.S. Supreme Court upheld a decision by Connecticut's Legislature to order a new trial in a civil lawsuit. Three of the four justices who decided the case agreed that the state could make its legislature superior to its state courts, just as the British House of Lords was the highest court in the land. These justices argued that the Constitution left the states free to organize their institutions in any way they wanted, so long as they were republican in form.

It has long been settled practice that a state's electors go to the winner of the state's popular vote. No legislature has ever nullified the popular vote. Since the founding, state courts have enforced this policy, and nothing in the U.S. Constitution bars such judicial review. If the Supreme Court now overturns that centuries-old settled practice, it would be a power grab and an assault on states' rights, democracy and the original meaning of the Constitution.

*Mr. Calabresi is a professor of constitutional law at Northwestern University and served in the Reagan White House and Justice Department.*

**Is Biden's 'Greatness' an Excuse for Trump?**


FREE EXPRESSION  
By Gerard Baker

If the polls are right and Raphael Warnock wins Tuesday's Georgia Senate runoff election against Herschel Walker, it will put an exclamation point on the Democrats' pyrrhic defeat in this year's elections.

True, they lost the House and trailed the Republican Party in the national popular vote by a wide margin. But a net gain of one seat in the Senate (if Georgia does re-elect Mr. Warnock) and a loss of only 10 House seats—seven of which were accounted for by localized red waves in Florida and New York—is a strong midterm showing for an incumbent party.

A Senate gain would make 2022 the first time since 1962, when John F. Kennedy was in the White House, that the Democrats increased their seats in the Senate while their party holds the presidency. The net loss of 10 House seats would be the smallest retreat by the Democrats in the first midterm election of a presidency of their party since 1962. In the past century, the only other Democrat to have enjoyed similar first term electoral success was Franklin D. Roosevelt. The Democrats' net gain of two governorships beat the party's performance even under FDR and JFK.

For the past two years Joe Biden has surrounded himself with advisers and "historians" who have told him he was up there with the greatest and most transformative Democratic presidents. (Roman emperors used to hire slaves to remind them after a great victory that they were mortal. Presidents hire servants who tell them they are gods.)

Conservatives have mostly laughed out loud at the suggestion that Joseph Robinette Biden Jr.—a twice-failed presidential candidate, a senator without trace for 36 years, butt of jokes from President Obama's staff for eight years, and a man

elected from his basement in a crazy year with thin congressional margins—could possibly be considered an important historical figure.

Should they stop laughing now? You'd expect Mr. Biden's fans to think so. The word they've been putting about since the elections is that the president is a historic over-achiever. Ron Klain, the White House chief of staff, offered a Thanksgiving menu of the president's top accomplishments that Biden fans could wave at grumpy uncles.

**In trying to explain the GOP's midterm showing, Newt Gingrich sounds like chief of staff Ron Klain.**

But if for some reason you find yourself doubting the testimony of Mr. Klain, how about Newt Gingrich?

Last week the former House speaker wrote a short but widely followed blog post titled "Quit Underestimating President Biden." He ar-

gued that despite the president's evident weaknesses, he had pulled off an unexpectedly strong midterm showing after two years of success in getting legislation through a sharply divided Congress.

"The Biden team took an amazingly narrow four-vote majority in the U.S. House and a 50-50 tie in the Senate and turned it into trillions of dollars in spending—and a series of radical bills."

There's no denying this record. But it's worth noting that when Mr. Biden campaigned in 2020, he promised to be a uniting president, to heal a wounded and divided nation, and to seek bipartisan solutions to America's biggest problems. Instead his legislative success is largely the result of acceding to the Bernie Sanders agenda.

But are we really going to do this? Is the Republican Party's disappointing performance truly the result of Mr. Biden's presidential greatness? Or is there something else at work benefiting Democrats and harming Republicans, which perhaps Mr. Gingrich doesn't want to identify?

**Microsoft's Acquisition Good for Gamers**

By Brad Smith

The Federal Trade Commission reportedly plans to sue Microsoft to stop our proposed acquisition of Activision Blizzard. That would be a huge mistake. It would hurt competition, consumers and thousands of game developers.

Microsoft faces huge challenges in the gaming industry. Our Xbox remains in third place in console gaming, stuck behind Sony's dominant PlayStation and the Nintendo Switch. We have no meaningful presence in the mobile game industry. That segment of gaming generates the most revenue and is the fastest-growing, but a significant portion of the revenue goes to Google and Apple through their app-store fees.

Acquiring Activision Blizzard

would enable Microsoft to compete against these companies through innovation that would benefit consumers. While modern consumers can stream videos or music on multiple devices on low-cost subscription plans, many games can often only be

**Our proposed merger with Activision Blizzard will encourage competition.**

individually purchased and downloaded onto one device. Microsoft wants to change that by offering consumers the option to subscribe to a cloud gaming service that lets them stream a variety of games on multiple devices for one reasonable fee. It would also benefit developers by allowing them to reach a much broader audience.

To get subscribers to this service, Microsoft needs a full library of popular games and, as things stand, we simply don't have enough. That's where the acquisition comes in. Activision Blizzard comes with popular mobile, PC and console games, including "Candy Crush," "World of Warcraft" and "Call of Duty."

Sony has emerged as the loudest objector. It's as excited about this deal as Blockbuster was about the rise of Netflix. The main supposed potential anticompetitive risk Sony raises is that Microsoft would stop making "Call of Duty" available on the PlayStation. But that would be economically irrational. A vital part of Activision Blizzard's "Call of

Duty" revenue comes from PlayStation game sales. Given the popularity of cross-play, it would also be disastrous to the "Call of Duty" franchise and Xbox itself, alienating millions of gamers.

That's why we've offered Sony a 10-year contract to make each new "Call of Duty" release available on PlayStation the same day it comes to Xbox. We're open to providing the same commitment to other platforms and making it legally enforceable by regulators in the U.S., U.K. and European Union. Microsoft made a similar commitment to the European Commission when we acquired LinkedIn in 2016, ensuring access to key technologies for competing services.

Some regulators worry that any big-tech acquisition will harm consumers and workers. But Microsoft committed in February to govern its new cloud-based game store by the pro-competition principles outlined in the app-store legislation pending in Congress. And in May we negotiated a precedent-setting agreement with the Communications Workers of America allowing workers to organize easily at studios, including Activision Blizzard.

Blocking our acquisition would make the gaming industry less competitive and gamers worse off. Think about how much better it is to stream a movie from your couch than drive to Blockbuster. We want to bring the same sort of innovation to the videogame industry.

*Mr. Smith is vice chair and president of Microsoft.*

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WORLD NEWS

# China Says Protests Led to Easing Pyongyang Conducts New Round Of Shelling

BY SELINA CHENG

HONG KONG—China’s scaling back of lockdowns and mass testing for Covid-19 is a response to weeks of nationwide protests against unpopular pandemic controls, a Communist Party mouthpiece acknowledged, in a rare sign that Beijing is responding to protesters’ demands and beginning to lay the groundwork for reopening the economy.

As pandemic controls were partially lifted in many big cities despite the Omicron-fueled outbreak sweeping the country, new locally transmitted infections fell—likely due in part to reduced mass testing, leading to fewer cases being detected. New daily infections dropped below 30,000 on Sunday, down from a daily tally of more than 38,000 at the end of November. Cases in some of the hardest-hit regions have fallen by half or more from their highs, official data show.

“In the past few days, there have been quite a lot of opinions about local epidemic controls,” the Chinese Communist Youth League wrote on their official WeChat account on Sunday. “The incident has initially subsided through prompt communication and improvements,” it said, adding that the swift response and changes in policy showed a level of responsiveness by party leaders that would be impossible anywhere else in the world.

The public acknowledgment of public anger against the harsh and prolonged pandemic regime may be the first official admission of flaws in the zero-Covid policy personally endorsed by leader Xi Jinping. But despite reports that Mr. Xi told visiting EU officials that the unrest reflected people’s grievances against the Covid measures, the Youth League also took a swipe at Washington for seeking to stoke public dissent in the country.

Comments by Secretary of State Antony Blinken on Beijing’s Covid policies and other



The easing of Covid-19 restrictions marks a stark contrast with China’s earlier approach. Above, Shanghai commuters on Monday.

American politicians sounding their support for protesters were signs the U.S. intends to “create chaos” in China, the Youth League wrote in the post.

The easing of restrictions marks a stark contrast with China’s earlier adherence to its zero-Covid regime, which for almost three years has used harsh lockdowns and mass testing to crush outbreaks. Though this has resulted in lower death tolls than in other countries, the policy has stoked widespread public resentment, throttled domestic growth and emerged as one of the biggest risks to the global economy.

Chinese-linked shares jumped Monday on optimism that the shift in policy marks the beginning of China’s exit from zero-Covid. Hong Kong’s Hang Seng Index rose more than 4.5%, with e-commerce giant Alibaba and smartphone maker Xiaomi surging more

than double that. The CSI 300 Index, a gauge of the largest listed companies in mainland China, rose nearly 2% to its highest level since mid-September.

Still, some analysts caution that the easing doesn’t mean an

### The admission may be the first official nod to flaws in the zero-Covid policy.

immediate end to zero-Covid, and China’s road to full reopening will be long and bumpy.

The success of zero-Covid in shielding China’s population from the virus means natural and acquired resistance to the disease is low, as are vaccination rates for the elderly and

other vulnerable groups. Based on the experience of Hong Kong and Taiwan, which also had low levels of infections and vaccination of older people, Goldman Sachs economists predict that China’s Covid cases could peak between three million and 13 million a day by January.

Whether deaths also surge will depend on the government’s ability to boost vaccination rates. Among 35.8 million Chinese people aged 80 or above, about 66% are fully vaccinated and 40% have received booster shots, according to data from health authorities made public late November.

And while the easing of restrictions has been widely broadcast, it remains a patchwork of policies unevenly applied across regions. Officials have also been forced to walk back some policies as they adapt to China’s new Covid reality.

In the metropolis of Chongqing, where infections were among the highest in China during November’s peak, authorities said testing will no longer be compulsory for many of the city’s 32 million residents. However, those deemed to be in high-risk roles, such as delivery staff and hotel, shopping-mall or supermarket employees, will still have to take tests.

On Monday, plant operator Foxconn Technology Group said its revenue fell 11% in November from a year earlier after the disruption at the site. The outbreak is now under control, and production at the facility employing more than 200,000 people is gradually returning to normal, the company said.

—*Kosaku Narioka* contributed to this article.

◆ **Heard on the Street: China stock rally vulnerable..... B12**

## Pyongyang Conducts New Round Of Shelling

BY DASL YOON

SEOUL—North Korea fired about 130 artillery shells off its west and east coasts, as the U.S. and its allies pressure the Kim regime to abandon its weapons programs.

The artillery shells were fired at around 2:59 p.m. Monday from Kumgang County, which lies north of the heavily fortified demilitarized zone, and Jangsan Cape located on the country’s west coast, the military in Seoul said. The artillery firings involved multiple rocket launchers and splashed into the maritime buffer zones north of the Northern Limit Line, a disputed inter-Korean maritime border.

The South Korean military sent messages warning Pyongyang to stop firing in violation of a 2018 inter-Korean military agreement and urged the North to suspend such activities. South Korea’s military is conducting its own live-fire drills from Monday through Friday, according to an announcement from Cheorwon County, which is near the border with North Korea.

Following an announcement from the South Korean military, the North’s state media said its military fired 130 artillery shells in response to South Korea’s drills, conducted between 8:30 a.m. and 3:50 p.m. at Cheorwon County. North Korea’s military warned the South to refrain from “kindling the flame of escalation of tension.”

