

THE WALL STREET JOURNAL.

DOW JONES | News Corp ***** FRIDAY, AUGUST 12, 2022 ~ VOL. CCLXXX NO. 36 WSJ.com ★★★★★ \$5.00
DJIA 33336.67 ▲ 27.16 0.1% NASDAQ 12779.91 ▼ 0.6% STOXX 600 440.16 ▲ 0.1% 10-YR. TREAS. yield 2.886% OIL \$94.34 ▲ \$2.41 GOLD \$1,789.70 ▼ \$5.90 EURO \$1.0321 YEN 133.01

What's News

Business & Finance

The SEC is looking into Melvin Capital Management's risk controls and investor disclosure after the hedge fund was crippled by the meme-stock rally last year, said people familiar with the matter. **A1**

◆ **Walgreens is offering** signing bonuses up to \$75,000 to pharmacists in some markets as it struggles to fill jobs amid a chronic worker shortage. **A1**

◆ **Samsung's de facto leader,** Lee Jae-yong, will receive a pardon, South Korea's presidential office said, a reprieve underpinned by expectations that he would help propel the nation's economy. **A16**

◆ **U.S. suppliers raised** prices in July at the slowest annual pace since last fall as energy costs dropped, adding to signs that price pressures have eased slightly. **A2**

◆ **The S&P 500 and Nasdaq** ended lower, losing 0.1% and 0.6%, respectively, while the Dow industrials eked out a gain of 0.1%. **B11**

◆ **Faced with slowing** subscriber growth in their core domestic markets, some streaming services are shifting focus from adding users to growing their bottom line. **B1**

◆ **Rivian said** its net loss in the second quarter nearly tripled to \$1.7 billion, adding to pressure on the firm to conserve cash and move quickly to fill customer orders. **B1**

◆ **Activist investor ValueAct** has taken a 6.7% stake in New York Times Co. and intends to push the media company to more aggressively market subscriber-only content. **B1**

World-Wide

◆ **Trump said** late Thursday that he won't oppose the release of court documents used in the FBI search warrant of his Mar-a-Lago home earlier this week, after the Justice Department asked a Florida judge to unseal the information. **A1**

◆ **The CDC scaled back** guidance for quarantining and testing to screen for Covid-19, a relaxation of pandemic precautions that reflects higher protection from vaccines, treatments and prior infection. **A1**

◆ **EU diplomats** trying to break a deadlock in talks over an Iran nuclear accord have proposed a significant new concession to Tehran aimed at speedily ending a U.N. investigation into Iran's past atomic activities. **A8**

◆ **Four days before** Pelosi's visit to Taiwan, Chinese leader Xi got on the phone with Biden and delivered a message: Now isn't the time for a full-blown crisis. **A16**

◆ **The FTC said** it would begin considering new rules to expand online privacy protections by targeting online surveillance and lax data-security practices by tech firms. **A5**

◆ **A man armed** with a rifle tried to break into the security screening area of the FBI's Cincinnati field office before fleeing the scene and being killed in a gunbattle with police, officials said. **A3**

◆ **Legislation to speed** the approval process for energy infrastructure projects is facing political headwinds in the Senate. **A4**

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Images Show Warplanes Destroyed Despite Russia's Denial



WIPE OUT: Satellite images from before and after explosions at a Russian air base in Crimea appear to show several destroyed warplanes, contradicting Moscow's official account that no aircraft were lost in the blasts. **A7**

Trump Won't Oppose Warrant's Release

Garland asks court to unseal information, says he personally approved search

WASHINGTON—Former President Donald Trump said late Thursday he won't oppose the release of court documents used in the FBI search warrant of his Mar-a-Lago home earlier this week, after the Justice Department asked a Florida judge to unseal the information.

By Sadie Gurman, Alex Leary and Aruna Viswanatha

The former president said on his social media site that he wouldn't oppose releasing the documents, writing, "I am going a step further by ENCOURAGING the immediate release of those documents," while adding that he viewed the process as partisan.

The request by Attorney General Merrick Garland, and Mr. Trump's acceptance, raise the prospect that underlying reasons for the extraordinary search of the former president's home and a list of items taken from there could soon become public.

"I personally approved the decision to seek a search warrant in this matter," Mr. Garland said in his first public remarks since Monday's search. "The department does not take such a decision lightly."

Mr. Garland said he filed the motion in light of Mr. Trump's confirmation of the search and the "substantial public interest" in the matter.

Mr. Trump was given a copy of the warrant and a list of items that were taken during the search.

News organizations had submitted court filings asking for the public release of the search warrant and related materials. Ultimately, that de-

SEC Investigates Hedge Fund Hit by Rally in Meme Stocks

The Securities and Exchange Commission is looking into Melvin Capital Management's risk controls and investor disclosure after the hedge fund was crippled by the meme-stock rally last year, said people familiar with the matter.

By Juliet Chung, Susan Pulliam and Dave Michaels

The regulator has contacted investors in the hedge fund in recent months as part of an investigation into what Melvin founder Gabriel Plotkin and other senior executives told them following the meme-stock rally in January 2021 and whether it misled investors when it raised money last year.

The SEC has obtained from Melvin its general communications with investors and has sought information about what the firm disclosed about the risks of its investment strategy to clients, the people said.

Melvin is winding down after Mr. Plotkin surprised investors in May by telling them he would return their money.

The investigation is in its early stages and may not lead to any formal claims of wrongdoing. It is being handled by the enforcement division's asset-management unit in Washington, D.C., the people said.

The SEC and other law-enforcement authorities have investigated the frenzied trading in early 2021 that sent shares of GameStop Corp. and others soaring. It couldn't be learned whether the broader inquiries are related to the SEC's probe

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Walgreens Steps Up Bonuses to Druggists

By SHARON TERLEP

Walgreens Boots Alliance Inc. is offering signing bonuses up to \$75,000 to pharmacists in some markets as the company struggles to fill jobs amid a chronic worker shortage that became acute during the Covid-19 pandemic.

The Deerfield, Ill.-based pharmacy chain said it is ramping up spending on labor to alleviate the shortfall, which has dented drug sales and angered workers, some of whom have quit and posted calls on social media for the company to improve working conditions.

Bonuses are on offer in certain markets in every state, according to job postings reviewed by The Wall Street Journal and people familiar with the matter. The \$75,000 bonus that Walgreens is paying is rare; more common at the chain are awards of \$30,000 or \$50,000. The bonuses come with a requirement for pharmacists to remain in their jobs for a period, usually a year or more.

A Walgreens spokesman said the bonuses are part of a larger investment focused on recruitment and retention. "This is one of many steps to address pharmacy staffing in some areas," he said.

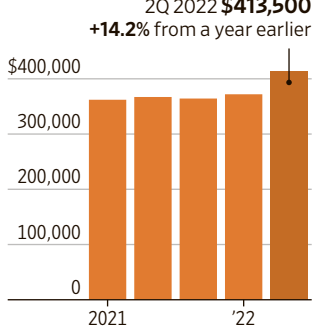
Pharmacy chains paid bonuses to employees earlier in the pandemic when the compa-

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Home Demand Lifts Prices

Tight supply outweighs mortgage rates' impact. **A3**

Median sales price of existing single-family homes in the U.S.



Note: 2Q 2022 is preliminary. Source: National Association of Realtors

Many D.C. Agencies Have Own Police—Why Not the Zoo?

Armed force walks beat, keeps the peace; lost crane and a cheeky orangutan

By JAMES V. GRIMALDI

WASHINGTON—Sgt. Ron Gaskins has walked this police beat before, and he knows trouble when he sees it.

A crowd had gathered and was watching a curious character shimmying along two cables, stretched from pole to pole. "Where they're standing now might not be good," Sgt. Gaskins said.

"Folks," the officer warned, gesturing to a painted sidewalk, "you might want to stay clear of the gray concrete."

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Burst Housing Bubble Deepens China's Woes

As home sales and prices drop, the damage is imperiling the economy

By REBECCA FENG AND CAO LI

China's deflating property bubble is imperiling the world's second-largest economy with effects that could ripple for years.

Home prices are dropping in many cities after a long period of increases, data from Chinese real-estate developers and official statistics show. Sales of apartments nationwide by the country's largest developers have slumped annually for 13 consecutive months, according to industry-data provider China Real Estate Information Corp.

And millions of "presold" apartments that buyers have paid for remain unfinished,

leading some purchasers to threaten to withhold mortgage payments. Home buyers could refuse to pay back up to \$370 billion in home loans if their apartments aren't finished, analysts estimate. Most Chinese banks, they say, should be able to absorb the losses, making a financial crisis unlikely.

The bigger risk is to China's economy. Bank of America research analysts noted in a report last month that approximately 9% of the housing floor space that was presold in 2020 and 2021 risks not being completed on schedule because of developers' financial troubles, affecting roughly 2.4 million house-

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CDC Relaxes Guidance For Covid Precautions

Federal health officials scaled back guidance for quarantining and testing to screen for Covid-19, a relaxation of pandemic precautions that reflects higher protection from vaccines, treatments and prior infection.

The Centers for Disease Control and Prevention on Thursday said it no longer recommends that people quarantine after being exposed to the virus, as long as they don't feel sick, get tested after five days and wear a high-quality mask around others for 10 days. People should still iso-

late from others for at least five days if they test positive, the CDC said.

The agency also no longer recommends screening asymptomatic people for the virus in most settings. The CDC said screening might still be beneficial in high-risk places including long-term care and correctional facilities.

For schools and child-care settings, the CDC no longer recommends quarantining for students exposed to the virus, mirroring changes in its gen-

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North Korea declares victory over Covid outbreak

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North Korea declares victory over Covid outbreak

U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

Fiscal Agenda Doesn't Help With Inflation



Ever since inflation shot to the top of the public's worries, President Biden and his fellow Democrats have sought to show they are on the case, even naming their signature tax, climate and healthcare bill the Inflation Reduction Act. Passing it is the "most consequential thing that Congress can do" to keep inflation from getting worse, Mr. Biden declared Wednesday.

There are two problems with this. The first is that the claim largely rests on estimates that the bill will, over 10 years, reduce the budget deficit by about \$300 billion, thereby reducing aggregate demand and inflation pressure. But the timing and composition of the bill mean it will actually have virtually no impact on inflation in the next few years, when it matters most.

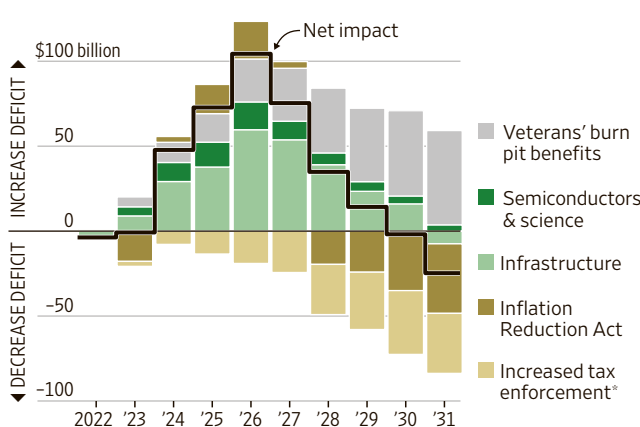
Second, the bill, which the Senate passed Sunday with a simple majority vote under a process called reconciliation and is to be voted on by the House on Friday, is only one of several major pieces of legislation Mr. Biden has signed or endorsed in the past year. For example, he

made his remarks Wednesday while signing into law a bipartisan bill that vastly expands benefits to veterans exposed to toxic burn pits, adding an estimated \$278 billion to deficits over the coming decade, according to a June estimate by the Congressional Budget Office.

The infrastructure law he signed late last year and a law boosting semiconductor manufacturing and scientific research, which he signed Tuesday, add another \$257 billion and \$79 billion, respectively, according to the CBO. Combined, the four measures leave deficits about \$300 billion higher, not lower, over a decade.

To be sure, these aren't highly consequential numbers. Mr. Biden's \$1.9 trillion stimulus last year equaled more than 8% of gross domestic product and thus contributed meaningfully to inflation pressure. By contrast, \$300 billion over 10 years equals just 0.1% of GDP, not enough to make or break the outlook for inflation either way. Penn Wharton Budget Model, a nonpartisan research group, said the effect on inflation is "statistically indistinguishable from zero."

Deficit impact of recent legislation



*Estimated as a result of new enforcement resources in Inflation Reduction Act
Source: Congressional Budget Office

Nonetheless, the fact Mr. Biden has enthusiastically signed into law a collection of bills that on net add to deficits shows how little he really gives priority to inflation in his legislative agenda.

Controlling inflation is mainly the job of the Federal Reserve, as Mr. Biden himself has noted. Still, fiscal policy can help by reducing deficits or policies that boost supply by enabling companies to produce goods and services more cheaply.

Neither has been central to Mr. Biden's agenda. (The White House has taken targeted executive actions

against prices such as releasing oil from the Strategic Petroleum Reserve.) Rather, his priorities have been expanding the social safety net, narrowing social and racial inequities, combating climate change and bringing high-paying manufacturing back jobs to the U.S.

Mr. Biden's team and his supporters have sought to rebrand this agenda as good for reducing inflation. The reconciliation bill, according to a letter written by mainly Democratic or left-leaning economists, "addresses some of the country's biggest challenges at a significant scale.

And because it is deficit-reducing, it does so while putting downward pressure on inflation."

Yet almost all of the reconciliation bill's deficit reduction takes place from 2027 to 2031. That is plenty of time for the Fed to wrestle inflation back to its 2% target by itself.

The time to help the Fed is now, with inflation running above 8%. But while the reconciliation bill reduces the deficit a bit in the first few years, Penn Wharton Budget Model finds it actually raises inflation very slightly in that time. That is because the deficit reduction comes through higher taxes on corporations and wealthy individuals, who don't reduce spending that much in response to tax increases. Such increases have, in economic jargon, a "low multiplier." Meanwhile, the bill boosts spending on the Internal Revenue Service and healthcare subsidies, which have high multipliers.

Deficit reduction grows in later years and does reduce inflation, according to Penn Wharton. But this deficit reduction is more than offset by the higher deficits from the infrastructure, semiconductor

and veterans' benefits bills, except in 2030 and 2031.