Last week, the U.S., South Korea and Japan imposed new sanctions on North Korean officials and companies in an attempt to pressure Pyongyang to halt provocations and weapons development. Washington blacklisted members of North Korea’s ruling Workers’ Party for contributing to advancing Pyongyang’s weapons of mass destruction while Seoul imposed its own measures targeting eight individuals and seven companies. Tokyo also sanctioned three organizations including Lazarus Group, a cybercriminal syndicate working on behalf of the North Korean government.

The measures from Washington and its allies came amid deadlock at the United Nations Security Council, which has been unable to impose additional sanctions on Pyongyang this year despite an unprecedented number of ballistic missile launches—including an inter-continental ballistic missile. Russia and China, veto-wielding members of the Security Council, have opposed additional sanctions on North Korea. Last week, the U.S. ambassador to South Korea called on China and Russia to do more to convince North Korea to denuclearize.

The two Koreas conducted a series of military drills in November, blaming each other for worsening ties. North Korea has said its firing of artillery shells are a response to joint military drills held by South Korea and the U.S.

## U.A.E. Leader Visits Qatar in Sign of Thaw

BY RORY JONES

DUBAI—United Arab Emirates President Sheikh Mohammed bin Zayed al-Nahyan visited Qatar for the first time since launching a three-year boycott of the Gulf neighbor, a sign of thawing regional tensions as the FIFA World Cup is held there.

The U.A.E. spearheaded a yearslong effort economically and physically to isolate Qatar beginning in 2017 and ending last year. Sheikh Mohammed’s visit illustrates how the U.A.E. has pioneered a series of moves to mend ties across the region and chart a neutral foreign policy after mixed success intervening in regional conflicts.

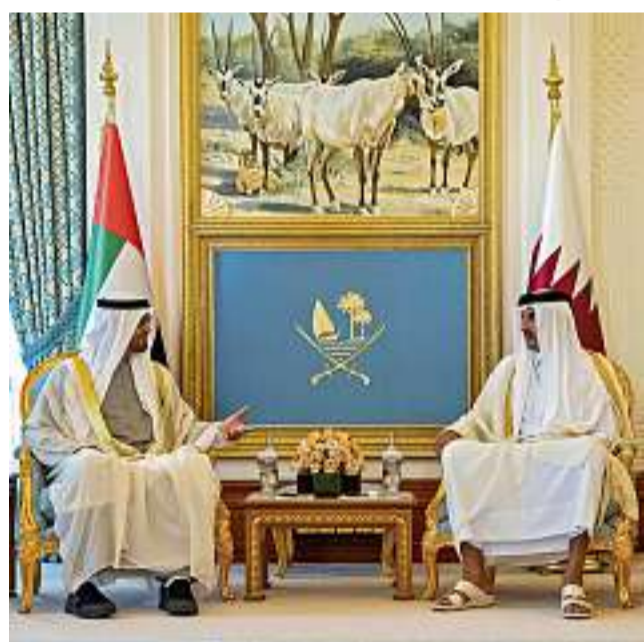
Qatari Emir Sheikh Tamim bin Hamad al-Thani met Sheikh Mohammed at the airport on Monday and the two leaders later discussed ways to strengthen the bonds between their countries, Qatar’s state news agency reported. The U.A.E. said the Emir held a

ceremony at his palace that included a guard of honor and a band playing the U.A.E. and Qatari national anthems.

The visit comes as the first soccer World Cup in the Middle East has generated a rare sense of solidarity among Arab and Muslim countries.

Saudi Arabia’s Crown Prince Mohammed bin Salman, who joined the U.A.E., Egyptian and Bahraini boycott of Qatar, sat near Sheikh Tamim at the event’s opening ceremony, which included the Emirati vice president. Fans from Saudi Arabia are the top ticket holders after Qatar and the U.S., and the national team provided one of the surprise upsets of the tournament by beating Argentina.

While Sheikh Mohammed has moved more slowly in re-engaging with Qatar than Saudi Arabia, the U.A.E.—whose team didn’t make it to the World Cup—has organized dozens of daily flights to Qatar to ease an accommodation



Qatar’s Sheikh Tamim, right, hosted the U.A.E.’s Sheikh Mohammed.

crunch. Its commercial hub, Dubai, also has been a major beneficiary of the uptick in tourists to the region.

The U.A.E. leader’s visit to Doha during the more high-profile knockout phase of the World Cup demonstrates an

urge to bury the hatchet, said Cinzia Bianco, a research fellow at the European Council on Foreign Relations. The U.A.E. wants to project, “a zero problems with neighbors vibe,” she said. “Qatar is part of that.”

Since the Covid-19 pandemic, Sheikh Mohammed has tried to chart a less-confrontational posture, moving quickly to patch up regional relationships with Iran and Turkey, a Qatari ally, and seeking to act as a bridge between the West and Russia over the invasion of Ukraine. The U.A.E. leader has said he wants to focus on economic prosperity after engaging in costly wars in Yemen and Libya in recent years.

The three-year conflict between the Gulf states stemmed from Emirati and Saudi allegations—which Doha denied—that Qatar supported terrorist networks in the Middle East and had a cozy relationship with Iran.

## WORLD WATCH

### SUDAN Deal Reached for Civilian Government

Sudan’s coup leaders and the main pro-democracy group signed a deal Monday to establish a civilian-led transitional government following the military takeover last year. But key players refused to participate, and no deadline was set for the transition to begin.

The framework—signed by Gen. Abdel-Fattah Burhan, Gen. Mohammed Hamdan Dagalo and the leaders of the Forces for the Declaration of Freedom and Change—appears to offer only the broadest outlines for how the country will resume its progression to democracy. That process was upended in October 2021, when Gen. Burhan unseated the civilian half of Sudan’s ruling Sovereignty Council with Gen. Dagalo’s backing.

Since the coup, international aid has dried up and bread and fuel shortages, caused in part by the war in Ukraine, have become routine, plunging Sudan’s already inflation-riddled economy into deeper peril.

—Associated Press

### COLOMBIA Mudslide Buries Bus, Vehicles, Killing 27

A mudslide unleashed by torrential rain buried a bus and two other vehicles in central Colombia, killing at least 27 people and leaving others trapped as rescuers tried to reach them in the wreckage on Monday.

The mudslide late Sunday divided a highway in two in the town of Pueblo Rico in the district of Risaralda.

The dead included three children, President Gustavo Petro tweeted. Several more people were rescued and taken to hospitals. More than 70 search-and-rescue workers using backhoes and other equipment tried to reach the rest.

—Associated Press

### BELGIUM Trial Begins in 2016 Terrorism Attack

More than six years after the deadliest peacetime attack on Belgian soil, the trial of 10 men accused over the suicide bomb-



Indonesian villagers on Monday inspected an area buried in volcanic ash from the eruption of Mount Semeru in Lumajang district in East Java province. No casualties have been reported.

ings at Brussels airport and a subway station started in earnest under high security on Monday.

Among the accused is Salah Abdeslam, the only survivor among the Islamic State extremists who in 2015 struck the Bataclan theater in Paris, city cafes and France’s national stadium. He

was brought to the court in an armored police vehicle and identified himself when called upon by the presiding judge.

The 10 defendants face charges including murder, attempted murder and membership in, or participation in the acts of, a terrorist group, over

the attacks at Belgium’s main airport and on the central commuter line on March 22, 2016.

In all, 32 people were killed. Around 900 people were hurt or suffered mental trauma. If convicted, some of the accused could face up to 30 years in prison.

—Associated Press

### INDONESIA Volcanic Eruption Prompts Evacuations

Improved weather conditions Monday allowed rescuers to resume evacuation efforts and a search for possible victims after the highest volcano on Indonesia’s most densely populated island erupted, triggered by monsoon rains.

Mount Semeru in Lumajang district in East Java province spewed thick columns of ash nearly 5,000 feet into the sky Sunday. Villages and nearby towns were blanketed with falling ash, blocking out the sun, but no casualties have been reported.

Hundreds of rescuers were deployed Monday in the worst-hit villages of Sumberwuluh and Supiturang, where houses and mosques were buried to their rooftops by tons of volcanic debris.

Heavy rains had eroded and finally collapsed the lava dome atop the 12,060-foot volcano, causing an avalanche of blistering gas and lava down its slopes toward a nearby river.

—Associated Press

# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Tuesday, December 6, 2022 | B1

S&P 3998.84 ▼ 1.79% S&P FIN ▼ 2.50% S&P IT ▼ 1.66% DJ TRANS ▼ 3.26% WSJ \$IDX ▲ 0.85% 2-YR. TREAS. yield 4.392% NIKKEI (Midday) 27902.11 ▲ 0.29% See more at WSJ.com/Markets

## Economy-Tied Stocks Fall Steeply

Stocks tied closely to the health of the U.S. economy dropped sharply Monday despite strong data, a sign of the intense market fixation with the risk that the Federal Reserve will continue to raise interest rates throughout the next year.

Shares of big regional banks, which are particularly sensitive to the economic outlook, were among the biggest decliners. **PNC Financial Services** dropped 6.8%, **Citizens Finan-**

**cial Group** fell 5.3% and **Regions Financial** declined 5.1%.

Fed officials have signaled plans to raise their benchmark interest rate by 0.5 percentage point at their meeting next week, which would mark a slowdown from recent meetings. But elevated wage pressures could lead them to continue lifting it to higher levels than investors currently expect, The Wall Street Journal reported Monday.

That would likely keep

By Paul Vigna, Weilun Soon and Joe Wallace

stocks under pressure, with investors fretting about rates remaining higher for longer. Monday's readings on service-sector activity and factory output, which suggested the economy remains resilient, added to those worries.

The S&P 500 dropped 72.86 points, or 1.8%, to 3998.84,

pulling back after a November rally that was driven by hopes that the Fed would slow down its pace of rate increases. The Dow Jones Industrial Average declined 482.78 points, or 1.4%, to 33947.10 and the Nasdaq Composite lost 221.56 points, or 1.9%, closing at 11239.94.

The Institute for Supply Management's reading on the services sector in November came in at 56.5, up from 54.4 in October and above expectations of 53.7. Factory orders in

October were up 1%, according to the Commerce Department, above market expectations for a rise of 0.7%. Those data points followed Friday's relatively strong jobs report.

The November rally, during which both stocks and bond prices rose, in itself was enough to make a giveback kind of day like today inevitable, said David Kelly, chief global strategist at JPMorgan Funds. "We were due for some

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## Nike Cuts Ties to NBA Star Irving Over Remarks

By INTI PACHECO

**Nike Inc.** has cut ties with Kyrie Irving, ending an endorsement deal with the basketball star in place for more than a decade, a partnership that resulted in a sneaker line that was popular with professional athletes and consumers.

The brief statement Monday from the sneaker giant comes after it suspended its endorsement of Mr. Irving in early November and the release of the Kyrie 8, a sneaker model that had been expected to make its debut later that month. Nike decided to take action against Mr. Irving after he promoted a movie containing false conspiracy theories about Jews and was slow to disavow holding anti-Semitic beliefs. The Brooklyn Nets of the National Basketball Association also suspended Mr. Irving at the time.

In a statement last month, Nike said there was no place for hate speech at the company

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## Gas Producers Shift Operations to Landfills

By RYAN DEZEMBER

THROOP, Pa.— The highest prices in years have made producing natural gas profitable just about anywhere. But with companies trimming their emissions and new tax breaks for waste-to-energy projects, some of the most lucrative places to extract gas are garbage dumps.

Down the western slope of Keystone Sanitary Landfill, a knot of pipes, membranes and compressors draws fumes from within the mountain of rotting trash, separates the methane from other gases and pumps it into northeast Pennsylvania's natural-gas grid.