The reconciliation bill should reduce drug costs by empowering Medicare to negotiate down prices of some popular drugs with providers. But forcing down prices may mean fewer new drugs in the long run, just as rent controls tend to reduce the supply of housing.

Mr. Biden's supporters argue that incentives to invest in green energy, domestic semiconductor manufacturing and public infrastructure boost the economy's supply side and thus reduce inflation pressure. But in the short run, such investment actually adds to demand. Only in the long run does it boost supply—if done efficiently. Federal investment usually isn't very efficient because its objectives aren't all reflected in GDP. Domestic chip-making reduces dependence on China and green energy reduces planet-warming greenhouse gases. But both are more expensive than the alternatives—that is why they need subsidies.

These may all be worthy goals in their own right, but that doesn't make them a remedy for inflation and, by raising the deficit, may at the margin do the opposite.



The CDC no longer recommends screening asymptomatic people for the virus in most settings, with the exception of high-risk settings.

CDC Eases Covid-19 Precautions

Continued from Page One
eral guidance. The CDC also dropped its recommendations for a program called test-to-stay, which kept exposed students in the classroom through frequent testing, often with rapid, at-home tests. It also limits the recommendations for screening testing to certain high-risk situations, including when high levels of virus are circulating in a community or there is an outbreak.

American Federation of Teachers President Randi Weingarten welcomed the changes to the guidelines. "We need as normal a year as possible," she said.

Covid-19 vaccinations, treatments and infection-acquired immunity have significantly reduced the risk of severe illness since earlier in the pandemic, the agency said, even as the virus continues to circulate at high levels throughout much of the country. The nation also has more tools including tests and high-quality masks at its disposal.

"Our goal is to provide sustainable guidance that allows flexibility and ensures everyone has access to information to protect themselves and others," said Greta Massetti, branch chief of the Field Epidemiology and Prevention Branch at the CDC and a Covid-19 Emergency Response Team member.

The agency said it was streamlining its recommendations to help people better understand their risks and what actions to take. The CDC has faced criticism during the pandemic for guidance some call

confusing and for moving too fast or too slow to implement new recommendations.

Much of the CDC's guidance remains unchanged, Dr. Massetti said: "Really what's new is presenting it as a framework and how we are messaging the update."

Recent U.S. hospitalization and wastewater data suggest that the latest Covid-19 surge might be waning, following months of high transmission fueled by BA.5 and other Omicron sub-variants. The seven-day average of newly hospitalized patients with Covid-19 is about 6,000 people a day, down slightly from the previous week, and the average deaths are hovering around 400 people a day.

"It's disappointing that the CDC is removing protections and reducing the number of precautions they recommend at a time when cases are continuing to float along at this high level," said Eleanor Murray, an assistant professor of epidemiology at the Boston University School of Public Health.

The CDC's updated guidelines don't differentiate how people should act based on vaccination status, since most people have either already been vaccinated, infected or both and have some level of protection, Dr. Massetti said.

The agency still recommends that everyone stay up-to-date on their Covid-19 vaccination, and Dr. Massetti noted that Covid-related hospitalizations were 4.6 times higher among unvaccinated adults compared with those who had gotten vaccinated, as of June.

The CDC left its guidance for how long to isolate after being infected largely intact. In addition to isolating for at least five days and taking additional precautions for the full 10 days, people who test

positive for Covid-19 should avoid being around people at high risk of getting ill until at least day 11, the CDC said. Those with moderate or severe illness should isolate for at least 10 days.

"We really need to get people to take that seriously and stay at home," said Marcus

The agency strongly recommends that everyone stay up-to-date on vaccination.

Plescia, chief medical officer of the Association of State and Territorial Health Officials.

The CDC also didn't change its guidance for when masks should be worn, which the agency bases on a mix of case and hospitalization trends it uses to generate what it calls Covid-19 community levels. The agency recommends that everyone in a county with a "high" ranking wear masks in

indoor public settings. People should also wear masks on public transportation, around high-risk contacts or if they have been exposed to the virus, the CDC says. People at high-risk for serious illness should wear a high-quality mask in areas of medium and high community levels, the agency said.

Many people have already relaxed personal precautions. The number of people saying that they have returned to a "normal, pre-Covid-19 life" more than doubled in the past six months to some 41% of 1,500 respondents, according to a recent survey from the Annenberg Public Policy Center at the University of Pennsylvania. About 54% of people surveyed said they never or rarely wear a mask.

Still, about 23% of respondents said they don't expect things to return to a pre-Covid normal, and nearly 40% said they worry about serious health effects of infection.

—Ben Chapman and Jon Kamp contributed to this article.

Suppliers' Prices Moderated in July

By Sarah Chaney Cambon

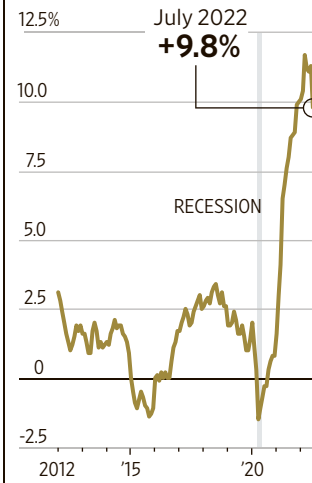
U.S. suppliers raised prices in July at the slowest annual pace since last fall as energy costs dropped, adding to signs price pressures in the economy have eased slightly.

The producer-price index, which generally reflects supply conditions in the economy, increased by 9.8% annually in July, the smallest annual rise since October 2021's 8.9% increase, the Labor Department said Thursday. Producer prices climbed 11.3% in June from a year earlier.

Producer prices decreased a seasonally adjusted 0.5% in July from the prior month, down sharply from June and the first decline since April 2020, when the pandemic drove the U.S. economy into a short, deep recession.

The PPI report comes a day after the Labor Department said consumer prices rose 8.5% in July from the same month a year ago, down from a four-decade high of 9.1% in June. Taken together, the latest price data suggest that inflation pressures could be easing.

"A potential peak in annual U.S. producer-price index, change from a year ago



Source: U.S. Labor Department

inflation measures is a welcome sign," said Mahir Rasheed, U.S. economist at Oxford Economics. "Historically elevated price dynamics churning in the economy will likely persist through the end of the year. However, with the Fed remaining laser-focused on tightening policy to restrict inflation pressures, producer price inflation will downshift significantly in 2023."

The Federal Reserve faces the challenge of tightening monetary policy to cool the hot labor market and slow demand enough to curb inflation, but not enough to set off a recession. Fed officials lifted interest rates in both June and July, and will meet again in September to consider a further increase.

The so-called core price index—which excludes the often volatile categories of food, energy and supplier margins—climbed 0.2% in July from a month earlier, a tick slower than in June. Annually, core PPI rose 5.8% in July, slowing from 6.4% in June.

PPI captures what suppliers are charging businesses and other customers. It generally reflects the changes in costs that producers are facing, along with the pricing power they command—which, in turn, can signal inflationary pressure building throughout the production pipeline.

The Ukraine war exacerbated some of these pressures by sending energy and commodity prices soaring after Russia launched its invasion, though prices for many commodities have eased in recent weeks. Energy prices fell 9% in July from June, Thursday's report showed.

Food commodity prices rose 1% in July from a month earlier, after declining in June. Prices for fresh and dried vegetables, eggs, as well as beef and veal rose briskly last month, according to the producer-price index.

CORRECTIONS & AMPLIFICATIONS

Samsung Electronics Co.'s flagship handsets, including foldable phones, are estimated to represent 60% of the mobile division's operating profit this year and roughly one-sixth of smartphone shipments, according to CLSA analyst Sanjeev Rana. In some editions Thursday, a Business & Finance article about the smartphone industry incorrectly said those estimates applied only to foldable phones.

The Category Kings in 10 Realms table in Monday's Journal Report incorrectly

contained June data in the rows for category average and fund count rather than July data. A corrected table is available at [WSJ.com/Corrections](https://www.wsj.com/Corrections).

Advertising company Firefly Systems Inc. in 2021 acquired Curb Taxi Media, which sells ads atop taxi cabs. A Business News article on Tuesday about Lyft Inc.'s Lyft Media incorrectly said that Firefly acquired Curb Mobility LLC, which runs ads on TVs inside taxis and is the former parent company of Curb Taxi Media.

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

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U.S. NEWS

Housing Prices Climbed In Second Quarter

By NICOLE FRIEDMAN

Home prices continued to climb across nearly all the U.S. in the second quarter, when buyer demand started to fade due to higher mortgage rates but still exceeded the housing market's unusually low supply.

The median sales price was higher in the quarter compared with a year ago for 184 of the 185 metro areas tracked, the National Association of Realtors said Thursday. The only metro area to post a decline was Trenton, N.J., where median prices fell 0.7%, NAR said.

More of the country also experienced double-digit-percentage price gains than earlier in the year. Median prices rose by more than 10% from a year earlier in 80% of the 185 metro areas, up from the first quarter when 70% of metro areas reported double-digit-percentage growth.

Home prices have hit new highs in recent months as the inventory of homes for sale held below historical levels. The median single-family existing-home sales price rose 14.2% in the second quarter from a year ago to \$413,500, a record, according to NAR.

Potential sellers have been reluctant to list their homes in the past two years because they didn't want to then have to buy in the frenzied market. New-home construction has also been slowed by supply-

Buyer demand continued to exceed tight supply across nearly all of the U.S.

chain issues and labor shortages.

But price growth has started to slow in some markets, and housing economists widely expect national price growth to slow significantly by the end of the year.

They point to the surge in mortgage-interest rates that has raised monthly payments for prospective home buyers by hundreds of dollars a month, pushing many would-be buyers out of the market and weighing on home sales.

"Home prices have increased at a pace that far exceeds wage gains, especially for low- and middle-income workers," said Lawrence Yun, NAR's chief economist.

The average rate on a 30-year fixed-rate mortgage was 5.22% this week, according to mortgage-finance giant Freddie Mac. That is off the 13-year high of 5.81% in June, but up from last week when it briefly dipped below 5% and well above the 2.87% rate a year earlier.

Homes typically go under contract a month or two before the contract closes, so the second-quarter price data largely reflect purchase decisions made in the first quarter or beginning of the second quarter. In more recent weeks, the number of homes on the market has increased, and more sellers are cutting their list prices, according to Realtor.com.

Rising home prices and mortgage rates have made homeownership less affordable. In the second quarter, the typical monthly mortgage payment for a single-family home rose to \$1,841, from \$1,229 a year earlier, NAR said.

Worsening housing affordability is prompting more households to consider relocating. Real-estate brokerage Redfin Corp. said 33.7% of shoppers on its platform searched primarily for homes outside their metro area in July, up from 32.6% in the second quarter and up from about 26% before the pandemic.

The Fayetteville, Ark., metro area posted the strongest median-price increase in the second quarter, up 31.9% from a year earlier, according to NAR.

News Corp., owner of The Wall Street Journal, also operates Realtor.com under license from NAR.

Investigators Seek Cause of Deadly Explosion at Indiana Home



DISASTER: Officials Thursday were at the scene of a blast that killed three and damaged many homes Wednesday in Evansville. A gas line was being inspected, the fire chief said.

Visas for Chinese Students Fall 50%

The number of U.S. student visas issued to Chinese nationals plunged by more than 50% in the first half of 2022 compared with pre-Covid levels,

By *Sha Hua, Karen Hao and Melissa Korn*

with the U.S. losing ground as the most-coveted place for Chinese students to pursue higher education abroad.

Even before the pandemic, Chinese students were shifting their study-abroad sights elsewhere, driven by doubts about whether they would feel welcome in the U.S. and the emergence of more domestic and international alternatives. Travel restrictions and heightened safety concerns during the pandemic accelerated that decline.

In the first six months of 2022, the U.S. issued 31,055 F-1 visas to Chinese nationals, down from 64,261 for the same period in 2019, according to data from the U.S. State Department.

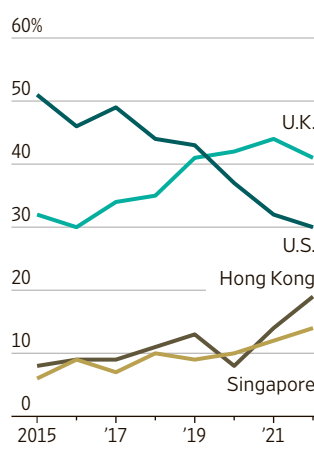
The drop has dented revenue at big and small colleges and universities around the country, including state flagships.

The University of Nebraska-Lincoln enrolled 415 Chinese students in fall 2021, a 66% drop from its peak of 1,234 in fall 2016, and expects numbers to be flat or down slightly this fall. International undergraduate students at Nebraska generally pay out-of-state tuition, which this year is \$24,900, compared with the in-state rate of \$7,770.

"We're probably not going to rebound fully to where we were before," said Josh Davis, associate vice chancellor for global affairs at the University of Nebraska-Lincoln. "This is the new reality."

For more than a decade, China has been the top source of international students to the U.S., providing universities with crucial tuition dollars to offset domestic declines and dwindling state funding at public universities. In the 2019-20 academic year, before the pandemic depressed study-abroad numbers, Chinese nationals accounted for 35% of foreigners studying in the U.S. and contributed \$15.9 billion in economic value, according to numbers tracked and aggregated by the Institute of International

Where Chinese students want to study abroad



Source: New Oriental Education & Technology Group survey

Education's Open Doors report.

Many factors are now leading Chinese students to seek their higher education elsewhere, including within their own country. If U.S. schools can't find other international students, the financial hit could be devastating as federal pandemic relief funds run out.

Chinese students have had to navigate strict Covid-related travel restrictions, including a

temporary suspension of visa services at U.S. consulates in China. In addition, students said they felt deterred by reports of high Covid-19 deaths, gun violence and anti-Asian racism as well as deteriorating U.S.-China relations.

Many pointed to an order issued by then-President Donald Trump in 2020 that barred entry to the U.S. for Chinese graduate students and post-graduate researchers with ties to military-related entities, saying it was evident they weren't welcome at U.S. schools. University administrators said the visa clampdown has resulted in applications being rejected even for those without clear military connections.

The Biden administration resumed visa processing for Chinese students in May 2021 and publicly stated that the U.S. welcomed Chinese students, though it hasn't reversed the presidential order.

The perceived arbitrariness of the ban has soured some Chinese students' view of the U.S. "Many feel like they could be the next target," said

Amanda Wu, a 21-year-old engineering student from the Chi-

nese city of Taizhou. "They feel unsafe."

Ms. Wu said she started preparing to apply for U.S. graduate programs in her sophomore year of college in China. But after watching everyone at her university fail to get a U.S. visa, she said, she let go of her dream to attend Columbia or Cornell university, and will instead go to the University of Toronto.

Officials at U.S. universities said that shutting the door on those with suspected ties to military programs cooled interest from students more broadly and that reversing the sentiment has been hard.

"The message is kind of inescapable for students," said John Wilkerson, associate vice president for international services at Indiana University. "I think it had a deleterious effect at all levels."

That school enrolled just shy of 1,600 students from China in spring 2022, less than half of what it had in 2015, school data show. India has overtaken China as the top country sending students to the school, with sharp growth there partly covering the China losses.

Man Attacks FBI Office, Then Killed in Standoff



The suspect attempted to breach the screening area in Cincinnati on Thursday morning, the FBI said.

By *BEN KESLING AND SADIE GURMAN*

A man armed with a rifle tried to break into the security screening area of the FBI's Cincinnati field office before fleeing the scene and being killed in a gunbattle with police, officials said.

The man attempted to breach the screening area at the office Thursday morning, the FBI said. His entry set off an alarm and armed agents responded. He first fired a nail gun at law enforcement, then brandished an AR-15-style rifle before fleeing in a Ford Crown Victoria. He was reportedly wearing body armor.

The man, identified as 42-year-old Ricky Shiffer, had possible ties to extremist groups, according to a law-en-

forcement official.

After the man attacked the FBI office, he drove onto Interstate 71 and was chased by the Ohio State Highway Patrol. Mr. Shiffer fired at police during the chase, according to the highway patrol. After the chase, he exited the highway, got out of his car and shot at police, who fired back.

No police or bystanders were injured in the gunfight. Local, state and federal authorities cordoned off the area in rural Ohio and Mr. Shiffer was in a standoff with officers for hours before he was shot and killed as police attempted to take him into custody. Police said he raised a gun in their direction.

Police didn't comment on Mr. Shiffer's likely motivation or goals.

Mistrial Declared in Flint Tainted-Water Suit Against Firms

By *TALAL ANSARI*

A judge in Michigan declared a mistrial Thursday after jurors were unable to reach a verdict in a case involving companies that had been hired to help Flint fix its water system but were alleged to have instead contributed to the city's lead-tainted-water crisis.

Multiple Flint residents had sued **Veolia North America** and Texas-based **Lockwood, Andrews & Newnam Inc.**, an engineering consulting firm also known as LAN, accusing them of being partially responsible for the water crisis that began in 2014.

The civil case, which involved just a few plaintiffs, was seen as a bellwether for possible further litigation, ac-

ording to legal experts.

The two companies weren't part of a \$600 million settlement resolving civil claims brought by thousands of Flint residents against Michigan, the state environmental agency and some former state employees for their alleged roles in allowing lead levels in the city's drinking water to rise.

U.S. Magistrate Judge David R. Grand, of the Eastern District of Michigan, declared a mistrial Thursday, court records show.

Corey Stern, an attorney representing the plaintiffs, said they were disappointed with the outcome and added that their team was outspent in the trial.

"This case will be reset for a new trial very quickly," he said.

A spokesman for Veolia North America said the company would have preferred a unanimous verdict. "We believe that if the government officials responsible for the Flint Water Crisis, including Governor [Rick] Snyder, had answered our questions instead of pleading the Fifth, the jury would have been in a better position to reach a unanimous verdict," he said in a statement.

Flint's drinking water became contaminated after the city switched to using the Flint River as its water source from April 2014 to October 2015. During that time, state regulators failed to require the use of a chemical to prevent pipe corrosion, and lead leached into drinking water from aging lead service lines running to homes.

Tests showed that in some places lead levels in children's blood doubled. The water switch was also blamed for an outbreak of Legionnaires' disease that killed 12 people in 2014 and 2015.

LAN did engineering consulting work for Flint between 2011 and 2014. During that time, the city requested help in assessing whether the Flint River could be used as a water source, how to upgrade its water treatment plant, and later, how to resolve the presence of potential harmful chemicals resulting from the disinfection process.

In 2015, Flint hired Veolia to help it address the disinfection byproduct problem, discoloration and taste and odor issues with the city's drinking water.

Wayne Mason, an attorney for LAN, said the company had a limited scope of work on Flint's water change.

"We were never assigned to operate the Flint water plant, we were never assigned to connect the water plant to the Flint River, and we were never assigned to test water quality," Mr. Mason said in a statement. "Our hope is that residents will eventually know all the truths about what their local, state, and federal governments did in this case and why. No one wins until that is resolved."

A 2016 report by the panel appointed by then-Gov. Snyder to investigate the crisis found that the governor and other state officials were "fundamentally accountable" for the lead contamination.

U.S. NEWS

Energy-Infrastructure Bill Faces Hurdles

By TIMOTHY PUKO

WASHINGTON—Legislation to speed the approval process for energy infrastructure projects is facing political headwinds, including from Republicans who are skeptical of assurances it will help the fossil-fuel industry and don't like how it was tied to the tax-and-climate bill passed by Senate Democrats.

Sen. Joe Manchin (D., W.Va.) negotiated the deal as companion legislation to the climate bill, dubbed the Inflation Reduction Act, saying it would include measures to reduce yearslong delays common in permitting both clean-energy and fossil-fuel infrastructure, especially pipelines.

The tax-and-climate plan was approved by the Senate on Sunday in a so-called reconciliation bill that required a sim-

ple 51-vote majority. But the permitting legislation wouldn't qualify as a reconciliation measure, meaning Democrats will need at least some Republican support to get the 60 votes for Senate passage under its rules for other legislation.

Senate Republicans already are signaling that they will seek to block an attempt by Democrats to attach the proposal to must-pass budget legislation Democrats are queuing up for late September.

That measure, known as a continuing resolution, is needed to ensure the government has funding for its obligations beyond the end of the fiscal year on Sept. 30.

Though many Republicans have long supported streamlining permits to reduce bureaucratic delays to new energy projects, party leaders are upset over the tax-and-climate bill it is linked to, which raises some corporate taxes and allots nearly \$370 billion to address climate change.

As part of an effort to defeat the tax-and-climate bill, they are pushing to kill the

measure. Earlier this month, Kansas voters soundly rejected a proposed state constitutional amendment that would have ended protections for abortion.

The parties are now neck-and-neck in public polling over who voters want in control of Congress, closing a two-point advantage for Republicans that stood for much of the past year, according to aggregator Five Thirty Eight. Typically, Democrats need to be ahead in this measure by several percentage points to win the

Democrats will need at least some Republican support for Senate passage.

permitted deal, which Mr. Manchin had negotiated in return for his support on the main climate bill. On Friday, Sen. Lindsey Graham (R., S.C.) also said he is encouraging other Republicans to oppose the permitting legislation unless they each get similar con-

cessions to Mr. Manchin's.

"I will not vote for a continuing resolution that's part of a political payback scheme," Mr. Graham said at a press conference, adding that Republicans should ask Democrats for special concessions for each of their states. "If they won't do that, we should have a continuing resolution that's clean," without other measures tacked on.

Mr. Manchin said he has support for the bill to streamline permitting from Senate Majority Leader Chuck Schumer (D., N.Y.), House Speaker Nancy Pelosi (D., Calif.) and President Biden. But some Republicans are skeptical Democrats will come through on significant improvements.

"I don't think West Virginians trust the likes of Nancy Pelosi, Chuck Schumer, and Joe Biden to follow through on

a plan that would expand drilling, build pipelines or decrease regulations," Sen. Shelley Moore Capito (R., W.Va.) wrote recently in the Charleston Gazette-Mail. "And, given their track record, I can't either."

Top Senate Democrats are betting Republicans will back down, since a vote against the continuing resolution could trigger a government shutdown weeks before national midterm elections, according to a senior Democratic aide in Congress.

In a radio interview on Thursday, Mr. Manchin said Republicans have long supported streamlining permits for energy infrastructure.

"I guess if my Republican friends want to say we are going to send a political jolt and just show them, they're going to shut down the government because of this legislation...[but] it's everything they

ever wanted," he said.

Democrats also are facing some resistance to the measure. The Sunrise Movement, one of several climate activist groups that have become a force in the Democratic Party, opposes new oil and gas pipelines and is urging Democrats to carefully weigh the implications.

"As they consider the permitting process, they must uphold their mandate to stick up for folks in communities choked by fossil-fuel infrastructure," said the group's national spokesman, John Paul Mejia. "We will continue to stand with our partner movements on the front lines to oppose new fossil-fuel infrastructure."

The Senate passed the bill on a 51-50 vote during a marathon weekend session, with Vice President Kamala Harris casting the tiebreaking vote.

Climate Measure Frames Debate For Midterms

By LINDSAY WISE AND CHAD DAY

WASHINGTON—Democrats' expected passage of their climate, healthcare and tax bill draws a clear line with Republicans headed into the midterms, with the parties now laying out competing economic visions for voters who will decide control of the House and Senate.

Democrats say the Inflation Reduction Act provides much needed investment in cleaner energy and lowers healthcare costs, while the GOP says the bill will pinch small businesses while subsidizing electric cars for wealthy Americans and do nothing to cut households' bills. The Senate passed the package Sunday along party lines, and House Democrats are expected to approve it Friday, sending it to President Biden's desk.

One source of uncertainty is the FBI's search of former President Donald Trump's Mar-a-Lago residence, with political strategists cautioning it is too early to predict how that could affect midterm races.

The climate, tax and healthcare legislation offers tax incentives for reducing carbon emissions, seeks to allow Medicare to negotiate the price of some prescription drugs, allots roughly \$80 billion to sharply increase the size and enforcement abilities of the Internal Revenue Service and extends subsidies for health insurance under the Affordable Care Act. It mandates a new 15% corporate minimum tax and creates a 1% excise tax on companies' stock buybacks.

"We are fighting for mainstream values, affordable healthcare, jobs that pay a decent wage, combating climate

change; and they are fighting for extreme positions and fielding extreme candidates," said Tom Perez, former Democratic National Committee chairman and co-chairman of the super PAC American Bridge 21st Century.

"Democrats spent us into inflation, then raised taxes in a recession, and sent an army of IRS agents to harass your business for good measure," said Jack Pandol, spokesman for the Senate Leadership Fund, a super PAC run by allies of Senate Minority Leader Mitch McConnell (R., Ky.).

Senate Majority Leader Chuck Schumer (D., N.Y.) touted the reconciliation bill as one piece of a larger set of legislative victories, including bipartisan measures to fund veterans' healthcare, curb gun violence, boost domestic chip production, and admit Finland and Sweden to NATO—all passed within the past month and a half.

In an interview on MSNBC Monday, Mr. Schumer said that voters had been wondering whether Democrats could get anything done if they keep control of Congress. "I think the last six weeks...and particularly this recent bill, answer with a resounding 'yes,'" he said. In an interview Thursday on Sirius XM radio, he predicted that the Democrats would pick up two or three Senate seats if the election were held today, allowing them to pursue spending programs left out of their bill, such as child care.

Mr. Schumer has said he would force Republicans to vote again on capping insulin costs at \$35 a month. Most Senate Republicans voted to strip a provision out of Democrats' bill that would have capped costs at



Senate Majority Leader Chuck Schumer, left, has touted the reconciliation bill as one piece of a larger set of legislative victories. Republicans including Rep. Andrew Clyde, right, have warned against the measure's broad expansion of the IRS.



FROM LEFT: TING SHEN/BLOOMBERG NEWS; BILL CLARK/CQ ROLL CALL/ZUMA PRESS

Core Issues Appear To Energize Voters

Democrats have been fighting an uphill battle to keep control of Congress, with nonpartisan groups predicting double-digit pickups by Republicans in the House. But the recent Supreme Court ruling ending federal abortion rights, along with several recent policy victories, appears to have energized voters and improved Democrats'

prospects. Earlier this month, Kansas voters soundly rejected a proposed state constitutional amendment that would have ended protections for abortion.

The parties are now neck-and-neck in public polling over who voters want in control of Congress, closing a two-point advantage for Republicans that stood for much of the past year, according to aggregator Five Thirty Eight. Typically, Democrats need to be ahead in this measure by several percentage points to win the

chamber.

Election watcher Dave Wasserman pointed to special elections Tuesday night, when Republicans won House seats in Minnesota and Nebraska, but the margin was narrower than expected.

"There's still time for things to snap back before November, but we're no longer living in a political environment as pro-GOP as November 2021," tweeted Mr. Wasserman, the U.S. House editor of the nonpartisan Cook Political Report.

for an open Senate seat, the candidates clashed this week over the bill's electric-vehicle tax credits and IRS measures.

"I don't buy that anything that's good for Joe Biden is actually good for people that I'm hoping to represent," Mr. Vance said on Fox Business. "Democrats have rejected calls and laws that would make sure those IRS agents don't go after small and medium-size businesses in my state. This is a disaster."

A political nonprofit group affiliated with the Senate Leadership Fund launched a \$3.8 million ad campaign in Ohio that blames Mr. Ryan's support of Democrats' legislative agenda for "sending inflation through the roof and raising gas and grocery prices" on Ohioans.

One Nation is funding similar ads in battleground states Arizona, Nevada, New Hampshire and Georgia, attempting to tie the "Reckless Reconciliation Package" to inflation.

Mr. Ryan defended the reconciliation bill in a statement, saying the bill will "bring down inflation and slash the deficit, cut healthcare costs for working Ohioans and create new good-paying jobs" in the electric-vehicle industry.

Release of Warrant Is Sought

Continued from Page One

is up to U.S. Magistrate Judge Bruce Reinhart, the jurist in South Florida who approved the search warrant. Judge Reinhart asked for an update by Friday afternoon about whether Mr. Trump's lawyers would oppose the requests for unsealing.

Mr. Trump, in posting on his social media platform soon after Mr. Garland spoke, said his representatives had been "cooperating fully" and added, "The government could have had whatever they wanted, if we had it."