The trash-fed gas plant, called Project Assai, is the largest of its kind, producing enough gas each day to fuel

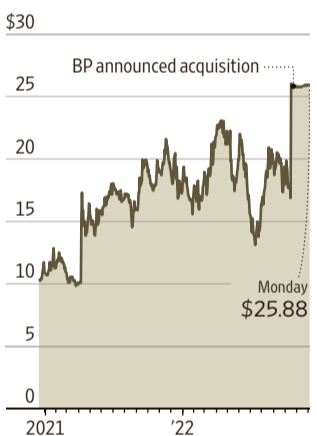
more than 65,000 homes. It is a model for what its builder, **Archaea Energy Inc.**, is installing at landfills around the country.

The daily seep of gas is a fraction of what bursts from big shale wells, but the flow from landfills doesn't decline as quickly as it does from fractured rock. Plus, landfill methane is rewarded with renewable-fuel credits, which can be traded separately and make the price multiples of what gas from drilling fetches. And then there are tax incentives offered by the recent climate, tax and healthcare bill, which sweetened the economics for developers of biogas projects.

Archaea's ambitions are getting a boost from **BP PLC**, which has agreed to buy the

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Archaea Energy share price



Source: FactSet

Natural-gas futures price



The trash-fed gas plant, Project Assai, produces enough gas each day to fuel over 65,000 homes.

## Stablecoin Firm Circle Internet Halts SPAC Attempt

By PAUL VIGNA

**Circle Internet Financial**, the company that operates the USD Coin stablecoin, is ending its current attempt to go public through a special-purpose-acquisition merger, the company said Monday. Circle still plans to pursue a public stock offering, it said.

Circle and **Concord Acquisition**, a blank-check company, have a deadline of Saturday to close their deal to go public through a SPAC. The investment firm **Atlas Merchant Capital** raised \$276 million for Concord Acquisition's December 2020 initial public offering.

Circle issues and maintains USD Coin, which has become

the second-largest stablecoin, with a current circulating value of \$43.3 billion, according to CoinMarketCap.

The Circle stock offering represented a meeting of two investment trends, SPACs and cryptocurrencies, that were red hot last year but have reversed course this year. There have been 48 liquidations of SPACs

like Circle's this year, according to data from SPAC Research, and 40 more are expected.

Cryptocurrencies have had an even rougher year. Bitcoin is down 75% from its record, and a number of companies, including FTX, Celsius Network and Three Arrows Capital, have collapsed in its wake. The damage has renewed debates over

regulations, and agencies like the Securities and Exchange Commission have taken a cautious approach to the industry.

Circle co-founder and Chief Executive Jeremy Allaire said the company plans to go pub-

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◆ Celsius faces bankruptcy court test..... B10

By ALEXANDRA BRUELL

**Meta Platforms Inc.** is threatening to remove news from Facebook in the U.S. if Congress passes legislation meant to help publishers team up to negotiate payments from tech companies, echoing similar warnings that the company has lobbed at various governments around the world.

"If Congress passes an ill-considered journalism bill as part of national security legislation, we will be forced to consider removing news from our platform altogether rather than submit to government mandated negotiations that unfairly disregard any value we provide to news outlets through increased traffic and subscriptions," Meta tweeted on Monday.

It was part of a longer statement condemning the bill, known as the Journalism

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## Slack Co-Founder Butterfield to Leave Parent Company Salesforce

By WILL FEUER

**Salesforce Inc.** said Stewart Butterfield, the chief executive and co-founder of the messaging app Slack Technologies, plans to leave the company next month.

The news of Mr. Butterfield's departure comes after Salesforce said last week that co-CEO Bret Taylor would depart the company in January, leaving Chairman Marc Benioff the sole CEO of the company he co-

founded. Mr. Taylor was credited as the architect of Salesforce's 2020 deal to buy Slack for \$27.7 billion, Salesforce's biggest acquisition ever.

Mr. Butterfield will be succeeded by Lidiane Jones, a current Salesforce cloud executive, as the next Slack CEO, a spokeswoman said. Insider previously reported Mr. Butterfield's plans to depart.

In an internal message viewed by The Wall Street Journal, Mr. Butterfield told

Salesforce employees that Slack's chief product officer and another executive, its senior vice president of marketing communications and brand, also are leaving, though he described the timing as coincidental. He also said the moves are unrelated to Mr. Taylor's departure.

Mr. Butterfield said he is leaving the company in good shape.

"That's not to say there

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### INSIDE



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Hertz to pay \$168 million to settle claims of false arrests. **B2**



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PepsiCo to lay off hundreds of workers in headquarters roles. **B3**



#### HEARD ON THE STREET

Disney needs to do more with less on streaming. **B12**



The industry leader in artificial intelligence software.

RANK	COMPANY	2021 AI REVENUE
No. 1	Palantir	\$1,392M
No. 2	Microsoft	\$1,252M
No. 3	IBM	\$776M
No. 4	AWS	\$688M
No. 5	Google	\$536M

Source: IDC, Worldwide Artificial Intelligence Platforms Software Market Shares, 2021: AI Is Being Used In More Unique Ways Than Ever (2022)

PALANTIR TECHNOLOGIES INC. — PALANTIR.COM

The information presented in the table above has been compiled and analyzed by IDC using their methodology described in the Worldwide Artificial Intelligence Platforms Software Market Shares, 2021: AI Is Being Used In More Unique Ways Than Ever (2022) report contained on IDC's website (www.idc.com). We have not independently verified, and make no representations as to, the accuracy or completeness of the data contained in this report.

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BUSINESS & FINANCE

Hertz Will Pay \$168 Million To Settle False-Arrest Allegations

BY WILL FEUER AND DEAN SEAL

Hertz Global Holdings Inc. said it would pay about \$168 million to settle 364 pending claims related to vehicle-theft reporting, some instances of which have allegedly led customers to face wrongful arrest for car theft.

The hundreds of settlements resolve more than 95% of outstanding claims, Hertz said.

The company said it didn't expect the settlement to have a material impact on its capital allocation plans for the balance of 2022 and 2023. The company also expects to recover a meaningful portion of the settlement amount from its insurance carriers.

"As I have said since joining Hertz earlier this year, my intention is to lead a company that puts the customer first," Hertz Chief Executive Stephen Scherr said. "In resolving these claims, we are holding ourselves to that objective."



Hertz has settled 364 pending claims from customers alleging wrongful arrests when the company reported rental cars stolen.

2020 under the weight of mounting debt, stiff competition and the pandemic's early impact on travel.

The majority of the legal claims it has faced related to false arrests were funneled into bankruptcy proceedings after the company entered chapter 11 proceedings in May 2020.

A lawsuit filed in September alleged that the issue has persisted even after Hertz emerged from bankruptcy in June 2021.

Five customers alleged in Delaware Superior Court in September that in the preceding year, they had been stopped by police and held at gunpoint for renting and driving vehicles that Hertz incorrectly reported as stolen.

Lawyers for the customers didn't respond to requests for comment on whether their litigation had been resolved as part of Hertz's latest round of settlements. Court records indicate that Hertz has been granted more time to respond to the September complaint.

based in Estero, Fla., has for years grappled with allegations that inventory mismanagement issues have caused it to falsely report some of its cars as stolen, leading to wrongful arrests of customers for car theft.

In April, two months after he was tapped to helm the company, Mr. Scherr reversed

years Hertz's denials by saying some customers had been affected in the past by false theft reports and vowed to rectify the situation for wronged customers.

In court and securities filings this year, Hertz has said the allegations are an old problem and contained to the company that collapsed in

Gas Firms Shift to Landfills

Continued from page B1

four-year-old company for \$4.1 billion, including debt. It is the largest bet of the biogas bonanza that has major oil companies, utilities, waste haulers, pipeline owners and private-equity firms digging in.

Waste Management Inc., North America's biggest landfill operator, is investing \$825 million in gas projects at its properties. NextEra Energy Inc., a leading renewable-power developer, said in October that it would pay \$1.1 billion for a group of landfill gas facilities. Shell PLC agreed last week to buy a European biogas producer for nearly \$2 billion.

When BP closes its deal in the coming weeks, it will be a big payday for Archæa's founders—college buddies who dumped jobs on Wall Street to get into the garbage business—and its investors, notably the family behind the country's top natural-gas producer, the Rice family, which is in line for hundreds of millions of dollars in profit.

BP executives say they will apply the energy giant's financial heft and trading know-how to lift Archæa's annual earnings to \$1 billion within five years.

"We're looking forward to taking it to the next level," said



An overview of the Project Assai, built by Archæa Energy, at the Keystone Sanitary Landfill

David Lawler, who heads BP's U.S. onshore oil-and-gas business. "It's very material to the company."

Landfills are some of the most prolific sources of biogas, which also comes from dairies, hog farms and wastewater-treatment facilities. Methane, known commercially as natural gas, is created in landfills by microorganisms called archæa.

Left alone, the methane—along with carbon dioxide, hydrogen sulfide, nitrogen and volatile organic compounds—wafts into the atmosphere, where it is a more potent greenhouse gas than carbon dioxide. Trapping and processing the methane earns credits that can be sold to refiners and oil

importers who use them to meet federal renewable-fuel mandates.

When BP agreed to buy Archæa, benchmark U.S. natural-gas prices were around \$7 per million British thermal units, while the value of the renewable-fuel credits associated with that much methane was about \$33. That means gas from Assai could sell for about \$40.

"Our vision of the landfill is it really should be thought of as a renewable-energy facility, not a dump," said Archæa Chief Executive Nick Stork, who is joining BP along with his co-founders.

Compared with gas that comes from drilling into rock,

landfill gas is easy to extract. The challenge is isolating methane from the other vapors so that it can be burned in power plants and kitchens.

Archæa's idea was a standard design for traditionally bespoke processing plants so that they could be built cheaper and faster, 20 a year instead of two, and on smaller landfills than had been economically feasible. Assai would be the archetype.

Brian McCarthy, who joined from a family investment office, made 2,000 cold calls to gas users that had pledged to decarbonize. He negotiated long-term purchase contracts with the University of California regents and two Canadian

utilities and used them to obtain financing for the \$160 million plant.

The plan resonated with Daniel Rice IV, who invested from his family's shale-gas fortune. Archæa's founders were like his brothers, who lived at an Appalachian well site to learn shale drilling. The family founded Rice Energy Inc. and sold it to EQT Corp. for \$6.7 billion to create the country's largest natural-gas producer, which they now run.

"We saw a whole lot of parallels in what they were doing with landfill gas and what we were able to do with shale gas," Mr. Rice said. "Their willingness to roll up their sleeves and understand every minute detail of the business was really impressive."

Last year, with Assai under way, they merged Archæa with a larger landfill developer and took the combination public with a blank-check company.

Assai was producing gas by the end of 2021, and in May a deal with Republic Services Inc. to install plants at the hauler's landfills lifted Archæa's prospects. Buyout firms and suitors from the energy industry, including BP, circled, according to securities filings.

Archæa's shares swooned into summer while lawmakers jockeyed over the climate bill, but they rebounded with other clean-energy stocks as the incentive-laden law came through Congress favorably for biogas developers. Bidding for Archæa picked up and BP, which has staked its future on low-carbon energy, emerged the winner.

Uber, Chicago Reach Fee Pact

BY SURYATAPA BHATTACHARYA

Uber Technologies Inc. agreed to a multimillion-dollar settlement with the city of Chicago over what authorities there called deceptive practices at UberEats and Postmates.

Restaurants were listed without their consent and were charged excessive fees, according to a two-year investigation by the city. The total figure—about \$10 million—includes a \$3.3 million settlement made by Uber in 2021, which the city on Monday said was previously repaid to Chicago restaurants.

Some restaurants were charged commissions exceeding 15%, which violated the city's ordinance capping emergency fees during the Covid-19 pandemic. Uber agreed to pay an additional \$2.3 million to restaurants that were charged commissions in excess of the limits set by the city.

Uber said it would continue to support its restaurant partners in Chicago, according to a statement, and that it was "pleased to put this matter behind us."

Food-delivery apps have been battling regulators and policy makers in several of their top markets over how fees should be charged to customers and restaurants.

Slack CEO To Leave Salesforce

Continued from page B1

won't be challenges ahead," he said. "We're at a time with an unusual amount of economic uncertainty and there's no doubt that makes things harder."

The acquisition of Slack, almost twice as large as Salesforce's next-biggest acquisition, marked an effort to move

Salesforce beyond its core product, which helps companies manage their customer relationships, to providing the software tools that businesses need for a swath of their day-to-day operations.

The deal also was a bet that at least some of the changes in the workplace made over the past three years would outlast the pandemic. "We really see the world as fundamentally having shifted," Mr. Taylor, then-chief operating officer of Salesforce, said of the deal in 2020.

Salesforce and other business-software companies have indicated in recent earnings announcements that customers

are being more cautious with their spending in response to a challenging economy, adding to the tech industry's concerns.

Salesforce, Okta Inc., CrowdStrike Holdings Inc. and others say customers are taking longer to sign deals, and slowing their hiring plans as they try to protect their bottom lines. That trend has created a clouded outlook for many in the once-booming business-software sector, which benefited from years of demand as customers looked to use the products to trim costs and maintain their businesses during the pandemic.

In its announcement last week, Salesforce missed ana-

lysts' expectations for billings, a measure of business actually transacted during the period, by roughly 8%.

Salesforce shares fell more than 7% to \$133.93 by the close of the market Monday, while the tech-heavy Nasdaq Composite Index was down nearly 2%. Salesforce's stock is down 47.3% this year.

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Nike Cuts Ties With Irving

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and condemned any form of anti-Semitism. "We are deeply saddened and disappointed by the situation and its impact on everyone," the company said.

Mr. Irving, 30 years old, has apologized for his actions and said that promoting the documentary, "Hebrews to Negroes: Wake Up Black America," was a mistake. He has said that he opposes all forms of hatred and oppression. The former All-Star guard returned to the basketball court in late Novem-



Brooklyn Nets star Kyrie Irving had been with the sneaker company since 2011. His Nikes during a playoff game in April.

ber after missing eight games. A representative for Mr. Irving didn't respond to a request for comment.

The Athletic earlier reported on Nike's status with

Mr. Irving. The sneaker company has footwear deals with other NBA players, including LeBron James and Mr. Irving's teammate Kevin Durant.



## BUSINESS NEWS

## Verizon Consumer Unit Head Exits, CEO Takes Over

By DREW FITZGERALD

**Verizon Communications Inc.** replaced consumer unit chief Manon Brouillette after a little less than a year in the role, the latest sign of the wireless company's struggle to appeal to nonbusiness clients.

The cellphone carrier said Monday that Chief Executive Hans Vestberg, 57, would assume the immediate responsibilities of Ms. Brouillette, 54. Mr. Vestberg said in a statement that he would focus "on driving a closer consistency between the top quality network product we're bringing to market and the operational results we're producing."

Verizon remains the biggest U.S. cellphone carrier in terms of subscribers but has lost ground over the past two years in a three-way race with rivals **AT&T Inc.** and **T-Mobile US Inc.** Growth in business customers barely made up for the company's consumer-division losses in the third quarter.

Verizon hired Ms. Brouillette in mid 2021 from Canadian telecom company Vidéotron, where she served as chief executive.

She took over Verizon's consumer wing in January 2022, succeeding executive Ronan Dunne.

Shares of the company fell 2.9% Monday.

The stock is down 29% this year, compared with a 16% drop in the S&P 500 index over the same span.

Mr. Vestberg has led the wireless company since 2018. An engineering-focused former chief of Swedish network-gear maker **Ericsson AB**, he sold off most of Verizon's interest in online media brands AOL and Yahoo and doubled down on infrastructure investments, including a record \$45.5 billion to secure rights to wireless licenses suited for high-speed fifth-generation cellular service.

The company has long touted the quality of its wireless network as a selling point and in 2021 closed its purchase of TracFone, a collection of brands aimed at cost-conscious customers.

But competitors including T-Mobile have gained market share over the past two years by promoting their own 5G services.

"A lot of the network messaging is confusing to customers, and they're tuning it out," Roger Entner, chief of telecom-industry analysis company Recon Analytics. "Verizon as the premium provider needs to demonstrate that differentiation clearly."



PepsiCo employs 309,000 people worldwide, including about 129,000 people in the U.S.

## PepsiCo Cuts Staffing At Its Headquarters

By LAUREN THOMAS AND JENNIFER MALONEY

**PepsiCo Inc.** is laying off workers at the headquarters of its North American snacks and beverages divisions, a signal that corporate belt-tightening is extending beyond tech and media, according to people familiar with the matter and documents reviewed by The Wall Street Journal.

Hundreds of jobs will be eliminated, one of the people said. The cuts affect the company's North America beverage

business, which is based in Purchase, N.Y., and its North America snacks and packaged-foods business, which has headquarters in Chicago and Plano, Texas, the people said.

In a memo the Journal viewed, PepsiCo told employees the layoffs were intended "to simplify the organization so we can operate more efficiently." The cuts will be heavier in the beverage business because the snacks unit has trimmed positions with a voluntary retirement program, the people said. PepsiCo makes Doritos, Lays

potato chips and Quaker Oats, along with its namesake cola. As of Dec. 25 last year, PepsiCo employed about 309,000 people worldwide, including about 129,000 people in the U.S.

Demand for food and beverages sold in grocery stores has been strong despite rising prices. PepsiCo and other food companies have been raising prices to offset higher costs for ingredients, transport and labor. PepsiCo executives in October said they were cutting costs to offset the pressure on profit margins.

## Swift Fans Sue Over Ticket Problems

By ALYSSA LUKPAT

More than two dozen Taylor Swift fans sued Ticketmaster in a California court for anticompetitive and fraudulent behavior after they alleged the company blocked them from buying tickets last month to her concerts.

In the lawsuit, filed in Los Angeles County Superior Court, the fans said Ticketmaster knew the sale would be plagued with issues in part because it had let too many people access the presale.

Ticketmaster, a unit of **Live Nation Entertainment Inc.**, said at the time the glitches were because of high demand, not its technology. Ticketmaster and Live Nation didn't return requests for comment Monday. Representatives for Ms. Swift and the plaintiffs didn't respond to requests for comment.

The lawsuit was among the first filed by Ms. Swift's fans since the sale for the "Eras Tour" drew national attention in November. The website for Ticketmaster, one of the few places to get tickets for Ms. Swift's U.S. tour, crashed repeatedly during the presale as millions of fans swarmed the site. Many were never able to purchase tickets.

## AT&T to Settle Suit Over Leaks To Analysts

By DAVE MICHAELS

**AT&T Inc.** will pay \$6.25 million to settle a lawsuit filed by regulators that alleged it gave nonpublic financial information to analysts who then lowered their estimates, allowing the company to beat sales expectations.

The telecom company agreed to pay the fine and settle the Securities and Exchange Commission's litigation without admitting or denying wrongdoing, according to a court filing. Three AT&T investor-relations executives each agreed to pay \$25,000 individually to end the lawsuit, records show.

The federal judge in the case, Paul A. Engelmayer, in September denied motions by both the SEC and AT&T to deliver an early verdict, although he wrote that the SEC's evidence was "formidable." The case could have gone to trial but the two sides settled the lawsuit, which the SEC filed in Manhattan federal court in March 2021.

A spokesman for AT&T said the company is "committed to following all applicable laws and pleased to have resolution with the SEC." An SEC spokesman didn't respond to a request for comment.

The SEC alleged that AT&T and the executives violated a rule known as Regulation Fair Disclosure in March and April 2016. The rule forbids public companies from selectively disclosing material nonpublic information to market participants—such as stock analysts or shareholders—who could trade on the information.

Regulators alleged the executives shared nonpublic sales information with 20 analysts who covered the company and periodically issued estimates for AT&T's financial performance. The executives wanted to "walk the analysts down," or guide their quarterly estimates lower because the AT&T employees knew quarterly consolidated gross revenue would come in lower than the market expected.

The analysts "promptly" adjusted their revenue estimates, the SEC alleged, resulting in a lowered consensus estimate, which AT&T beat when it announced earnings in April 2016.

AT&T and the executives had denied during the litigation disclosing internal company metrics and also argued that any information they shared wasn't material to shareholders.

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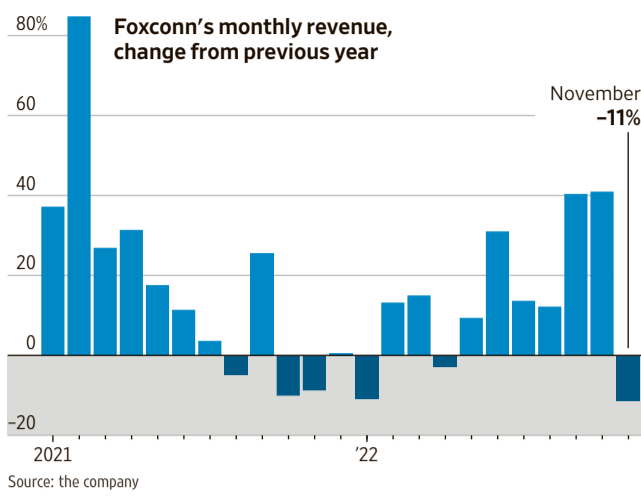
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TECHNOLOGY

WSJ.com/Tech



# Foxconn Sales Took Fall After Outbreak At iPhone Factory

By KOSAKU NARIOKA

Foxconn Technology Group's November revenue fell to 551.1 billion new Taiwan dollars, equivalent to \$18 billion, from NT\$621.7 billion a year earlier, the company said. Since October, Foxconn has been scrambling to contain a Covid outbreak at its Zhengzhou site in China, a sprawling facility where it employs more than 200,000 workers. The site has continued to op-

erate under a system in which workers stay on-site and contact with the outside world is limited to a minimum. In recent weeks, thousands, if not more, workers fled the site partly as they feared catching Covid. In early November, Apple Inc. said shipments of its high-end iPhone models would be lower than expected because of the disruptions—the Zhengzhou site

at one point made about 85% of the Pro lineup of iPhones, according to market-research firm Counterpoint Research. Then in late November, violent protests broke out at the factory. Both Foxconn and some workers said the violence was related to pay concerns. On Monday, Foxconn said in its monthly revenue report that the epidemic situation is under control. "We are making every effort to protect the rights and interests of employees, so that current employees and new hires receive the best care," it said.

Foxconn, formally known as Hon Hai Precision Industry Co., also said it is gradually moving toward "the direction of restoring production capacity to normal." It is recruiting new employees and reallocating production capacity among factories, it added. In recent weeks, Apple has told suppliers to more actively plan on increasing production outside China, particularly in India and Vietnam, and is looking to reduce dependence on Foxconn and other Taiwanese assemblers, The Wall Street Journal has reported.

—Yoko Kubota contributed to this article.

85%

Proportion of Apple's Pro iPhones made at the site

# EU Sets Undoing of Illumina's Deal for Cancer-Test Maker

By KIM MACKRAEL AND PETER LOFTUS

BRUSSELS—The European Union on Monday set out the details of a planned order requiring Illumina Inc. to unwind its \$7.1 billion acquisition of cancer-test developer Grail Inc. The European Commission, the bloc's competition watchdog, said in a so-called statement of objections that it intends to require Illumina to swiftly return Grail to the same level of independence the company had before the acquisition. Grail must also be as competitive after the divestment as it was before the deal closed, the commission said.