People familiar with the matter have said that agents were concerned that additional sensitive information had remained at Mar-a-Lago even after Mr. Trump's aides had relinquished some information to investigators. An inventory of the items seized could shed light on what agents were looking for and provide insight into why federal investigators pursued the search.

Monday's search of Mr. Trump's Mar-a-Lago home and social club in Palm Beach, Fla., was a dramatic escalation of a monthslong investigation into the Republican former president's handling of classified information.

It came after at least two rounds of attempts by investigators to secure documents at Mar-a-Lago through negotiations and a subpoena. After each, investigators realized additional classified documents remained at the resort, according to people familiar with the efforts.

The search, while Mr. Trump was in New York, stoked a political firestorm, with Republican lawmakers demanding an explanation for the unprecedented search of a former president's home.

Mr. Garland and Federal Bureau of Investigation officials deliberated for days about whether to respond to the criticism of the search and how much to say, people familiar with discussions said. Before Thursday, Mr. Garland, a former federal judge who has tried to insulate the department from such criticisms, decided that the best course was to say nothing at all, citing a longstanding practice against commenting on ongoing in-



Attorney General Merrick Garland speaks about the case Thursday.

and a storage room, according to officials. Mr. Trump said he learned agents went through his wife Melania Trump's "closets and rummaged through her clothing and personal items." The Justice Department declined to comment on that.

Separately on Thursday, people familiar with the investigation confirmed that the Justice Department subpoenaed Mr. Trump for classified documents they allege he failed to turn over earlier in the year.

The issuance of the subpoena suggests federal prosecutors had tried to take less aggressive steps before Monday's search to retrieve the material, which officials said contained highly classified national-security information. The subpoena was earlier reported by the conservative website Just the News.

The National Archives in January retrieved more than a dozen boxes of White House documents from the resort, people familiar with the matter said.

Agents hauled away roughly 10 more boxes after Monday's search, a person familiar with the events said.

A warrant approved by the federal magistrate judge refers to the Presidential Records Act and the possible vi-

olation of law over the handling of classified information, people who have seen it have said.

A person familiar with a June 3 meeting at Mar-a-Lago—in which a senior Justice Department national-security supervisor and several FBI agents visited with Mr. Trump's legal team—said the former president's lawyers handed over an envelope containing a number of sensitive documents as requested.

A spokesman for Mr. Trump declined to comment further about those papers.

Mr. Trump has portrayed himself as cooperative throughout the process, including adding a bigger lock on a storage closet holding boxes of documents, as the FBI requested days after the meeting at Mar-a-Lago.

Investigators also sought and obtained later in June surveillance footage from the resort, officials said.

—Jan Wolfe contributed to this article.

Watch a Video



Scan this code for a video of Garland's briefing on the Trump search.

U.S. NEWS

FTC Launches Bid To Expand Online Privacy Protections

By JOHN D. MCKINNON

WASHINGTON—The Federal Trade Commission said Thursday it would begin considering new federal rules to expand online privacy protections by targeting online surveillance and lax data-security practices by technology companies.

The FTC's action, on a 3-2 vote divided along partisan lines, spurred immediate criticism that the agency is taking on a role better suited for Congress. If adopted, the rules could impose significant new responsibilities on businesses that handle consumer data, including potentially barring certain kinds of data collection and handling practices.

"Firms now collect personal data on individuals at a massive scale and in a stunning array of contexts," FTC Chairwoman Lina Khan said. "Our goal today is to begin building a robust public record to inform whether the FTC should issue rules to address commercial surveillance and data security practices and what those rules should potentially look like."

The move is the latest indication of the five-member commission's more aggressive approach under Ms. Khan, a Democrat who has been a critic of large technology companies.

While the FTC's rule-making process is just beginning, opponents are already lining up.

"Today's proposal from the FTC is another example of the agency thinking it can remake the economy to its liking," said Jordan Crenshaw, vice president of the U.S. Chamber of Commerce's Technology Engagement Center. "Congress must first give the FTC the authority before it can act. ... Congress, not unelected bureaucrats, must decide how new data privacy rules should be crafted."

The FTC said it would be examining a range of concerns, including the wide-

spread use of algorithms to manipulate and leverage data, security practices that leave data vulnerable to hackers, and the growing evidence that some platforms might be "addictive to children and lead to a wide variety of mental health and social harms."

The FTC also is expected to examine possible discriminatory effects of algorithms based on legally protected characteristics such as race, gender, religion and age, the agency said. It also suggested it would examine tactics companies use to coerce consumers into sharing their data.

The rule-making notice was supported by Ms. Khan and the FTC's two other Democratic commissioners, Rebecca Kelly Slaughter and Alvaro Bedoya.

The commission's two Republican members voted against the proposed rulemaking process. Commissioner Christine Wilson argued in a statement that the move could provide an excuse to lawmakers to block privacy legislation that has recently advanced through a House committee.

Ms. Wilson also noted that recent Supreme Court decisions have sought to rein in "rulemaking overreach" by federal agencies. In addition, Ms. Wilson said the rule-making announcement "wanders far afield" into areas where evidence of harm is lacking. Commissioner Noah Phillips made similar points, saying the far-reaching implications of a national privacy law make it a job for Congress and not the FTC.

Congress has been considering legislation to give Americans more control over their personal data. But it is unclear if there are enough votes to ensure passage this session. A group of state attorneys general has raised concerns that the bill could pre-empt tougher privacy standards adopted at the state level.

U.S. WATCH



LENDING A HAND: Teens prepared food baskets Thursday at the Reaching Out Community Services food pantry in Brooklyn, N.Y.

ECONOMY

Jobless Claims Rise, Reach 2022 High

U.S. workers' filings for unemployment benefits edged up last week, reaching their highest level so far this year.

Initial jobless claims, a proxy for layoffs, increased to a seasonally adjusted 262,000 last week from a revised 248,000 the previous week, the Labor Department said Thursday. The weekly number has been on an upward trend since reaching a 50-year low in March.

Last week's total was slightly above the prior 2022 peak set in July of 261,000 and was above the 2019 weekly average of 218,000. The four-week moving average for initial claims, which smooths out weekly volatility, rose by 4,500 to 252,000.

Continuing claims, a proxy for the number of people receiving government unemployment payments, increased by 8,000 to 1.43 million in the week ended July 30. Continuing claims are reported with a one-week lag.

The new figures come as other signs indicate the U.S. labor market remains strong even though the economy shrank in the first two quarters of this year, according to the Commerce Department, as rising interest rates and inflation took steam out of business and consumer spending.

—Austen Hufford

OREGON

Firefighter Hit by Falling Tree Dies

A firefighter hit by a falling tree while battling a wildfire near Oakridge, Ore., has died of his injuries, authorities said Thursday.

Collin Hagan, who was with the Craig Interagency Hot Shots from Colorado, died Wednesday of injuries he sustained while working on the Big Swamp fire in the Willamette National Forest, the U.S. Bureau of Land Management said.

The Big Swamp fire and several others in the area were started by lightning strikes about 10 days ago.

—Associated Press

MASSACHUSETTS

Climate-Change Bill Signed Into Law

Gov. Charlie Baker signed into law a major climate-change bill that is meant to bring the state closer to its goal of net-zero greenhouse-gas emissions by 2050.

The bill signed Thursday by the Republican governor encourages the development of offshore wind and solar energy and gives some local authority to limiting the use of fossil fuels in building projects.

Among other things, the measure increases to \$3,500 the rebate for purchasing and leasing certain zero-emission passenger vehicles, offers an additional \$1,000 to purchasers trading in a gas-powered vehicle and mandates that all new vehicle sales be zero emission starting in 2035.

The bill would also let farmland be used for solar panels so long as they don't impede agricultural or horticultural uses.

—Associated Press

CALIFORNIA

Lawmakers Axe Social-Media Bill

California lawmakers killed a bill Thursday that would have allowed government lawyers to sue social-media companies for features that allegedly harm children by causing them to become addicted.

The measure would have given the state attorney general, local district attorneys and city attorneys in the biggest California cities authority to try to hold social-media companies liable in court for features they knew or should have known could addict minors. Among those targeted could have been Facebook and Instagram parent Meta Platforms Inc. and Snapchat parent Snap Inc.

The bill died in the appropriations committee of the state senate through a process known as the suspense file, in which lawmakers can halt the progress of dozens of potentially controversial bills without a public vote.

—Sarah Donaldson

Perseid Meteor Shower Set to Peak

By AYLIN WOODWARD

The Perseid meteor shower will peak this year in the early morning hours on Friday and Saturday, offering up what National Aeronautics and Space Administration astronomers call one of the best of the 30 or so annual meteor showers.

The Perseids are characterized by lots of fireballs—exceptionally bright meteors that leave streaks of light in the night sky as they burn up in the atmosphere. Under ideal viewing conditions, skywatchers can see 50 to 100 bright and colorful meteors an hour at the Perseids' peak.

The best time to see the Perseids is two to three hours before sunrise, according to

Bill Cooke, lead astronomer for NASA's Meteoroid Environment Office at Marshall Space Flight Center in Huntsville, Ala. But this year, he said, light from a full moon will wash out fainter meteor streaks.

"The moon will cut the meteor rates down to a third or a quarter of what they are in a year without a full moon," Dr. Cooke said.

The shower is named after the Perseus constellation, which lies in the region of the sky from which the meteors appear to emanate.

Though they are sometimes called shooting stars, meteors are actually fast-moving bits of ice, dust and rock that strike Earth's atmosphere

when the planet's path around the sun goes through the debris trail of a comet or asteroid. In the case of the Perseids, Earth is moving through debris left behind by Comet Swift-Tuttle, a large comet discovered in 1862.

Pieces of this comet's debris—whose size can range from a grain of sand to a pea—hit the atmosphere at a speed that NASA pegs at 37 miles a second, or about 133,000 miles an hour. The heat generated by the intense friction between the debris and molecules in the atmosphere causes the bits to burn.

The Perseids' peak occurs when Earth moves through the densest part of Swift-Tuttle's debris trail.

Walgreens Lifts Hiring Bonuses

Continued from Page One
nies scrambled to staff up, first to administer Covid-19 tests and later to distribute vaccines. In recent months, demand for shots and tests has waned as those who want the vaccine have gotten it, and people increasingly test at home using over-the-counter test kits.

Still, the need for more workers remains, Walgreens said. Some 3,000 stores operate with reduced pharmacy hours because of pharmacist shortages, causing the chain to lose revenue on prescriptions, the company has said.

The median annual pay for a drugstore pharmacist was \$127,820 in 2021, according to the U.S. Bureau of Labor Statistics. Pharmacists are typically required to have a doctor of pharmacy, or Pharm.D., a professional degree that often requires four years of studies beyond the undergraduate level. And they must be licensed, which often requires passing two exams.

There were about 322,200 pharmacists employed in the U.S. in 2020, BLS data show.

A range of employers have raised salaries or doled out

special bonuses to address inflation and retain workers through a tough labor market.

Severe staffing shortages during the height of the pandemic led Walgreens and rival CVS Health Corp. to cut store hours, raise pay and hire tens of thousands more workers.

CVS is continuing to offer bonuses for new hires in some cases. A handful of online job postings advertise \$30,000 awards for pharmacists. A CVS spokesman declined to quantify bonuses being offered to pharmacists but said the com-

About 322,200 pharmacists were employed in the U.S. in 2020.

pany offers competitive pay. CVS Chief Executive Karen Lynch last week said the company is in good position on the labor front and is able to keep its more-than-9,000 U.S. retail locations open regular hours.

Like many other industries, the pharmacy chains have been grappling with labor shortages and complaints about burnout from employees. The companies have been central to U.S. government efforts to test and vaccinate Americans against Covid-19. But at some critical times during the pandemic,

people faced delayed test results, weeklong waits for shots and unexpected store closures.

Pharmacists and pharmacy technicians have said they are juggling too many tasks with little to no backup and are working long hours or extra shifts. Companies have said they have taken steps to improve conditions for their pharmacy staff.

The American Pharmacists Association, a trade group, has called for private insurance and government plans to reimburse pharmacists for clinical work, such as patient consultations or help managing medications, rather than have payments based strictly on services such as prescriptions filled or shots given.

Locations in Vermont are among the places where Walgreens is offering bigger bonuses. State regulators there are alleging that insufficient staffing at locations statewide led to unsafe conditions, medication errors and unexpected store closures that left people unable to get their medication.

The state's Office of Professional Regulation in June laid out a case against the company and requested that the state's pharmacy board "revoke, suspend, reprimand, condition or otherwise discipline" the licenses of the state's 32 Walgreens locations.

A Walgreens spokesman declined to comment on the charges. The company has until Aug. 20 to respond.

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WORLD NEWS

Satellite Images Show Destroyed Russian Jets

Photos of a Crimean air base contradict Moscow's account that no planes were lost

By JAMES MARSON
AND ANN M. SIMMONS

Satellite images of the Russian air base in Crimea hit by explosions appear to show several destroyed war planes, contradicting Russia's official account that no planes were lost in the blasts.

Ukrainian President Volodymyr Zelensky said in a video address late Wednesday that Russia lost nine combat aircraft in Crimea. Officials in Kyiv have mocked Russia but not taken responsibility for the blasts.

"The more losses the occupiers suffer, the sooner we will be able to liberate our land," Mr. Zelensky said.

Satellite images, made public by Planet Labs PBC and Maxar Technologies, show the Saki air base in Novofedorivka before and after Tuesday's blasts. The later images show several damaged or destroyed planes in uncovered parking bays surrounded by charred grass.

Oryx, a website that verifies destroyed equipment using photos and videos, assessed that four Su-30SM fighters were destroyed, along with five Su-24M strike planes and Su-24MR reconnaissance craft.

Russia's Defense Ministry said the blasts were caused by exploding air-force ammunition and that there was no shelling aimed at the base.



Smoke rose over a nearby beach Tuesday after explosions were heard coming from a Russian military air base in Crimea.

Aircraft stationed there were undamaged, the ministry said. Defense officials didn't respond to a request to comment on the satellite imagery.

Ukrainian officials told their American defense counterparts that U.S.-provided weapons and equipment weren't used in Crimea, a U.S. defense official said Thursday.