The commission prohibited the deal in September over concerns that it would stifle innovation and hurt consumer choice. Illumina, which makes genetic-sequencing products, completed the acquisition in August 2021 despite ongoing antitrust concerns. Analysts said they expect the commission to issue a final order requiring Illumina to divest Grail in early 2023.

Until the transaction is fully unwound, the two companies must remain separate and Illumina must maintain Grail's viability as a company, the commission said in its proposed measures. It said both companies would have the opportunity to respond to the statement of objections before the commission decides whether to make the measures binding. Illumina, which appealed the European Commission's September decision, said it believes divesting itself of Grail isn't "proportional to the speculative harm alleged by the Commission, especially given the benefits this merger will bring to patients in the EU and across the globe."

The company, which is based in San Diego, said any divestment order should be delayed until the company's appeal of the September decision is resolved. Illumina makes and sells genetic-sequencing machines and the chemicals those machines use, and its customers include Grail and Grail's rivals. The company founded Grail and spun off a majority of the business in 2017, retaining a minority stake. Grail sells a blood test designed for the early detection of more than 50 types of cancer. It is the leader in a growing market for early-detection cancer tests, which companies say could save lives by finding cancer at earlier stages when it is more treatable. Grail's competitors include Exact Sciences Corp., Freedom Holdings Inc. and Guardant Health Inc. Some analysts predict the market for these types of tests could grow to \$50 billion worldwide in annual sales. Illumina agreed to acquire the part of Grail it didn't already own in 2020 and completed that acquisition, despite pending antitrust cases in the U.S. and Europe. The combination of the two



Europe's competition commissioner, Margrethe Vestager.

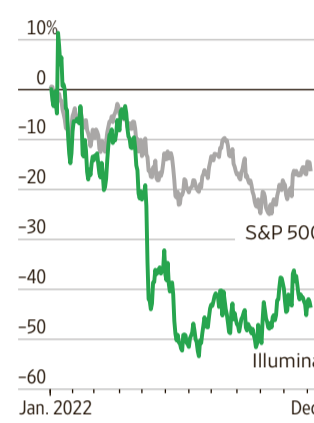
the deal would hurt competition. FTC staff have appealed that ruling to the full, five-member commission. Just days later, the EU's antitrust regulator said it would block the merger because Illumina didn't offer sufficient commitments to address its concerns.

The European Commission opened its initial, in-depth probe into the merger in July 2021. After Illumina completed the acquisition the following month, the regulator opened an investigation into whether the move breached a rule that says companies must put mergers on hold during an investigation. The fine for breaking that rule can reach up to 10% of a company's revenue.

Illumina said when it closed the transaction that there was no legal impediment preventing it from doing so. It said it would hold Grail as a separate unit and abide by competition authorities' decisions. Illumina said in September that it would begin reviewing strategic alternatives for Grail in the event that it isn't able to delay an expected EU divestment order while it appeals. Alternatives could include separating Grail back into a stand-alone company. The European case has drawn attention from EU antitrust lawyers because it represents a broader application of the commission's powers than has traditionally been exercised. In the past, the deal wouldn't have met the regulator's usual, revenue-based standards for review because Grail doesn't have any revenue in the EU, according to competition lawyers.

The commission said last year that it aimed to expand its oversight to deals involving low-revenue companies that have the potential to quickly become major market competitors in innovative sectors. Illumina stock closed down 2.2% on Monday.

Share and index performance this year



Source: FactSet

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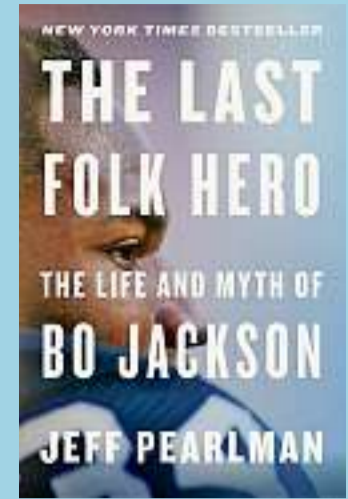
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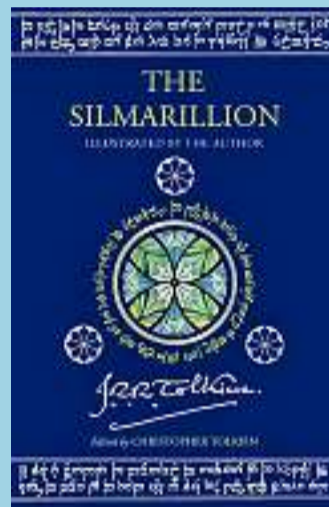
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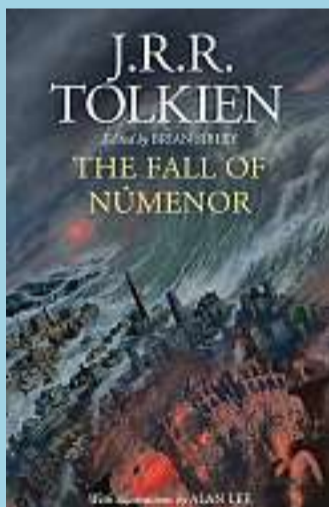
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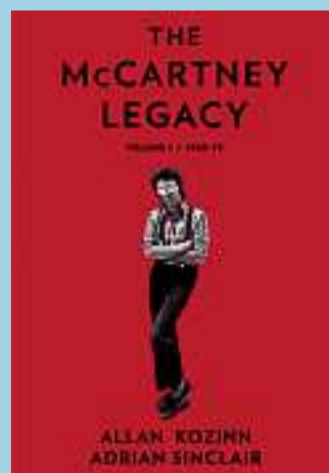
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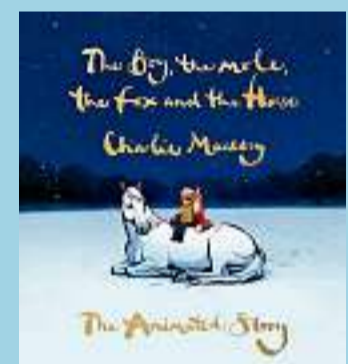
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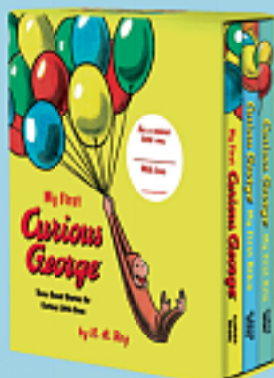
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## BUSINESS NEWS

## Ad Firms Predict a Sales Slowdown in 2023

By MEGAN GRAHAM

Major advertising forecasting firms say global advertising growth in 2023 will be slower than previously predicted.

Media owners' ad revenue will grow 4.8% to \$833 billion next year, according to a new forecast from Magna, a media investment firm that is part of Interpublic Group of Cos.' Mediabrands. Magna predicted in June that 2023 would produce a 6.3% increase.

Magna said 2022 growth will total 6.6%, partly reflecting a boost from spending around the midterm elections in the U.S. That is down from the 9.2% it predicted in June.

"The economy has slowed down more than expected six months ago, which was partly mitigated in the U.S. because political spending was even stronger than expected six months ago," said Vincent Lé-tang, executive vice president of global market research at Magna and author of the re-

port. "Of course, it's not going to help when it comes to 2023. We've reduced the growth expectation for almost every media category for next year, but we still expect that the market will stabilize and not fall."

Marketing sectors such as consumer-packaged goods and finance could record flat ad spending in 2023, while entertainment, travel and betting will continue to be driven by regulatory relaxation and pandemic recovery, Magna said. Automotive advertising could

grow again after a period of moderate decline as the industry gradually emerges from the supply-chain crisis, the firm added.

A separate forecast from media and data giant GroupM, part of WPP PLC, predicted that global advertising revenue will grow 5.9% next year, a downgrade from its 6.4% estimate in June.

GroupM said global advertising revenue this year will grow 6.5%, excluding political advertising, down from its

June forecast of 8.4%. Growth in China will be less than expected because of that country's pandemic-related lockdowns, the firm said.

"I think we're feeling some of that deceleration into the end of this year, and maybe it's feeling a little bit more gloomy, even though we're still seeing growth, especially among digital players," said Kate Scott-Dawkins, global director of business intelligence at GroupM.

Certain trends appear

promising for the ad industry, GroupM said. Although executives at some of the largest global advertisers are concerned about inflation and cost of living, their revenue has remained relatively resilient as they passed on added costs to consumers and sales held up. And though fears have swirled around a digital ad slump, GroupM said it expects advertising on digital platforms and digital extensions of traditional media to each grow by 9% globally in 2022.

## New Zealand Wants Content Paid For

By MIKE CHERNEY

New Zealand said it would seek to require online platforms like Alphabet Inc.'s Google and Facebook owner Meta Platforms Inc. to pay news publishers for content, becoming the latest country to wade into a worldwide debate about whether tech giants unfairly benefit from news shared on their platforms.

New Zealand's proposal will be based on a similar law in Australia and introduced legislation in Canada and will be designed to act as an incentive for digital platforms to reach voluntary deals with local news outlets, according to a statement from New Zealand Broadcasting Minister Willie Jackson.

"It's not fair that the big digital platforms like Google and Meta get to host and share local news for free," Mr. Jackson said. "It costs to produce the news, and it's only fair they pay."

Like legislation elsewhere, New Zealand's proposal would allow Google and Facebook to negotiate with publishers without government intervention. But if no agreement is reached, then the law would plot out a mandatory negotiating process.

New Zealand's proposal is likely to set up a fight with the online platforms, which have campaigned against laws and proposals in other countries. Facebook, for example, at one



The proposal is likely to set up a fight with online platforms. New Zealand's Parliament.

point blocked news on its platform in Australia while legislation there was being debated, and it has threatened to do the same thing in Canada.

On Monday, Meta's regional policy director, Mia Garlick, said New Zealand's proposal misunderstands the relationship between Facebook and news, noting that publishers are the ones who control whether and how their content appears on the platform. Ms. Garlick said it also fails to recognize current com-

mercial deals the company has in New Zealand. "We are concerned about the unintended impacts future legislation will have on innovation in both the media and broader tech sector," she said.

Google didn't reply to a request for comment.

News publishers all over the world have argued that tech giants benefit from their content by drawing users to their platforms and that it can be difficult for some outlets—particularly

small ones—to negotiate commercial deals with the tech companies. Facebook and Google have said publishers benefit by having their links shared, driving traffic to their sites.

Tech giants have said they are committed to local news and have reached deals with publishers, in some cases before the threat of legislation was raised. In New Zealand, for example, Facebook has commercial agreements with three publishers focusing on innovation.

## Facebook Threatens News Halt

Continued from page B1

Competition and Preservation Act. Facebook's statement followed a recent change in which the news-oriented legislation was attached to the National Defense Authorization Act, a bill focused on national security, according to people familiar with the matter.

The bill would create a baseball-style arbitration process enabling smaller publishers to negotiate for compensation when companies like Facebook and Alphabet Inc.'s Google use their content.

Media executives have said that small, local news organizations feel they don't have the size or resources needed to negotiate with the much larger tech companies. Large national outlets, including The Wall Street Journal and New York Times, wouldn't be covered by the bill, according to sponsors, although newspaper chains and TV station groups could benefit.

A recent Senate committee approved the bill after a meeting to advance the legislation hit a bump when Democrats and Republicans began disagreeing over how it treats content moderation.