The explosions have provided a morale boost to Ukraine, which ceded the peninsula, home of the Russian

Black Sea Fleet, to Moscow's troops in 2014 with barely a shot fired. Russia bolstered its military forces in Crimea, considered beyond the reach of Ukrainian weapons, and used it to launch an assault on Ukraine's south in February.

Ukraine is seeking to retake territory to the north of Crimea following months of losses in military personnel and territory in the country's east.

Ukrainian officials continued to taunt Russia over the

incident Thursday, suggesting more could follow.

"Unless they want an unpleasantly hot summer break, we advise our valued Russian guests not to visit Ukrainian Crimea," Ukraine's Ministry of Defense wrote on Twitter.

The Institute for the Study of War said in an assessment that Russian officials appeared confused about how the Ukrainians struck so deep behind the front lines.

"Ukrainian officials are

playing up the evident Russian confusion surrounding the attack to obfuscate Ukraine's longer-range capabilities," the Washington-based think tank wrote in its daily report.

Ukraine's military said early Thursday that Russia was firing on military and civilian targets in its attempt to seize full control of the Donetsk and Luhansk regions in Ukraine's east.

The governor of the eastern Dnipropetrovsk region said three people were killed and

nine injured in shelling in the city of Nikopol, which lies across the Dnipro River from the Zaporizhzhia nuclear-power plant. Ukraine says Russia is shelling its territory from the plant. Mr. Zelensky on Thursday called for tougher sanctions in response to what he said was "nuclear blackmail." Moscow has accused Ukraine of striking the facility.

Rafael Grossi, head of the U.N. atomic agency, asked again Thursday that both Russia and Ukraine allow the International Atomic Energy Agency to be given access to the plant. The plant has been controlled by the Russians since the early days of the war, and Ukrainian staff are still operating it.

While IAEA experts have assessed, based on information provided by Ukraine, that there is no immediate threat to nuclear safety, "this could change at any moment," he said at a U.N. Security Council meeting.

Amid the hostilities, a ship set to carry a cargo of grain to Ethiopia departed for Ukraine on Thursday under a United Nations-backed deal with Russia and Turkey to resume Ukrainian grain exports and address global food shortages.

The ship, the Brave Commander, is expected to arrive in Ukraine on Friday and load 23,000 tons of grain, according to Ukraine's infrastructure minister, Oleksandr Kubrakov, who signed the grain-export agreement in July.

Twelve ships carrying more than 375,000 tons of grain have left Ukraine since Aug. 1, according to the U.N.

Ukraine Builds Forces in Fight for Kherson

By DANIEL MICHAELS
AND JAMES MARSON

Ukrainian forces are preparing for a battle to free the southern city of Kherson from Russian occupiers, and aim to do it on their own terms.

The strategy holds much risk but, if successful, would improve Kyiv's ability to defend its country, win foreign support and potentially negotiate better terms of an eventual peace deal.

Ukraine is building forces outside Kherson, even as larger battles continue in the eastern region of Donbas, under a strategy that suggests growing confidence. Ukrainian President Volodymyr Zelensky has for weeks outlined his goal of retaking Kherson, and Ukrainian troops have openly targeted local bridges and other infrastructure the Russians are using to supply and reinforce the area.

Russia has responded by strengthening its presence in and around Kherson, potentially readying for large-scale battles. It has moved troops from Donbas, where Moscow gained territory in recent months using artillery-led thrusts often referred to as an "assault fist" to punch through defenses.

Around Kherson, Ukraine won't engage Russian forces head-on, said Mykhailo Podolyak, a Ukrainian presidential adviser. Instead, Kyiv's forces are chipping away at Russian might in the region, he said, inflicting "a thousand bee stings."

"You grind down and destroy enemy personnel and vehicles," Mr. Podolyak said. "You gradually squeeze them out."

Dislodging Russian forces from Kherson poses a monumental challenge for Ukraine. Military analysts say that to eject troops from an estab-



A Russian truck drives past an unexploded munition in a Russia-controlled village in the Kherson area.

lished position attackers generally need at least three times as many forces as the defenders, and the ratio can reach five-to-one for urban warfare.

The task is even harder if Ukraine wants to avoid destroying Kherson. Nearby Mariupol largely was reduced to rubble earlier this year as Ukrainian forces defended it against Russian attacks, before ultimately retreating or surrendering.

Kherson was one of the first cities Russian troops captured following their invasion on Feb. 24, and is the only regional capital that Moscow has taken in nearly six months of fighting, so it holds significance for the Kremlin.

Not only is Ukraine preparing to fight Russian forces on its own terms, it is being unusually overt about its plans. That openness has surprised some observers, but outside strategists say it appears to be a calculated approach both to win Western support and draw in more Russian forces for po-

tential encirclement.

"If the Ukrainians just wanted to push the Russians out of Kherson, they wouldn't broadcast what they're doing," said John Nagl, a retired U.S. Army lieutenant colonel who is an associate professor of war-fighting studies at the U.S. Army War College. "It looks like the Ukrainians are baiting the Russians, and they're taking the bait."

Ukraine doesn't intend, initially at least, to launch a massed, direct attack, he said, but has started a counteroffensive aimed at degrading Russian forces. He compared the tactics to Ukraine's defense around Kyiv in late February and March, when small, mobile groups ambushed Russian forces and supply lines, destroying armored vehicles and support trucks and killing soldiers until they retreated.

"You have to make small cuts in many places at the same time and bleed the Russian army," said Mr. Podolyak. Ukrainian forces on the

Kherson front have been bracing for a Russian counteroffensive since the beginning of the month and have focused on defenses, while reinforcements are trained. The Ukrainians made only minimal tactical gains on that front during the past month, and those came with high casualties.

Instead, Ukrainian forces have used longer-range weapons, including American M142 Himars mobile rocket launchers, to attack Russian supply depots beyond Kherson and limit Russia's options for a possible retreat.

Ukrainian front-line commanders say that for a successful offensive into the city, Russian logistics must be battered further—and any move should be swift and surprising, cutting off Russian troops in Kherson from their resupply routes.

Kherson sits near where the narrow Inhulets River joins the wider Dnipro River, and Russian forces must cross either to reinforce troops in Kherson.

Ukraine over recent weeks has disabled several bridges across the two rivers, forcing the Russians to use temporary bridges, boats or longer routes. All provide limited capacity and would be open to attack in a Russian retreat.

Western military observers surmise that Ukraine's strategy is to draw as many Russian troops as possible into Kherson to defend it, cut off their paths of exit and wear them down. The ultimate objective could be to force their surrender.

Success remains far from assured, but Kyiv is pushing its initiative in part to convince its Western backers that it can prevail against Moscow's larger forces, observers said.

Achieving outright victory over Russian forces in Kherson will require a Ukrainian assault involving land and air forces known as a combined-arms offensive, the combat veterans said. Whether Ukraine has sufficient equipment and manpower to do this remains unclear, but its current assault can weaken Russian forces and reduce the cost and risk to Ukrainian troops of an eventual attack, they said.

Russian troops in Kherson could face a difficult choice in coming weeks, as advancing Ukrainian forces destroy more of their avenues of retreat.

"The smart play for the Russians is to redeploy across the Dnipro and use the river as a defensive position," said Mr. Nagl. "Instead they're doubling down on stupid by reinforcing Kherson."

Mr. Nagl said the approach suggests that Russian President Vladimir Putin has made defending Kherson a priority.

"For Russia, withdrawing from Kherson would be seen as a huge defeat," he said.

McDonald's To Reopen Some Outlets In Ukraine

By ALLISON PRANG

McDonald's Corp. will reopen some of its locations in Ukraine, about six months after Russia's invasion caused the fast-food chain to pause its operations there.

"We have decided to institute a phased plan to reopen some restaurants in Kyiv and western Ukraine, where other businesses have safely reopened," Paul Pomroy, McDonald's corporate senior vice president for international operated markets, said in an email message to employees.

The company will be working to get the locations ready for reopening during the next few months, he said. He didn't say how many of the more than 100 stores it owns and operates in Ukraine would reopen, or provide a specific timeline.

Ukrainian officials have said that businesses resuming operations in the country will support both Ukrainians and the economy.

The capital city of Kyiv has somewhat returned to normal months after the invasion began, as the front lines of the conflict have been pushed farther away. The main effort in the war has been taking place in the Donbas area in eastern Ukraine. The only regional capital in Ukraine that Russia has captured since Russian President Vladimir Putin ordered the invasion has been Kherson, which is in the southern part of the country.

The fast-food chain closed its more than 800 restaurants in Russia in March.

North Korea Declares Victory Over Covid; Hints Kim Had Virus

By DASL YOON

SEOUL—Kim Jong Un declared victory over North Korea's Covid-19 outbreak that touched nearly one-fifth of the country's population—including, apparently, himself.

State media didn't explicitly say Mr. Kim, the 38-year-old dictator, contracted the virus, but the North Korean leader recently fell "seriously ill with a high fever," according to remarks made by his sister, Kim Yo Jong, at a Wednesday meeting attended by top officials.

"He did not lie down for a moment, thinking of the people he had to take care of," she said, as quoted in state media.

North Korea first disclosed

the outbreak in May. Due to a lack of Covid-19 test kits, the impoverished country tracked daily infections by tallying the number of fever cases. Some 4.77 million got a fever, of which 74 died. No new cases have been reported since July 29.

It is unclear when Mr. Kim may have gotten sick. He was out of the public eye for roughly two weeks in June, and then around three weeks in July. Pyongyang previously gave no indication that Mr. Kim may have been infected.

At the Wednesday meeting, Mr. Kim appeared vibrant in photos published by state media. Calling it the "greatest miracle" in global health, Mr. Kim praised the country for

exterminating the virus without vaccines and accepting maximum-level restrictions for three straight months.

"The long-suffered quarantine war is finally over and today we are able to solemnly declare victory," Mr. Kim said.

It is plausible that Mr. Kim contracted Covid, given how he had appeared maskless at several events during the country's outbreak, said Hong Min, of the Seoul-based Korea Institute for National Unification, a government-funded think tank. But even if Mr. Kim had avoided the virus, Mr. Hong said, there would be compelling reasons to say that he had been infected.

"Claiming he led the coun-

try out of the outbreak despite experiencing fever symptoms portrays Kim as a hard-working leader putting the people before himself," said Mr. Hong, director at the institute's North Korea research division.

Mr. Kim's triumph over Covid provides a celebratory message domestically, and sends a critical message to China on cross-border trade, said Yang Moo-jin, a professor at the University of North Korean Studies in Seoul. Earlier this year, the two countries reopened a rail route that had been largely sealed off during the pandemic, but it was closed again after North Korea began to report Covid cases.

"Declaring the country vi-

rus-free signals Kim wants to shift focus to boosting the economy," Mr. Yang said.

North Korea's economy shrank by 0.1% in 2021, hampered by pandemic restrictions and sanctions, according to a recent estimate by South Korea's central bank. The estimate is closely watched and relies on data gathered by other South Korean government departments, including Seoul's spy agency.

At the Wednesday meeting, Mr. Kim claimed the lockdowns imposed since May hadn't affected state economic plans. All travel between regions was blocked, with exceptions for agricultural or construction work. But now, the maximum

anti-epidemic measures would be relaxed and returned to normal levels, Mr. Kim said. He also ordered North Korea to maintain border controls and strengthen quarantine measures to prevent new variants from spreading.

The Kim regime has blamed South Korea for its Covid-19 outbreak, claiming that it began after two North Koreans touched "alien things" that were sent over the border from South Korea, according to a state media report.

It was a swipe against a common Kim regime irritant: antiregime leaflets floated over the border by groups led by North Korean defectors based in the South.

WORLD NEWS

EU Floats Concession to Iran in Talks

Diplomats offer a way to end a U.N. atomic-agency investigation that Iran wants closed

By LAURENCE NORMAN

BERLIN—European Union diplomats trying to break a deadlock in talks over an Iran nuclear accord have proposed a significant new concession to Tehran aimed at speedily ending a U.N. investigation into the Islamic Republic's past atomic activities.

A key sticking point in 16-month-old talks to revive the 2015 deal, which put limits on Iran's nuclear programs in exchange for sanctions relief, has been a probe by the International Atomic Energy Agency into undeclared nuclear material found in Iran in 2019.

That material, Israel and Western officials contend, is evidence that Iran once had a clandestine atomic-weapons program, something Tehran has long denied, saying it is interested only in a civilian nuclear program.

In the nuclear negotiations, Iran has pressed for an end to the investigation since at least March. U.S. and European officials, meanwhile, have said they won't negotiate over the investigation by the IAEA, an independent watchdog, which

they say is unrelated to the nuclear deal.

A draft text of the proposal from the EU, viewed by The Wall Street Journal, would have Iran agree to address the IAEA's concerns before the pact takes effect, saying Iran is expected to answer the agency's questions "with a view to clarifying them."

If Tehran cooperates, the U.S. and the other parties in the talks would urge the IAEA Board of member states to close the investigation, the text says.

The EU team, which chairs the talks and has responsibility for drafting the agreement, has said this is the final text it will offer to revive the nuclear deal.

If all the parties to the accord, the U.S., Iran, Germany, France, the U.K., Russia and China agree to the proposed text, it would put the IAEA into a difficult spot, with the implementation of the deal resting largely on its assessment of Tehran's cooperation.

The IAEA declined to comment. The head of the IAEA, Rafael Grossi, has vowed to never abandon the investigation until Iran answers where the nuclear material originated and where it is now.

After it circulated its proposals on Monday, EU, European and U.S. diplomats said the negotiations were now



Rafael Grossi, director general of the IAEA, has pressed Iran for answers about undeclared nuclear material found in Iran in 2019.

over. The EU has told Iran and the other parties it wants a yes or no response to the text by Aug. 15, two people with knowledge of the discussions said.

A State Department spokesman said: "We are carefully studying the EU's proposed final text and will provide our answer to them as asked."

Washington wants to see the IAEA investigation resolved, a senior U.S. official said. "The only way for that to happen is for Iran to provide the agency the information they need," the official said.

Iranian officials said Tuesday they had only started reviewing the text. In recent days they have suggested more talks may be needed, leaving the pact's fate uncertain.

Russia's chief negotiator in

the talks said Thursday that it isn't for the EU to lay down ultimatums in the negotiation.