Separately, Meta earlier began telling publishers in the U.S. it wouldn't continue paying them to feature their content on its platform's news tab.

Google is working on its own product that pays publishers to feature their content, but its U.S. launch is behind schedule because negotiations with some media outlets have bogged down, The Wall Street Journal previously reported.

Some U.S. publishers have hesitated to accept licensing deals from Google because they viewed the Journalism Competition and Preservation

**Google is working on a product that pays publishers to feature content.**

Act as a better alternative for negotiating payments, the Journal reported.

Google previously said the licensing program, named Google News Showcase, is meant to create "new and deeper partnerships around the world and, importantly, will power great experiences for people online." The company declined to comment on the legislation.

—Keach Hagey and Miles Kruppa contributed to this article.

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BIGGEST 1,000 STOCKS

Table with columns: Stock, Net Change, Stock, Net Change, Stock, Net Change, Stock, Net Change. Lists top 1,000 stocks by market cap.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Main table of stock data with columns: Stock, Net Change, Stock, Net Change, Stock, Net Change, Stock, Net Change. Includes sub-sections for A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z.

Monday, December 5, 2022

Table with columns: Stock, Net Change, Stock, Net Change, Stock, Net Change, Stock, Net Change. Continuation of stock data.

New Highs and Lows

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Markets that had a new 52-week intraday high or low in the latest session. %CHG-Daily percentage change from the previous trading session.

Table with columns: Stock, 52-Wk % High/Low, Stock, 52-Wk % High/Low, Stock, 52-Wk % High/Low, Stock, 52-Wk % High/Low. Lists stocks with new highs and lows.

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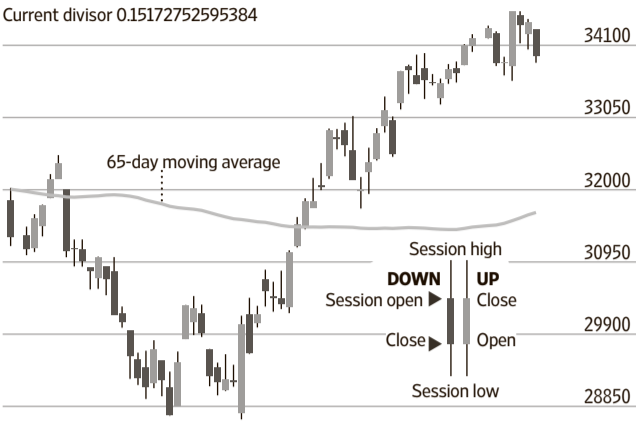
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MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

33947.10 ▼482.78, or 1.40%
High, low, open and close for each trading day of the past three months.

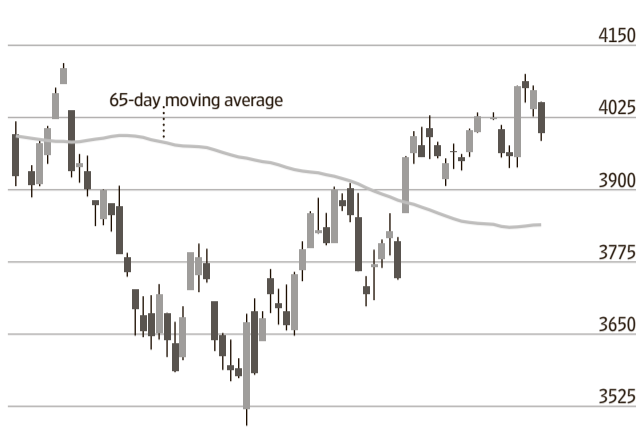


Current divisor 0.15172752595384
Bars measure the point change from session's open

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc. †Based on Nasdaq-100 Index

S&P 500 Index

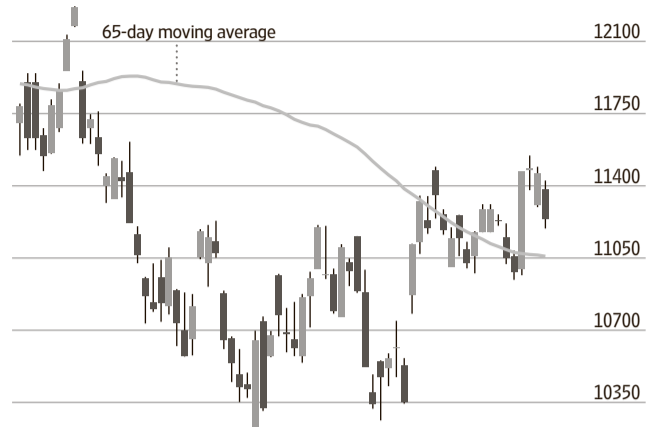
3998.84 ▼72.86, or 1.79%
High, low, open and close for each trading day of the past three months.



Trailing P/E ratio \* 21.13 21.92
P/E estimate \* 18.83 17.74
Dividend yield 2.06 1.99
All-time high 36799.65, 01/04/22

Nasdaq Composite Index

11239.94 ▼221.56, or 1.93%
High, low, open and close for each trading day of the past three months.



Trailing P/E ratio \* 19.65 28.06
P/E estimate \* 18.36 21.42
Dividend yield \* 1.66 1.31
All-time high 4796.56, 01/03/22

Major U.S. Stock-Market Indexes

Table with columns: Index, High, Low, Close, Net chg, % chg, 52-Week High, Low, % chg, YTD % chg, 3-yr. ann.

Table for Nasdaq Stock Market with columns: Index, High, Low, Close, Net chg, % chg, 52-Week High, Low, % chg, YTD % chg, 3-yr. ann.

Table for S&P 500 Index with columns: Index, High, Low, Close, Net chg, % chg, 52-Week High, Low, % chg, YTD % chg, 3-yr. ann.

Table for Other Indexes including Russell 2000, NYSE Composite, Value Line, NYSE Arca Biotech, NYSE Arca Pharma, KBW Bank, PHLX Gold/Silver, PHLX Oil Service, PHLX Semiconductor, Cboe Volatility.

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6 p.m. ET as reported by electronic trading services...

Most-active issues in late trading

Table listing most-active issues in late trading with columns: Company, Symbol, Volume (000), Last, Net chg, After Hours % chg, High, Low.

Percentage gainers...

Table listing percentage gainers with columns: Company, Symbol, Latest Session Close, Net chg, % chg, 52-Week High, Low, % chg.

Trading Diary

Volume, Advancers, Decliners

Table showing trading diary statistics: Total volume, Adv. volume, Decl. volume, Issues traded, Advancers, Declines, Unchanged, New highs, New lows, Closing Arms, Block trades.

International Stock Indexes

Table of international stock indexes by region/country with columns: Region/Country, Index, Close, Net chg, Latest % chg, YTD % chg.

Percentage Gainers...

Table listing percentage gainers internationally with columns: Company, Symbol, Latest Session Close, Net chg, % chg, 52-Week High, Low, % chg.

Percentage Losers

Table listing percentage losers internationally with columns: Company, Symbol, Latest Session Close, Net chg, % chg, 52-Week High, Low, % chg.

Most Active Stocks

Table listing most active stocks with columns: Company, Symbol, Volume (000), % chg from 65-day avg, Latest Session Close, % chg, 52-Week High, Low.

Volume Movers

Table listing volume movers with columns: Company, Symbol, Volume (000), % chg from 65-day avg, Latest Session Close, % chg, 52-Week High, Low.

CREDIT MARKETS

Consumer Rates and Returns to Investor

U.S. consumer rates

A consumer rate against its benchmark over the past year

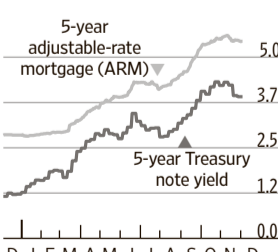


Table of interest rates with columns: Interest rate, Yield/Rate (%), Last, 52-Week Range (%), 3-yr chg (pct pts).

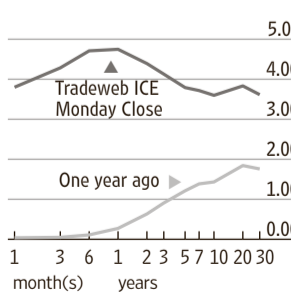
Selected rates

Five-year ARM, Rate

Table of selected rates for five-year ARM with columns: Bankrate.com avg, Raymond James Bank, RTN Federal Credit Union, Chemung Canal Trust Company, Elmira, NY, Clinton Savings Bank, Clinton, MA, Hanscom Federal Credit Union, Hanscom AFB, MA.

Treasury yield curve

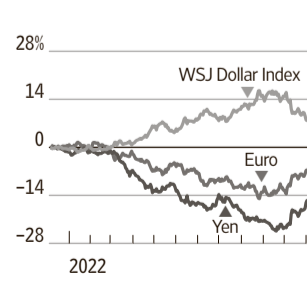
Yield to maturity of current bills, notes and bonds



Sources: Tradeweb ICE U.S. Treasury Close, Tullett Prebon, Dow Jones Market Data

Forex Race

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Sources: Tullett Prebon, Dow Jones Market Data

Corporate Borrowing Rates and Yields

Table of corporate borrowing rates and yields with columns: Bond total return index, Close, Yield (%), 52-Week High, Low, Total Return (%).

CURRENCIES & COMMODITIES

Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Table of U.S.-dollar foreign-exchange rates for various countries and currencies.

Commodities

Table of commodity prices with columns: Commodity, Close, Monday Net chg, % Chg, 52-Week High, Low, % Chg, YTD % chg.



BANKING & FINANCE

Celsius Faces Bankruptcy-Court Test

At issue is whether company owns customers' deposits of cryptocurrencies

By SOMA BISWAS

The judge overseeing Celsius Network LLC's bankruptcy case is expected to decide if the crypto firm has full ownership rights over customer deposits, a legal issue that may resonate for millions of other users of failed crypto platforms.

Judge Martin Glenn of the U.S. Bankruptcy Court in New York is set to consider this week whether Celsius has the right to lend, sell and reinvest billions of dollars of crypto deposited in its high-interest accounts. Customers have clamored for a return of their coins as quickly as possible and have argued that Celsius and its founder, Alex Mashinsky, touted that customers would retain control over their deposits.

The immediate impact of a ruling in favor of Celsius would be to allow the company to sell \$18 million in stablecoins to fund the expenses for a longer stay in

chapter 11. But the firm's request to sell those stablecoins turns on a more fundamental legal question: What rights do crypto banks, brokerages or exchanges have over their customers' coins?

Ownership rights are spelled out in each firm's terms of use that customers signed on to, often on their mobile devices with just a few clicks. Bankruptcy courts have only begun to unravel what those terms of use mean for the billions of dollars in cryptocurrencies trapped on insolvent platforms like Celsius, Voyager Digital Holdings Inc. and FTX.

"Any decision will be based on the facts in Celsius and will set forth the reasoning which can then be applied to the particular facts in FTX or another case to provide some precedential or persuasive clarity on an issue that is at present unsettled," said Eric Wise of Alston & Bird LLP, a lawyer representing a number of customers of FTX.

The Wall Street Journal has reported that before filing for chapter 11, FTX had sent billions of dollars of customer assets to its affili-



Customers say Alex Mashinsky touted that they would retain control of the deposits.

ated trading firm Alameda Research and that senior FTX officials were aware of it. FTX's co-founder, Sam Bankman-Fried, has denied knowingly commingling customer funds or knowing the scale of Alameda's trading bets.

Lawyers for Celsius have argued in court papers that its terms of use explicitly gave the firm ownership

rights over customers' crypto in high-interest Earn accounts, allowing it to lend, sell, pledge and use for various investment purposes.

The terms of use specify that if Celsius went bankrupt, coins in the Earn accounts might not be recoverable, according to the firm's court papers.

Lawyers for the committee

representing all Celsius customers have largely supported the firm's argument that customers signed over title to their crypto assets, while warning that it needs a sound business justification for any such sale.

Celsius's terms of use were updated many times, and when customers failed to sign off on the changes, they

were able to keep accounts on the platform. After one change in 2021, the company sent warnings that customers would lose rewards if they didn't accept new terms. The customer committee noted in its court filings that Celsius has been unable to show that some 44% of account holders clicked through to accept its most recent terms.

Several state regulators and individual customers have weighed in against the firm's position and its plan to sell deposited crypto to fund the chapter 11 case, court filings show. The judge's decision could influence how much financial flexibility crypto firms have in chapter 11 to use customer assets to forge a restructuring plan.

Some state regulators have said that language in the firm's contracts was ambiguous and that it shouldn't be selling customers' coins until it has a plan to exit bankruptcy.

A number of states have questioned whether Celsius can exit bankruptcy with a crypto business intact at all and whether it makes more sense for the firm to "focus on an expeditious and efficient shutdown" instead.

More Crypto Exchanges Verify Reserves

By MARK MAURER

Cryptocurrency exchanges are setting up systems to verify certain assets and liabilities intended to reassure investors and customers in the wake of FTX's collapse last month, but these measures give limited insight into the companies' finances.

Several crypto exchanges, including Binance Holdings Ltd. and Crypto.com, in recent months have hired outside auditors to provide a proof of reserves report, an increasingly popular type of attestation that can show the business is solvent and has enough assets to cover its liabilities. Most crypto exchanges are privately held, meaning they don't have to file financial statements with the Securities and Exchange Commission or get them audited.

The process aims to give investors certainty that their tokens are covered by reserves and their funds are safe, but the reports aren't as thorough as an audited financial statement.

Binance last Wednesday said it appointed accounting firm Mazars to independently verify its reserves. Crypto.com plans to release an audited proof of reserves in the coming weeks, a spokeswoman said. Several other exchanges have announced their own efforts to build out their proof-of-reserves systems in varying ways, not all of them involving an outside accounting firm.

These auditors don't personally sign the attestations, unlike reviews of a public company's annual financial statements. The proof-of-reserve attestations aren't public, but some companies such as Kraken share reserves data with their customers. Kraken allows customers to independently verify that their balances are backed by assets secured by the exchange. Binance couldn't be reached for comment and Kraken declined to comment.



Binance recently said it appointed accounting firm Mazars to independently verify its reserves.

Some crypto exchanges and their audit firms have said they are verifying reserves based on standards set by the American Institute of Certified Public Accountants, which sets rules for the auditing of U.S. private companies.

Concerns over the solvency of currency platforms have taken center stage amid the implosion of FTX, which lent billions of dollars from its own customers to an affiliate, Alameda Research, and prevented FTX customers from accessing their money. FTX, however, also had conducted a full audit of its finances over the past two years from its auditors Armanino LLP and Prager Metis CPAs LLC, an uncommon move within the industry.

"Things like, you know, proof of reserves is helpful," said Sam Bankman-Fried, the founder of FTX, during a New York Times event earlier this week. He added that customers of crypto exchanges should "look for as rigorous of that as you can look for regulatory re-

Such a third-party verification represents a step toward more transparency around crypto exchanges, but there are significant shortcomings, some academics said. Investors usually don't get to know whether the platforms have pledged customers' assets for loans or made changes to their

The measures aim to give investors clarity, but they offer an incomplete picture.

calculations of assets or liabilities in between when the snapshots of reserves are provided. The exchange also gets to determine the frequency with which these attestations are done.

"Investors might assume that this attestation is similar to a full audit when in reality it is not complete and does not disclose the full assets or liabilities nor does it discuss

any controls," said Deniz Appelbaum, assistant professor of accounting and finance at Montclair State University.

A proof-of-reserves report captures a glimpse of certain exchange-owned assets, such as crypto holdings and fiat cash, which is a government-backed currency with no fixed value, at a specific point in time. But it typically doesn't include, for example, non-crypto assets such as shares of a stock trading platform or commercial paper. The verifications are useless unless auditors constantly provide them due to the high trading volatility of crypto values, Ms. Appelbaum said.

Exchanges could have hidden liabilities and have creditor claims to their digital assets, but such details won't be clear from a proof-of-reserves statement, said Vivian Fang, a professor of accounting at the University of Minnesota. "Whether somebody else has claims over these digital assets isn't certain," she said.

Companies using third-party verification also don't

have to provide auditors with information about assets or liabilities that are off the blockchain, which means there may not be visibility on their non-digital assets.

U.S. regulators are facing growing pressure to force crypto firms into compliance with investor-protection laws. The SEC under Chair Gary Gensler has vowed to crack down on the crypto market and has called for more exchanges to register with the regulator, but hasn't directly commented on platforms' use of proof of reserves.

The regulator in March told companies that report to the SEC, including cryptocurrency exchanges, to disclose the digital tokens they hold for customers on their balance sheets. Companies have complied with this since it went into effect in June. Coinbase Global Inc. last month reported \$95.11 billion in both customer crypto assets and liabilities for the quarter ended Sept. 30, up from \$88.45 billion the previous quarter, filings show. The SEC declined to comment.

The SEC's audit watchdog, the Public Company Accounting Oversight Board, can't inspect the audits of private crypto companies, such as BlockFi Inc. and FTX, which both recently filed for bankruptcy.

Still, the PCAOB encourages investors to review reports on the work those companies' auditors have done, Chair Erica Williams said at a conference Tuesday.

Proof of reserves will likely become more popular among crypto firms in the coming months, in part to maintain trust from customers, said Campbell Harvey, a finance professor at Duke University.

"They are desperate to do something because the level of trust has plummeted," he said. "Right now the level of opacity is unacceptable, so they have to do something and this is one thing that they can do."

Circle Halts SPAC

Continued from page B1

lic, though he wouldn't specify what avenue it will pursue or how long it might take. "We are totally committed to becoming a public company. We're very much on that path still," he said.

The offering required the SEC to approve of the proposed merger by declaring the prospectus effective. To date, the commission hasn't approved the deal. Because of that, the companies couldn't move forward with the deal.

Mr. Allaire wasn't critical of the commission, though its review of the SPAC took longer than expected. "My view is they've done a good job," he said. "I think that it's been a thorough process. Unfortunately it was a longer process than we had hoped."

The deal was originally announced in July 2021, when Circle's valuation was \$4.5 billion, with an expected close in the fourth quarter of 2021. The agreement was renegotiated in February of this year, pushing the termination date into December and doubling Circle's valuation to \$9 billion.

The merger agreement had given Concord an option to extend the SPAC deal had the SEC approved the prospectus before the end of January, but that option is no longer in effect.

Circle also said that in the third quarter it had a profit of \$43 million on revenue of \$274 million and had \$400 million in cash on its balance sheet. Mr. Allaire said the company would be releasing its third-quarter results in a coming SEC filing.

Watch a Video



Scan this code to watch a video on why the SPAC boom fizzled.

Mutual Funds

Data provided by LIPPER

Top 250 mutual-funds listings for Nasdaq-published share classes by net assets. e-Ex-distribution. f-Previous day's updated data. g-Footnotes x and s apply. f-Footnotes e and s apply. k-Recalculated by Lipper, using quotation data. p-Distribution costs apply. 12b-1. f-Redemption charge may apply. s-Stock split or dividend. t-Footnotes p and r apply. w-Footnotes x and e apply. x-Ex-dividend. z-Footnote x, e and s apply. NA-Not available due to incomplete price, performance or cost data. NE-Not released by Lipper, data under review. NN-Fund not tracked. NS-Fund didn't exist at start of period.

Table with columns: Fund, NAV, YTD Chg, % Ret. Lists various mutual funds like American Century Inv, Ultra, American Funds CI A, etc.

Table with columns: Fund, NAV, YTD Chg, % Ret. Lists various mutual funds like Fidelity Freedom, Fidelity SAI, Fidelity Divd, etc.

Table with columns: Fund, NAV, YTD Chg, % Ret. Lists various mutual funds like CorePlusBd, Northern Funds, Putnam Funds Class A, etc.



## MARKETS NEWS

## Bond Rally Is Tested by Wage Gains

By SAM GOLDFARB

Hopes that inflation is easing have driven a weekslong rally in government bonds, pulling the 10-year U.S. Treasury yield back to its lowest levels since September.

Treasuries started rallying with stocks after the Labor Department released better-than-expected consumer-price index data on Nov. 10. That move was supercharged last week when Federal Reserve Chairman Jerome Powell sent the clearest signal yet that the central bank plans to raise short-term interest rates by half a percentage point at its Dec. 13-14 meeting, a step down from the 0.75 percentage point increases of the past four meetings.

Highlighting the rally's durability, bonds on Friday withstood what many analysts interpreted as a surprisingly strong jobs report with worrying implications for inflation. The biggest initial blow to markets came from data showing a big increase in average hourly earnings last month. Wage gains for previous months were also revised upward.

Many economists see the pace of wage increases as the most important factor in determining inflation over the longer run because many service-industry businesses in particular need to pass those

costs on to consumers. Stubbornly high inflation has punished bond investors this year by leading to escalating expectations for how high the Fed will raise short-term rates. Rising rates hurt the value of outstanding bonds, driving up Treasury yields.

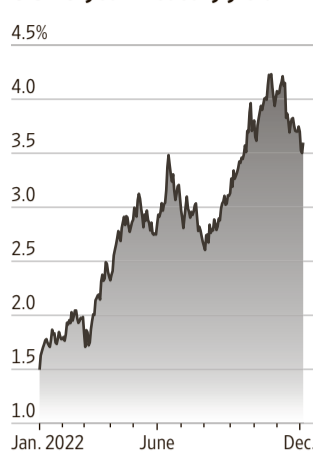
Still, bond yields gradually gave back their early increases Friday after investors took a second look at the jobs report. Some focused on a household survey that suggested there might have been weaker demand for workers than was evident from the more widely cited employer survey. Others noted a slight decline in the average workweek for private-sector employees.

To some, though, Friday's reversal in yields also showed investors' readiness to believe that the inflation problem is close to being solved and that the Fed will be able to start cutting rates within the next 12 months.

Second-guessing of data "happens almost every employment Friday," but it has been happening even more recently because "the market I think is wanting the data to come in weak," said Thomas Simons, money-market economist in the fixed-income group at Jefferies LLC.

The 10-year yield has declined for four consecutive weeks and settled Friday at 3.502%, down from 3.701% a

U.S. 10-year Treasury yield



Source: Tradeweb ICE

week earlier and its recent peak of 4.212% on Nov. 7. It closed at 3.598% in recent trading Monday, boosted in part by a solid report on U.S. service-sector activity.

## Sharply rising bond yields have defined Wall Street this year.

Investors and analysts focus on longer-term Treasury yields because they are a key driver of financial markets. Sharply rising yields, which reflect falling bond prices,

have defined Wall Street this year, sending both stock and bond indexes to double-digit losses.

The past month has offered a reprieve for investors.

Following the Nov. 10 consumer-price-index report, subsequent economic data offered some further encouragement that the economy was slowing at just the right pace to bring down inflation. Mr. Powell's remarks on Nov. 30 were especially welcomed, because he showed little sign of trying to push back against the recent market rally—a departure from how some of his other public appearances have been interpreted this year.

Even so, Mr. Powell put special emphasis in his remarks on how continued labor-market tightness remained an important reason to be worried about inflation going forward, even as some other developments—such as a decline in market rents—provide cause for optimism.