While the EU crafted the proposal to include a compromise on the safeguards probe in the nuclear-deal text, it did so with the knowledge of the U.S. and the three European parties to the deal—France, Germany and Britain, according to people familiar with the talks.

The Biden administration has set the revival of the 2015 nuclear pact as a key foreign-policy goal. The Trump administration took the U.S. out of the agreement in 2018. A year later Iran started systematically breaching the nuclear restrictions in the agreement.

An EU spokesman said: "The text submitted to partici-

pating parties after the latest talks in Vienna is—in line with the usual confidentiality of such diplomatic processes—now for the participating parties to consider, and not for discussions in the media."

The IAEA's probe of Iran goes to the core of the agency's responsibilities—ensuring that nuclear material in its member countries isn't being diverted for military purposes.

The agency and Western capitals have accused Tehran of stonewalling and providing misleading answers. In June, the U.S. and their European allies won overwhelming backing for a censure resolution at the IAEA Board calling on Tehran to cooperate with the probe.

The issue is highly sensitive for Iran, which has always denied it had a nuclear-weapons program. Many Western officials believe the undeclared material dates from work Iran conducted on a nuclear-weapons program that continued until at least 2003.

If Iran doesn't cooperate with the IAEA, the agency could send the investigation to the U.N. Security Council.

The pledge to close the probe if Iran answers the IAEA's questions offers a riposte to Tehran's repeated claim that the U.S. and European powers are behind the probe and are seeking to use it as leverage against Tehran.

Cuba Fire Controlled, But Leaves Fuel Woes

By ANTHONY HARRUP AND SANTIAGO PÉREZ

Cuba brought under control a major fire that raged for five days at its principal oil-storage facility, consuming four of the eight tanks and seriously hampering the country's ability to import and store fuel for its struggling electricity system.

The disaster, which the government said was sparked by a lightning strike on Aug. 5, destroyed half of the oil-storage capacity at the industrial port of Matanzas, some 50 miles east of the capital Havana. The 2.4-million-barrel Matanzas terminal is Cuba's main logistics center for imports, storage and distribution of fuel, and the only port equipped to handle the supertankers used for shipping oil.

The blaze left at least two people dead and 14 firefighters missing, while injuring around 130 people. Twenty-three people remained hospitalized on Thursday, four of them in critical condition. Close to 5,000 residents were evacuated from the area.

"The flames subside. A devastating mark remains," Cuba's foreign minister, Bruno Rodríguez, said on Thursday.

The damage leaves the island nation with the problem of getting oil for refining and power plants at a time when Cuba is suffering from blackouts because of aging electricity-generating plants and thin fuel supplies.

Nation is plagued by aging electricity-generating plants and thin fuel supplies.

"This could be a serious humanitarian crisis brewing," said Daniel Whittle, senior director of the Environmental Defense Fund, a U.S.-based advocacy group that has worked with Cuban authorities on renewable energy and environmental issues. "I'm really worried; this is the peak of the summer, one of the hottest times of the year. It's hurricane season."

The conflagration was brought under control on Wednesday with help from Mexico and Venezuela. Firefighters worked on Thursday to extinguish the last pockets of fire as authorities began evaluating the damage.

"It's a significant disruption in the Cuban energy supply. They relied on this for electric generation, vehicular transportation. This was their super port," said Lee Hunt, general partner of Hunt Petty LP, an energy-policy advisory firm.

The cash-strapped government not only lost a significant amount of fuel, but it also now faces the problem of how to receive imported oil.

About 90% of Cuba's electricity generation relies on oil, according to estimates by the Environmental Defense Fund. Electricity prices are heavily subsidized by the Communist government, and Cuba spends more money on energy as a percent of gross domestic product than most nations, the fund estimates.

On top of the fuel shortages, Cuba has been having problems with its power plants.

Drained Rivers Squeeze Europe's Economy

By GEORGI KANTCHEV AND YUSUF KHAN

Scorching temperatures have drained some of Europe's main rivers, threatening to disrupt vital economic thoroughfares and exacerbate the continent's energy shortage.

In Germany, the Rhine is at critically low levels, hampering deliveries of coal and industrial goods, and is forecast to potentially become impassable for most barges at a key stretch by the end of the week.

In France, the Rhône and Garonne have been too warm to cool nuclear reactors, leading to lower output. In Eastern Europe, Danube levels are dwindling, impeding a key Ukrainian grain route.

While Europe's rivers have increasingly suffered dry spells this year's crisis comes as the continent struggles with reduced gas deliveries from Russia. The German government has decided to restart coal plants to alleviate the crunch, a task complicated by river disruptions.

Shipping costs, meanwhile, have skyrocketed, fueling already high inflation because rivers are key arteries for transporting everything from grains to chemicals to oil. And low water levels in reservoirs are curtailing hydropower generation, adding to the strain on power supplies.

"This is clearly making Europe's energy problems worse," said Fabian Skarboe Rønningen, senior analyst at consulting firm Rystad Energy. "Low river levels and warm water temperatures affect both German coal and French nuclear power, two of the largest sources of supply in Europe."

In Eastern Europe, shipping via parts of the Danube, which drains into the Black Sea, has become largely uneconomical because vessels can operate at only about a third of their capacity, said Bulgarian captain Alexander Kamenov, whose ship, the Adora, is stuck at port. Desiccated rivers are an ex-



The Rhine is at critically low levels, hampering deliveries of industrial goods in Germany. A man and his dogs play on the riverbank.

ample of what analysts and industry players say is the growing role of extreme weather in fueling commodity price moves. Last year, a freeze in Texas caused chaos in U.S. energy markets, while heat waves in India have scorched wheat crops.

In Europe, rivers link factories and cities, providing efficient shipping routes. The volume of freight shipped via inland waterways in Germany accounted for 7.1% of total freight transport in 2020, according to consulting firm Capital Economics.

On Wednesday, the water levels of the Rhine, which runs 760 miles from the Swiss Alps via Germany's industrial heartland to the North Sea, fell to 45

centimeters in the key choke point of Kaub, near Frankfurt—roughly 50 centimeters lower than usual levels at this time of year. Levels are expected to drop to 34 centimeters by the end of this week, making it virtually impossible for most diesel barges to pass and hovering close to the record low of 25 centimeters in 2018.

European companies in the energy, chemicals and other industries use it as a shipping lane as well as a water source for production and cooling.

With Germany relying more on coal, much of the needed supplies are transported from the Dutch ports of Amsterdam and Rotterdam, as well as Belgium's Antwerp, by barge. The coal reserves at most power

plant sites are only sufficient for about one week of full-load operation, said Marc Schattenberg, senior economist at Deutsche Bank Research. Last year, the country imported nearly two-thirds of its coal via the river.

Freight rates from the mouth of the Rhine in the Netherlands to Basel in Switzerland reached 240.32 euros, equivalent to \$248, a metric ton last week, more than doubling from €111.92 a month ago, said Lars van Wageningen, manager of operations at commodity market-research firm Insights Global. Quotes a year ago were just €11.28 a metric ton.

According to Capital Economics, the Rhine's troubles add to pressures on German industry and make a recession

this year more likely.

Shallow Danube waters have disrupted Ukrainian grain transport. After the start of the war, state-owned Ukrainian Danube Shipping Co. used most of its fleet to transport grains from the Ukrainian city of Izmail on the border with Romania via the Danube to the Romanian port of Constanta, a conduit for Ukrainian grain amid Russia's blockades.

Dmytro Moskalenko, the company's general director, said that dwindling water levels have complicated the task and the barges have to operate at lower capacity. "The situation is unprecedented, it's the hardest year on the river," he said.

—Joe Wallace contributed to this article.

FROM PAGE ONE

SEC Probes Fund

Continued from Page One of Melvin.

Melvin lost \$6.8 billion in January 2021, or more than half its assets under management, as retail and other investors banded together to target the fund's short positions.

The loss was one of the swiftest and steepest declines for a hedge fund since the fi-

nancial crisis. At the worst points, Melvin was hemorrhaging more than \$1 billion a day.

Melvin late that January got a total of \$2.75 billion from Ken Griffin's Citadel LLC and Steven A. Cohen's Point72 Asset Management LP in exchange for a share of its revenue, in a deal that let the firm reduce its leverage rather than sell out of its positions.

The meme-stock frenzy died down by the end of January and Melvin raised new money from other investors. Mr. Plotkin and other executives told clients in virtual meetings that he planned to soldier on and that the firm had strengthened its risk-man-

agement practices, particularly as it related to the fund's short positions, after surviving an unforeseeable market phenomenon, clients said.

Several other hedge funds sustained losses during that period and made adjustments thereafter, for example by pulling back on shorting individual stocks and shifting toward betting against indexes or baskets of stocks, instead.

While Melvin made back some of the January 2021 losses last year, it suffered additional losses as growth stocks, a big driver of stock-picking hedge funds' returns in recent years, sold off in the market rout earlier this year.

The selloff, brought on in part by the Federal Reserve's moves to reverse its easy-money policies, hit former market darlings like Meta Platforms Inc., Netflix Inc. and PayPal Holdings Inc.

Faced with mounting losses, Mr. Plotkin in April told clients he planned to start charging incentive fees before making his clients whole. He quickly backtracked from that proposal, calling it "a mistake." In May, he told clients of his decision to return their money, saying he had been unable to deliver the returns they should expect and recognized he needed "to step away from managing external capital."

Continuing losses made it difficult for Melvin to come up with new terms palatable to clients that also would incentivize Mr. Plotkin's team, said people familiar with the matter. The continued spotlight also wore on Mr. Plotkin. People familiar with the matter said the investigation didn't play a role in his decision to return clients' money.

Founded in 2014 by Mr. Plotkin, a former top portfolio manager for Mr. Cohen, Melvin was one of the top-performing hedge funds until 2021.

Its recent travails took Melvin's track record from an average 30% a year after fees, from the fund's start in 2014 through

2020, to 11.9% from its inception through April 2022.

By the end of May 2022, clients who were invested in Melvin at the start of 2021 had lost about 57% of their money, meaning Mr. Plotkin would have had to make more than 132% to make clients whole. Most of the clients who invested in Melvin after January 2021 made money, a person familiar with the matter said.

Professional investors remain wary of flare-ups in meme stocks, a concern that is fueled by moves like a gain of about 85% over the course of two trading days this month in shares of Bed Bath & Beyond Inc.

FROM PAGE ONE

China's
Bubble
Bursts

Continued from Page One holds.

"Such incidents, if left unchecked and spread out, could dampen market confidence, hit property sales and investment, weigh on economic growth, and cause social instability" right before an important twice-a-decade Communist Party congress later this year, the analysts wrote. The closely watched conclave is expected to see Chinese President Xi Jinping secure an unprecedented third term in power.

China recorded a 0.4% expansion in second-quarter gross domestic product from a year ago, its worst economic performance since the start of the coronavirus pandemic. While much of the slowdown was due to Covid-related lockdowns and restrictions, a 7% contraction in the real-estate sector contributed to the weak output.

Loan losses

The damage, which is spreading across industries from building materials to real-estate services and is causing loan losses to pile up at banks, will be difficult to repair quickly, say economists.

The property slump is also hitting consumer confidence when China's broader slowdown is weighing on personal incomes and asset values. "The economic prospects, the consumer sentiment and the way people are looking at the future have changed," said Alicia García-Herrero, Asia-Pacific chief economist at investment bank Natixis. "I don't think it's a crisis, as some people call it. But it is one more big reason behind the idea that China's economy is going to decelerate."

Credit stress in China's property sector hasn't spread to global markets, though international investors have suffered roughly \$100 billion in losses from Chinese developers' dollar bonds due to defaults and steep price declines, according to data from Bloomberg and Barclays Research.

Chinese commercial banks have been slow to recognize and report nonperforming real-estate loans, but many have dialed back lending to the property sector. Land sales to developers have also plummeted, cutting off a major source of revenue for local governments and signaling that far fewer new property projects will be rolled out in the coming years.

"We've never seen a property market slowdown of this size and severity" in China, said Logan Wright, director of China markets research at Rhodium Group, a New York-based research firm that closely follows China. There is little Chinese authorities can do, he said, to turn things around and offset the eco-



An Evergrande complex in Lu'an, China, in October.

nomic impact of the property downturn.

China's real-estate downturn harks back to its government's effort in recent years to cool a housing frenzy and deflate what it saw as a bubble that was threatening to make homes unaffordable for many. Regulators in 2020 placed curbs on developers' borrowing, causing banks and other lenders to pull back and resulting in a credit crunch for many developers.

More than 30 developers, including the property giant China Evergrande Group, have since defaulted on their international debt. Their apartment sales in mainland China plunged as home buyers became aware of the developers' financial woes. The Asian U.S.-dollar-bond market has all but shut off credit to Chinese developers, and more defaults are likely.

China's real-estate sector has gone through downturns before, as in 2013 and 2014 when home prices fell and sales and property investment slowed. Many developers suffered revenue declines, and some struggled for months with large inventories of unsold homes, but they didn't lose access to funding.

Upward trajectory

Home prices resumed their upward trajectory in the years that followed, while developers racked up year after year of record sales. Economists Kenneth Rogoff of Harvard University and Yuanchen Yang of the International Monetary Fund estimated that real estate and related industries made up around 26% of China's GDP in 2018, in an update to a 2020 research paper they wrote. That number has stayed fairly stable in recent years, they said.

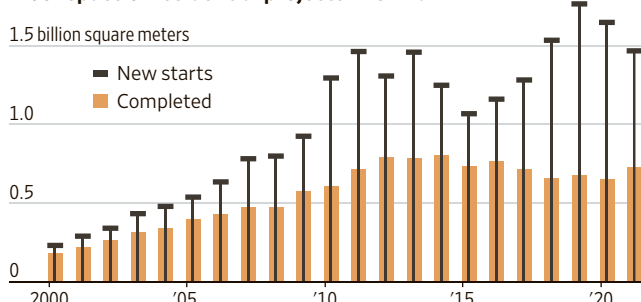
The latest downturn is partly a result of years of what proved to be overbuilding and excessive borrowing by Chinese developers.