Those concerns, at least initially, seemed to be supported two days later in the jobs report. Some analysts, though, pointed out the volatility of average-hourly-earnings data. Many investors also believe that demand for workers will eventually cool as long as economic growth remains subdued. And some said it was difficult for many to sell bonds before the Labor Department

releases the latest CPI data on Dec. 13—the day before the Fed makes its interest-rate decision.

With those events looming, "most people [are] taking deep breaths and deciding that maybe it's time to just wait and see," said Sonal Desai, chief investment officer at Franklin Templeton's fixed-income group.

Ms. Desai said her group in recent months has been gradually adjusting some portfolios so that their sensitivity to bond yield moves is more in line with their benchmarks. Their previous posture had sought to limit damage from rising rates at the expense of fully benefiting when bond yields fall.

Still, she said, her view is that yields are likely to move higher from here, as strong consumer demand continues to fuel inflation.

Daniela Mardarovici, co-head of multisector fixed income at Macquarie Asset Management, said her team had been intending to reduce the interest-rate sensitivity of their bond funds even before Friday's jobs report.

Given strong signals from the Fed that it will likely raise short-term rates to at least 5% from their current level between 3.75% and 4%, a 10-year yield around 3.5% seemed an obvious "point of natural resistance," Ms. Mardarovici said.

## LSE Offers Fund for Carbon Credits

By KRISTIN BROUGHTON

The London Stock Exchange Group PLC on Monday launched the first fund under its new market for carbon credits, which aims to provide capital to green projects and transparency in an opaque area of sustainable finance.

The new market offers a way for companies and investors to purchase carbon credits to offset emissions and meet net-zero commitments. Developers can raise funds through the exchange and use the money on projects to reduce greenhouse gasses. Companies and shareholders, in return for their investments, can receive carbon credits in lieu of cash dividends.

Companies can currently purchase carbon credits through brokers and private-market intermediaries. However, some companies find it difficult to get information about project developers and can struggle to identify specific projects—in areas such as forest-protection or renewable energy—that fit their preferences, environmental lawyers said.

By launching the market the London Stock Exchange hopes to make it easier for companies and investors to access information about the projects that generate carbon credits, said Claire Dorrian, head of sustainable finance for the exchange's capital-markets and posttrade divisions. "I think the overarching principle behind all of this is transparency through disclosure," Ms. Dorrian said.

Demand for credits in voluntary carbon markets is rising as more companies make net-zero commitments and position themselves as taking steps to improve the environment. Just under \$2 billion in carbon credits were sold in 2021, up from \$520 million a year earlier, according to Ecosystem Marketplace, which tracks data on environmental finance. By

## Companies face increasing pressure to disclose climate-related information.

contrast, mandatory carbon markets in Europe and elsewhere force major polluters to limit their emissions.

Foresight Sustainable Forestry Co., a London-based investment firm, is the first company to take part in the new voluntary carbon market, the London Stock Exchange said Monday. Foresight invests in developing land for commercial forests, primarily in the U.K.

The company, which listed on the public markets in 2021, expects to raise additional funds in the year ahead using its Voluntary Carbon Market, or VCM, designation, meaning shareholders could elect to receive carbon credits in lieu of a cash dividend, said Richard Kelly, co-head of Foresight. "We'd be looking to attract companies, and ideally companies with science-based, net-zero pledges, to join us as shareholders," Mr. Kelly said.

For the new market, developers must disclose the percentage of their total assets invested in eligible climate-change mitigation projects. They must also disclose the industry standards they use to certify their projects. Operating companies or investment funds on the exchange are eligible for the voluntary carbon market and must meet all other requirements for the market on which they are listed. London Stock Exchange Group also operates the FTSE 100 and FTSE 250 indexes and provides financial data.

Companies face increasing pressure to disclose climate-related information from regulators and standard setters across the globe. Finance departments, in particular, are taking on a bigger role when it comes to allocating capital toward carbon offsets and reporting on pollution. "It is becoming more of a financing function, more of a treasury responsibility," Ms. Dorrian said.

## Stocks Move Lower

Continued from page B1

sort of relapse," he said. Investors had been focused more on good news and betting on a more dovish Fed, said Karl Chalupa, chief executive and co-founder of Gamma Investment Consulting. But he sees the economy slowing and expects equities will turn lower after the holidays.

"The market was trading on rosy news," he said. "From our perspective it's not going to be realized."

In the bond market, the yield on the 10-year U.S. Treasury note rose to 3.598% from 3.502% Friday. Yields, which move inversely to prices, had fallen for four straight weeks.

Meanwhile, oil prices fell even as new sanctions on Russian energy took effect and easing Covid-19 lockdowns in China raised demand forecasts for early 2023. The Organization of the Petroleum Exporting Countries and a group of producers led by Russia, collectively known as OPEC+, said it would keep production at current levels.

U.S. crude futures fell 3.8% to \$76.93 a barrel, while Brent crude dropped 3.4% to \$82.68.

In corporate news, shares of



Key stocks including e-commerce company Alibaba and phone maker Xiaomi leapt on Monday.

Tesla fell \$12.41, or 6.4%, to \$182.45 after Bloomberg and Reuters reported the electric-vehicle maker plans to cut production at its Shanghai plant in December.

Shares of VF, parent of brands including The North Face and Vans, dropped \$3.71, or 11%, to \$29.51 after the company cut its revenue and earnings outlook and said Chairman and Chief Executive Steve Rendle would retire.

In Europe, the Stoxx 600 slipped 0.4% and the CAC 40 fell 0.7%, while the FTSE 100 rose 0.1%.

Asian markets were also in

focus as local Chinese authorities took more steps to ease strict Covid-19 policies that have crimped the country's growth. The Hang Seng rose 4.5%. The Shanghai Composite Index gained 1.8%. Early Tuesday, the Hang Seng was down 1.1% and the Shanghai benchmark was up 0.2%.

Key stocks including e-commerce giant Alibaba and smartphone maker Xiaomi leapt. The CSI 300 Index, a gauge of the largest listed companies in mainland China, rose 2% to its highest level since mid-September.

Over the weekend, Shanghai

scrapped a requirement for residents to show negative PCR tests to take public transportation or enter public outdoor venues.

Hangzhou, the home city of Alibaba, also loosened some restrictions. Investors have increasingly focused on China's Covid-19 policies over the past month, leading to big rallies and occasional slides in stock prices.

"We have this happy congruence with more and more easing in Covid policy," said Redmond Wong, a strategist at Saxo Markets Hong Kong. That is making a stronger Chinese

economic rebound next year more likely, he said.

Investors see tech companies as being among the biggest beneficiaries of China's potential reopening, said Christina Woon, investment director of Asian equities at Abrdn. The Hang Seng Tech Index, which has many Chinese internet stocks, soared 9% Monday.

The optimism could help lift stocks through the first half of 2023, said Chetan Seth, an Asian equity strategist at Nomura. But there is a caveat. He said should China continue to open up, caseloads could shoot up, leading to rising death rates.

"This is exactly what we saw in some other markets globally in their initial phases of reopening," Mr. Seth said.

In cryptocurrency markets, bitcoin traded at \$16,970.25, down \$142.31, or 0.8%. Ethereum traded at \$1,259.46, down \$17.77, or 1.4%.

The WSJ Dollar Index rose 0.82 point or 0.8%, to 98.10. The dollar rose against the euro, British pound and yen.

## AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

	13-Week	26-Week
Applications	\$149,006,649,100	\$119,374,867,800
Accepted bids	\$58,594,283,100	\$48,828,530,300
* noncomp	\$1,684,875,000	\$1,745,300,200
* foreign noncomp	\$100,000,000	\$200,000,000
Auction price (rate)	98.920639	97.689611
	(4.270%)	(4.570%)
	4.377%	4.743%
Bids at clearing yield accepted	5.66%	5.15%
	9127961K9	9127962P7

Both issues are dated Dec. 8, 2022. The 13-week bills mature on March 9, 2023; the 26-week bills mature on June 8, 2023.

## Private Equity's Energy-Storage Bets Pay Off

By LUIS GARCIA

Energy storage, once a sliver of the renewable-power generation sector, is becoming an asset class of its own, and some early private-equity backers of battery-project developers are beginning to reap the benefits.

EnCap Investments, a Houston-based private-equity firm that focused exclusively on the oil-and-gas industry before putting money into energy storage in 2019, has exited two of those new investments. Last month, EnCap agreed to sell Jupiter Power LLC to BlackRock Inc. and late last year, it sold a 50% stake in Broad Reach Power LLC to Apollo Global Management Inc.

Broad Reach and Jupiter both build and operate utility-scale battery systems across the U.S. Broad Reach operates solar, wind and energy-storage projects across Montana, Wyoming, California, Utah and Texas. Jupiter owns storage assets in Texas and has a pipeline of 11,000 megawatts' worth of new projects in various states.

New York-based private-equity firm Yorktown Partners and Switzerland-based energy-

and commodity-trading company Mercuria Energy Group Ltd. invested in the two companies alongside EnCap. The three firms recouped their collective investment in Broad Reach with the stake sale to Apollo, according to people familiar with the matter.

Broad Reach and Jupiter were two of the first investments that EnCap made with capital from its debut clean-energy fund, which wrapped up last year with \$1.2 billion in commitments.

"It was clear that energy storage was going to become a bigger and bigger part of the electricity grid in the United States," said Kellie Metcalf, a managing partner at EnCap's energy-transition group, referring to the firm's decision to back the two companies in 2019.

Rising adoption of renewable energy is lifting demand for battery systems that can provide power to the grid when weather-dependent solar and wind sources aren't available. U.S. utility-scale battery-storage capacity totaled 4.6 gigawatts last year, more than tripling from 2020, according to the Energy Information Administration.

Energy-storage companies

are increasingly attracting private-capital investments. Private-equity and venture-capital-backed deals in the energy-efficiency sector, which includes energy storage, totaled \$31.79 billion across 280 deals worldwide as of mid-November, nearly double the \$16.36 billion recorded last year across 307 transactions, according to data provider S&P Global Market Intelligence.

Other private-equity firms have benefited from rising demand for energy-storage assets.

Houston-based Quinbrook Infrastructure Partners in October sold a 49% stake in its Gemini solar project in Nevada to Dutch pension asset manager APG Asset Management NV. The \$1.2 billion project includes a 380-megawatt storage system.

Energy-storage developers are attractive to private-equity investors because they can make money in different ways, industry analysts said.

They can charge their batteries during periods of low electricity consumption and wait to sell the power when demand—and prices—rise. They also get paid for providing spare capacity as well as



Kellie Metcalf, a managing partner at EnCap's energy-transition group

so-called ancillary services, such as frequency and voltage regulation, to grid operators.

"Beyond doing an arbitrage strategy, there's actually a lot more money that could be made in the ancillary-service markets," said Ryan Luther, a senior vice president at Enverus, an energy-focused data-analytics company. "Storage companies are deploying different strategies and they're being very sophisticated in the way that they're actually operating these assets."

The Inflation Reduction Act, which was enacted earlier this year, gave a further boost

to energy-storage developers by extending tax credits to stand-alone projects, storage developers said.

Previously, only battery systems that were part of a renewable-power plant qualified for credits.

As more energy-storage assets come online, returns are expected to decrease, particularly from ancillary services, but they will likely remain high enough to continue attracting private-equity investors in the coming years, Mr. Luther added.

"The profitability right now is unreasonably strong and that's why there's so much competition coming in," he said of energy-storage projects.

Ms. Metcalf said EnCap isn't looking to buy another energy-storage company but plans to continue expanding Broad Reach alongside Apollo and its two early co-investors. The four investors last year made an additional commitment of as much as \$400 million to the business.

"There is a significant amount of capability to grow that platform, both in the regions they are already in and expanding their geographic footprint," she said.