A big source of pain is from dwindling revenue from presales. Around 80% of new home sales in China over the

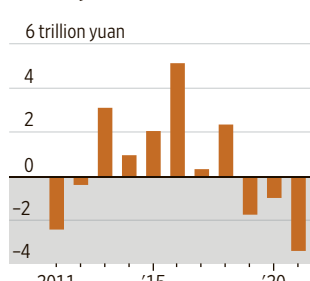
Unfinished Business

China's giant housing bubble has burst after years of rising home prices and sales of unfinished homes.

Floor space of residential projects in China

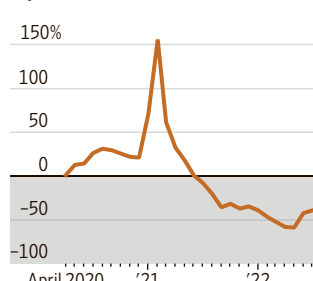


New bank loans to China's real-estate sector, change from a year earlier



Note: 1 trillion yuan = \$149 billion
Sources: Wind (floor space); People's Bank of China (loans); China Real Estate Information Corp. (sales)
Yuriko Schumacher/THE WALL STREET JOURNAL

Sales by China's top 100 developers, change from a year earlier



last decade were of partially built properties that developers promised to deliver in one to three years. Proceeds from these presales became the biggest source of funding for developers, which counted on increasing sales of unfinished apartments to keep money flowing for immediate needs.

Local governments enabled the practice by issuing presale permits to developers for projects that had completed as little as 25% of their planned construction. The developers could sell apartments for their full price, while buyers in many cases made down payments of around 30% and took out mortgages for the rest.

The money went into escrow accounts to pay for the construction, but loosely defined rules let many developers withdraw cash before they completed the buildings. Problems arose when developers, with revenues from presales declining and loans harder to obtain, started running short

of cash last year to service their debts.

Last year, when Evergrande began wobbling and its shares and bonds tumbled in value, people who had recently bought apartments at one of its developments in Jingdezhen, a city in China's Jiangxi province, began to worry.

The property giant in early 2021 presold the 14-tower project, called Evergrande Longting, which promised to deliver the homes to buyers in 2023. A few months after hundreds of people began paying their mortgages, home buyers noticed that construction had slowed and that workers at the site had dwindled to a few dozen from hundreds previously, according to one Jingdezhen resident who said he had bought a home in the project.

In May 2021, on-site activity had stopped, according to a letter that many home buyers signed. Construction resumed in late October and stopped completely in June this year,

the letter said.

On June 30, homeowners sent out their joint letter, which also said they would stop making their mortgage payments if the construction didn't resume before Oct. 20. The letter, widely circulated on Chinese social media, inspired similar movements among home buyers of other unfinished property projects.

Last month, some home buyers went to the municipal government's office again, demanding a plan to ensure their homes would be delivered, according to videos of confrontations provided by the Jingdezhen resident. Police took three people away, he said. The Jingdezhen government subsequently informed the owners that the project would be delivered by the end of next year, he said.

Evergrande and the local government didn't respond to requests for comment.

Mortgage revolt

About 500 miles north in Zhengzhou, people who bought apartments in dozens of unfinished projects—by Evergrande and other developers—have similarly banded together and threatened to stop paying on loans.

As in many cities and towns across China, rapid urbanization has transformed Zhengzhou from an industrial hub into a metropolis. Its property sector took off, with an abundant supply of land and developers launching and selling residential projects whose blueprints included swimming pools, skating rinks, landscaped gardens and shopping malls.

From 2018 to 2020, Zhengzhou ranked second among Chinese cities in annual home sales by floor area, as average selling prices for residential homes surged 40%, according to data provider Wind.

In July 2021, heavy rainfall caused major floods in the city. A Covid-19 lockdown followed the next month. Construction subsequently slowed or stopped at projects of multiple cash-strained developers, several affected home buyers

in Zhengzhou said. New home sales in the city fell 30% in 2021 from 2020, according to data from the Zhengzhou housing authority.

Complaints piled up on an online message board monitored by the city's government, with many lamenting how they couldn't get answers from the developers or government officials.

Last month, when home buyers in Zhengzhou learned about the mortgage protest at the Evergrande project in Jingdezhen, they followed suit in an effort to pressure local authorities and developers to resume the construction of their homes. Buyers of more than 30 projects in Zhengzhou have said they intend to stop paying on their home loans—the most of any city in China—according to China Real Estate Information, the real-estate data provider.

The city's government said last week it would set up a real-estate relief fund to address the issues, stating it would "solve the urgent difficulties of developers' broken funding chains, alleviate the social problems and possible systemic financial risks caused by the mortgage boycotts and the construction suspension of housing projects, and boost market confidence."

The fund will start with the equivalent of \$1.5 billion in government contributions and could receive billions more from state-owned enterprises and financial institutions, the government said.

The mortgage revolt—which spread to more than 300 property projects before China's censors deleted many social-media posts on the subject—has sparked concerns about the stability of the country's banks. Chinese financial institutions collectively reported the equivalent of \$5.8 trillion in outstanding individual mortgages at the end of March this year, according to central-bank data.

Central-government policy makers have refrained from any broad real-estate sector bailout, repeating their mantra that "Houses are for living in, not for speculation." They have instead tasked local governments with addressing the concerns of home buyers and making sure that unfinished property projects are completed.

Few cities besides Zhengzhou have said how they intend to fix the problem. Before the recent mortgage protests, many city governments had tried to help developers revive sales by lowering down payments, reducing interest rates, offering cash subsidies and removing restrictions that had prevented people from buying multiple homes.

Betty Wang, senior China economist at ANZ, an Australian banking group, said that in the absence of clear guidance from top policy makers, the Chinese property sector will continue to downsize for some time. "The market has already had a hard landing," she said, adding: "It will be very difficult for many developers to recover from this downturn."

Zoo Police
Walk Beat,
Keep Peace

Continued from Page One

123-year-old law-enforcement agency that is a rare breed: a fully armed police department run by a zoo, with a fleet of squad cars, an armory and a jail cell.

Wearing a SIG Sauer .357 caliber sidearm and a badge, Sgt. Gaskins is a sworn peace officer with the full arrest and use-of-force powers of most municipal police officers. He is one of thousands of officers in Washington assigned to as many as three dozen police departments that patrol the capital, serving and protecting constituents of all stripes, from cabinet secretaries to lawmakers to justices.

This being Washington, police departments have blossomed alongside the growth of government, with many agencies, from the Bureau of Engraving and Printing to the National Zoo, embracing their police squads as sources of pride, prestige and protection.

"We're knee-deep in police," said Chuck Wexler, executive director of the Police Executive Research Forum, a

think tank in Washington. "Only here in the capital of the free world do you find local police and federal police tripping over each other."

This is rooted in history, The U.S. Constitution's separation of powers and the establishment of the District of Columbia as the federal city, which is neither a state nor a federal entity. Neither is the zoo, a part of the Smithsonian Institution, which is a federal trust instrumentality created by Congress but not a part of the legislative branch. In other words, the National Zoo is neither fish nor fowl.

The Federal Reserve Board is also a different animal, a creation of Congress that's independent. The 2001 Patriot Act gave it power to create its own police, who also patrol the Fed's 12 regional banks.

Some police even have their own police. The Federal Bureau of Investigation operates the FBI Police. The Secret Service runs a uniformed Secret Service Police.

In 1791, President George Washington created Park Watchmen, now called the U.S. Park Police. In 1861, President Abraham Lincoln formed the Metropolitan Police Department as the Civil War began.

"When I first came, it was confusing," said Charles Ramsey, D.C. police chief from 1998 to 2006. "It seemed like each agency wanted to have



Zoo police's Sgt. Ron Gaskins with visitors he informed about Bonnie the orangutan high above them.

their own separate department, which doesn't really make sense to me."

There was a joke that if a man got shot in front of the White House "and staggered and fell in the street, MPD would investigate. If he fell on the sidewalk, U.S. Park Police would investigate, and on the grass, Secret Service would."

It's not a joke at Union Station. Amtrak police guard the inside of the train depot, MPD watches the front drive, and the U.S. Park Police patrol the station's grassy plaza.

In 1948, the District's top attorney tried to rein in all the agencies, according to a history by Smithsonian researchers. The Supreme Court, the Smithsonian and the Library of Congress got acts of Congress to authorize their police.

The Wall Street Journal requested all National Zoo Police incident reports for a week in May. Lost children, overheating, falls, seizures and calls for medical aid are among common incidents.

Near Lemur Island, a boy "face planted," and was

treated at the medical station.

Outside the Reptile Discovery Center, a woman got her head wedged in a bench. "She was feeling dizzy and overheated," the report said. "She laid down to rest on the bench. She woke up a few minutes later with her head stuck." D.C. firefighters sawed off the armrest to free her.

One police report detailed the escape and capture of a white-naped crane at the National Zoo's research campus in Front Royal, Va.

Officers are called for the

rare jailbreaks, Sgt. Gaskins said, but zookeepers normally corral fugitives. "Usually," he said, "once we're needed, it is not about recapture."

Sgt. Gaskins has never fired his sidearm in the line of duty, he said, and he hopes he never has to.

Night patrol is different. "It feels like you're the one who's being watched," he said. Cheetahs race alongside squad cars. One gorilla bangs a window twice when officers look up.

On a recent day patrol in the Small Mammal House, there's a loud screech. Sgt. Gaskins stops. A male red ruffed lemur, a critically endangered animal native to Madagascar, strides across a branch and embraces a female red ruffed lemur.

"Uh oh," Sgt. Gaskins says. "They need some privacy." He walks on. Zoo-goers gape.

Before joining the zoo police, Sgt. Gaskins worked for nearly 17 years for the Smithsonian Office of Protective Services, a separate police agency. One assignment was at the National Museum of Natural History, which features gems, dinosaur skeletons and stuffed animals.

"At Natural History, I was watching the animals that were dead, and here we watch the animals that are alive," Sgt. Gaskins said. "Here, it is completely opposite. But I love it."

ARTS IN REVIEW

Washington

Frederick Douglass is an important figure in American history, and yet his remarkable life—born into slavery, he escaped to become perhaps the most eloquent writer and orator in the abolition movement—has not entered popular culture in the way that the lives of other notable Americans have.

“American Prophet,” a stirring new musical at Arena Stage in Washington, attempts with vigor but also delicacy to illuminate his pivotal importance in the battle to end slavery in America. The show is subtitled “Frederick Douglass in His Own Words,” and features a book by Charles Randolph-Wright and Marcus Hummon (Mr. Randolph-Wright also directs), and music and lyrics also by Mr. Hummon, a Grammy-winning composer. Thanks to their focus on Douglass’s celebrated speeches and writings, his words ring forth with scalding power. The creators aim to honor Douglass’s lyrical and incendiary oratory, but also, I would suppose, they realize that his rhetorical powers best their own—and almost anyone’s.

Douglass’s story is presented with an admirable lack of the usual blandishments of musical theater. The set consists of plain wooden risers; the choreography, by Lorna Ventura, is minimal, graceful and piercingly expressive. The cast numbers just 15, including ensemble members. Douglass’s life unfolds with bracing simplicity, even if, given the breadth of his achievement, the musical sometimes feels like a condensed history lesson. (David W. Blight’s definitive biography runs to more than 750 pages.)

Cornelius Smith Jr., who plays Douglass, establishes himself, with a performance of uncompromising strength and power, as an actor of the first rank. From the opening moments, when Mr. Smith recites from one of Douglass’s most famous and uncompromising speeches (“I have no love for America, as such; I have no patriotism”), he commands our attention. Mr. Smith is not here to ingratiate or charm, but to depict with forthrightness the truth of the man and his experience. Grave, radiating an almost hostile dignity, and clearly assured of the moral validity of his cause, Mr. Smith’s Douglass repudiates any notion that the character will be depicted with sentimentality.

The story begins with the early years (the musical proceeds mostly along chronological lines, which can have a stultifying effect), when Douglass first rebelled against the unnatural nature of his relationship to the world. As a young man, he suffered the dehumanizing cruelty of slavery.

These early scenes are sharp and affecting, and bring us into the quickly developing moral consciousness of the character, who moves between



MARGOT SCHULMAN (2)

THEATER REVIEW | CHARLES ISHERWOOD

Frederick Douglass’s Fiery Words

A musical adapts the abolitionist’s rousing oratory to tell his life story with vigor and delicacy

a harsh environment and a more welcoming one—he is taught to read and write, at least for a while.

He meets his wife, Anna Murray (a radiant Kristolyn Lloyd), a free woman who helps him escape to the North, and with electric urgency finds his voice as one of the galvanizing forces of the abolitionist movement.

Mr. Randolph-Wright and Mr.

Hummon employ music, often an emotional emollient, in stimulating metatheatrical ways. In a striking early scene, Douglass watches as we see slaves singing and dancing in the stereotypical ways they often have been depicted. He shuts the number down with a sharp rebuke aimed straight at the audience: This is a canard.

Later, Douglass chafes at the

way the white leaders of the abolitionist movement exploited him; Douglass’s friendliness toward John Brown (Chris Roberts) cools when Brown hatches the plan for the doomed assault on Harpers Ferry, and Douglass reacts with dismay. He also shows icy irritation when the white abolitionist William Lloyd Garrison (Thomas Adrian Simpson) suggests that

Douglass adopt “the accent of an illiterate slave” when proselyting for the movement in England and Ireland; Garrison’s paternalism is plainly exposed.

Mr. Hummon’s music plays a crucial role in avoiding obvious or superficially uplifting depictions of this history. It has a subtlety rare in musical theater; the composer and lyricist gives precedence to the music in Douglass’s oratory. We are led by the terrific musical director, Joseph Joubert, on keyboards, into the thoughts, the words, the feelings. The music only occasionally strikes the soaring notes you might expect, and avoids the overuse of spirituals and hymns. (Although the classic “Wade in the Water” is effectively sampled.)

“American Prophet” casts a mildly critical eye on Abraham Lincoln (Mr. Simpson), who had to be prodded, by Douglass and others, to take a more forthright position on condemning slavery. The musical presents him with a gentle touch of caricature before allowing his humanity and courageous leadership to shine forth later.

Although it ends on a hortatory note—a call to action—the show’s most powerful moment may be the stark representation of Douglass’s famous speech ruminating on the meaning of Independence Day for African-Americans: “What, to the American slave, is your Fourth of July? I answer: a day that reveals to him, more than all other days in the year, the gross injustice and cruelty to which he is the constant victim.”

“American Prophet” reminds us that while people lionized in hindsight and even contemporaneously may be acclaimed for their wisdom, prophecies are subject to the vicissitudes of history, which sometimes takes the long way around to righting wrongs.

American Prophet: Frederick Douglass in His Own Words

Arena Stage, 1101 W. 6th St., Washington, \$51-\$125, 202-488-3300, closes Aug. 28

Mr. Isherwood is the Journal’s theater critic.

Kristolyn Lloyd and Cornelius Smith Jr., right; Mr. Smith and Chris Roberts, top



FILM REVIEW | KYLE SMITH

A Fantasy for The Debt-Ridden

At a crucial moment in the heist thriller “Emily the Criminal,” the title figure bitterly announces why the big score must go on: because people “will just keep taking from you and taking from you until you make the goddamn rules yourself.”

No points will be awarded to viewers who discern the double meaning in these words, because by that stage the film is blaring its message as subtly as a late-night infomercial. Emily is talking not just about how criminals

A financially desperate college grad joins a criminal enterprise to pay off her student loans.

might upstage one another, but about how the economy is rigged against people like her: artistically inclined ex-students who are carrying heavy undergraduate debt and are angry with others about this. Maybe even angry enough to turn to a life of crime. If so—who’s

the real criminal, eh?

Capitalism is the lurking malevolence in writer-director John Patton Ford’s debut film, a favorite with audiences at last winter’s Sundance Film Festival. Superficially it’s an organized-crime story in which the former “Parks and Recreation” star Aubrey Plaza, usually a comic actress but this time working comfortably in a dramatic register, convincingly plays a frustrated and increasingly embittered Los Angeles woman who delivers food for a living. Ms. Plaza’s Emily, who has either \$70,000 of student debt or \$60,000 depending on where we are in the screenplay, is having difficulty keeping up payments, so when a co-worker gives her the phone number of a mysterious contact who promises a gig that pays \$200 an hour, Emily shows up with a lot of other hopefuls at a dry-cleaning establishment. The ringleader, Youcef (Theo Rossi), frankly tells the assembled group that the job pays as advertised but requires illegal activity: fraudulently buying expensive items with



Aubrey Plaza as the title character in ‘Emily the Criminal’

stolen credit-card information.

Caper movies rely heavily on how well they build plausibility into the doings of professional scam artists, but “Emily the Criminal” scores poorly on that front. Its aim to create a gritty feel for the sordid underside of Los Angeles life dissolves in the simplistic nature of Youcef’s scheme, which seems likely to quickly land him behind bars. His scam depends on not a single one of the strangers he keeps taking on as accomplices betraying him to law enforcement. For all he knows, one

of them could be an undercover cop. Yet the operation is presented in the film as a successful enterprise that is producing so much profit that Youcef is well on his way to buying an apartment with the proceeds. Moreover, for a professional grifter, Youcef turns out to be a sweetheart who really just wants to take care of his adorable mom.

Later, the film lurches from one implausibility to another as the small and untrained Emily overpowers much larger men who, unlike her, are hardened and ruthless crim-

inals. Why would a woman who has only a stun gun for protection get involved with large amounts of cash and shady strangers, any of whom could simply conk her on the head and rob her? Even for an art student, Emily seems woefully impractical. And yet the movie presents her as a potential genius at running an illegal operation.

All of this crime action is flimsily constructed, but it’s the socioeconomic subtext that is the major point of interest for both the filmmaker and the audience. Mr. Ford’s script brings in two bosses who all but announce themselves to be capitalist exploiters. Emily’s supervisor at the food-delivery business asks sarcastically, “I’m sorry, are you an employee? No, you’re an independent contractor. So quit talkin’ like you got rights and go back to work.” A companion scene later in the movie finds Emily eagerly submitting to a job interview in her chosen field (at an advertising firm), only to discover too late that the gig is an unpaid internship. “What I don’t understand is why you feel so comfortable asking someone to work without pay,” Emily declares, in a scene that’s meant to stir the audience to pump its collective fist. File “Emily the Criminal” in the category of bad films that earn credit for reflecting the zeitgeist.

ROADSIDE ATTRACTIONS/VERTICAL ENTERTAINMENT

ARTS IN REVIEW

TELEVISION REVIEW | JOHN ANDERSON

'A League of Their Own': Extra Innings

A series inspired by the movie about a team in the All-American Girls' Professional Baseball League of the 1940s

To paraphrase that '80s Oldsmobile commercial, this is not your mother's 'A League of Their Own.' Or maybe it is? Based on the 1992 Penny Marshall film starring Geena Davis and Tom Hanks, the eight-part Amazon adaptation charges directly into the issues that the 30-year-old movie side-stepped—racism and lesbianism, specifically—and is one of the more engaging series of the year thus far.

Why? It's not the issues, necessarily, though they certainly engage. It's more about the acting, and the characters, each of whom is as distinct as a batting stance. It's also something of a double-header, or maybe a double-play—two parallel stories unfolding largely by themselves, but complementing each other with barely a misstep.

One of the indelible moments in the original, aside from "There's no crying in baseball" or the protracted at-bat at the urinal by Mr. Hanks, was when a black woman bystander, picking up a misplayed ball, threw it back—not to Ms. Davis's Dottie Hinson, but over her head to Ellen Sue Gotlander (Fredie Simpson), stinging Ellen's hand inside her catcher's mitt, and earning an admiring look from Dottie. It was the movie's sole acknowledgement that the World War II-era All-American Girls' Professional Baseball League was not open to all American girls, and that there was considerable talent in the parallel universe of the Negro Leagues. (The uncredited extra who threw the ball was identified, after years of anonymity, as DeLisa Chinn-Tyler.)

In the new version, black baseball is represented by Maxine "Max" Chapman (Chanté Adams), a talented pitcher rebuffed on two fronts—by the men at the defense plant who don't want women on their company team and by the organizers of the AAGPBL, who don't want blacks. That she's gay would be strike three—if anybody knew. And if anybody knew about the goings on among the all-white Rockford Peaches, well, there wouldn't be a league of anyone's own.

The series, which arrives all at once on Prime Video, was co-created by Will Graham and actress Abbi Jacobson ("Broad City"). She plays Carson Shaw, a young married woman from Lake Valley, Iowa, whom we meet in 1943 running to catch a train to the tryouts in Chicago—and running away from her husband, who is coming home from the war. What she finds when she



Gbemisola Ikumelo and Chanté Adams, above; Abbi Jacobson and D'Arcy Carden, left; a scene from 'A League of Their Own,' top

gets to Baker Field, where the league is being organized by the dyspeptic Morris Baker (played by Kevin Dunn and based on chewing-gum heir Philip Wrigley), are girls just as talented as her and, for the most part, even less heterosexual. Carson's in the closet, until she meets Greta Gill (D'Arcy Carden, the robotic Janet of "The Good Place"), who knows all about being freewheelingly gay and hiding it. They're a passionate couple within a savvy group, at least most of the time. "I think she might be queer," whispers the alternately savant-ish and clueless player Shirley Cohen (the marvelous Kate Berlant) about another Peach. When it comes to

Serious topics get a plate appearance despite the show's humor.

being an "invert," as some characters put it, Shirley is virtually the only one who's not.

"Unmarried women are always a half step away from being an unruly mob," says Beverly (Dale Dickey), the team's ex-Marine chaperrone, who is assigned to protect the players' chastity and propriety

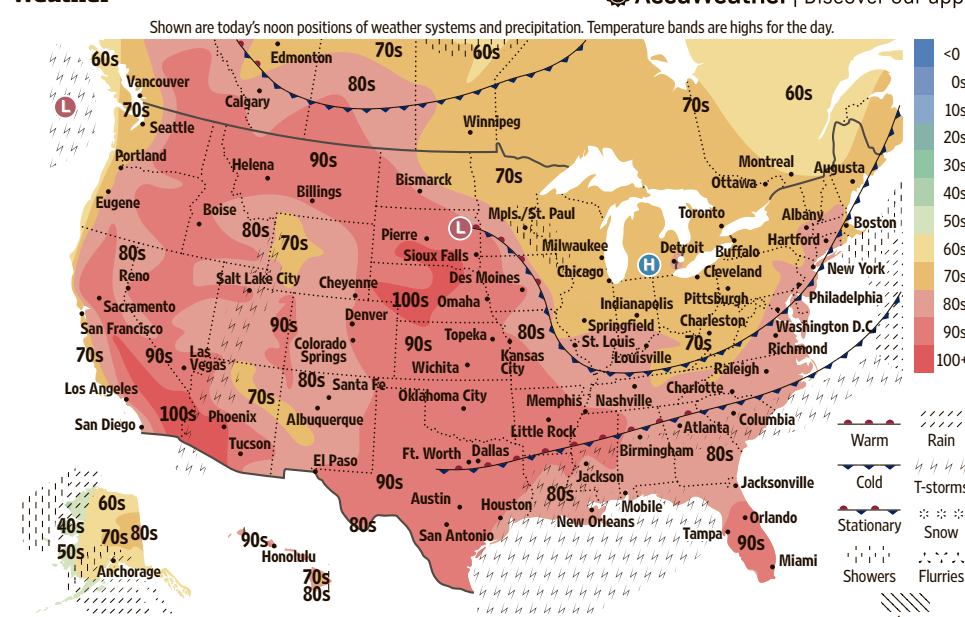
and is far more concerned with the latter. She knows what's going on, which isn't always about Sapphic gambling in the Midwest. There's a lot of baseball action, as there was in the movie, and raw emotions, politics, abusive fans and questions about who's going to save the Rockford team from elimination. Also, whether the AAGPBL—unpopular with institutional Major League Baseball but a hit with the fans—will be allowed to survive, whether or not MLB shuts down for the duration.

The persistent question is whether Max, whose family dramedy provides much of the off-field entertainment, will ever get a chance to pitch. But "A League of Their Own" doesn't try to change history; it just digs into it a little

deeper, as if with cleats. And what makes it a success isn't really the worldview, but the comedy: Ms. Jacobson, Ms. Carden and Ms. Adams, the starring lineup, are uniformly wonderful, but their "team"—notably Roberta Colindrez as Lupe, Kelly McCormack as Jess, Gbemisola Ikumelo as Max's comic-book obsessed pal, Clance, and, again, Ms. Berlant—are .400 hitters in the comedy division. Trying to find parallels to the film—Nick Offerman's manager Dove Porter and Mr. Hanks's Jimmy Dugan, for instance—is a losing proposition. "A League of Their Own" is really a series all its own, "as free as a foul ball," as Lupe might say.

A League of Their Own Friday, Prime Video

Weather AccuWeather | Discover our app



U.S. Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers; T...tstorms; r...rain; sf...snow flurries; sn...snow; L...ice

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

International

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

The WSJ Daily Crossword | Edited by Mike Shenk

Crossword puzzle grid with numbers and some filled-in letters.

THIS PLACE HAS CHANGED | By Matt Gaffney

- List of crossword clues: 1 Abu Dhabi bigwig, 5 Regarding, 9 Creator of the Corleones, 13 Barely cooked, 14 Silverstein of verse, 15 Dropped pop-up, e.g., 16 CEOs may get rich from them, 17 They're found on cans and cups, 19 Heston/Loren epic of 1961, 21 Convenes, 22 Angry music, 23 Collectible with Shrek and Black Panther versions, 26 "___ on TV", 27 The rest of the afternoon, 31 Haitham bin Tariq al-Said's title, 35 Beatty of "Superman", 38 "___ ideas?", 39 2028 Olympics host, 40 Fish prized as sashimi, 47 Not knowing what's right, 48 Power problem, 52 Ride recently reintroduced, 56 Director Lupino, 59 Cast away, as one's eyes, 60 Cookies in ice cream flavors, 61 Illinois senator since 1997, 64 Quick communiqué, 65 Frightful, 66 New Rochelle university, 67 Fighting against, 68 Originate (from), 69 Take hold of.

PUZZLE CONTEST

- Down: 1 It's up the shore from Cleveland, OH, 2 Syrup sources, 3 Classic Camaros, 4 Dwells, 5 Storied serpent, 6 "The Fourth Stoooge", 7 Home made of hide, 8 Elizabeth of "WandaVision", 9 Debate side, 10 Craving, 11 Camera feature, 12 Roughly, 15 Programmer's conditional phrase, 18 "___ much fun!", 20 God of Montreal, 24 Bowen Yang's show, for short, 25 Speed Wagon maker, 28 Home to DUBYA's library, 29 Some 28-Down workers, briefly, 30 "Knives Out" star de Armas, 32 Get some sun, 33 Spider's snack, 34 Stern School of Business's spot, 35 Cavs and Mavs play in it, 36 Stately tree, 37 Side-by-side singers, 41 Time, 42 False front, 43 Message on Valentine candy, 44 Antonyme de "oui", 45 Correct prefix?, 46 Of the breastbone, 49 When a baby can say "mama," usually, 50 Small cave, 51 Gradually get to fit, 53 Outfit anew, 54 Shady area, 55 Memoir adapted as "What's Love Got to Do With It", 56 Midmonth day, 57 Everything you consume, 58 About 15½ tennis courts, size-wise, 62 Basinger of "Batman", 63 Get off the streets.

Previous Puzzle's Solution: A grid of letters corresponding to the previous puzzle's solution.

Email your answer—in the subject line—to crosswordcontest@wsj.com by 11:59 p.m. Eastern Time Sunday, August 14. A solver selected at random will win a WSJ mug. Last week's winner: Cynthia Johnson, Kingsport, TN. Complete contest rules at WSJ.com/Puzzles. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

SPORTS

Boxing Pipeline Takes a Hit

Russia's invasion has laid low some of Ukraine's best known exports, including the country's boxers

By Alistair MacDonald
and Artem Bondar

The morning after Russia invaded Ukraine, Dmitry Sosnovsky, a storied national boxing coach, gathered with 15 boxers and trainers in their gym here to decide what to do.

Some would join the armed forces, some became refugees and others, like Sosnovsky, decided to aid the fight in other ways. None gave a thought to boxing, a sport that Ukraine has long excelled at on the international stage.

"For this generation of fighters there will be a gap," said Sosnovsky, who has coached many of the country's best boxers, including, at one time, current heavyweight world champion Oleksandr Usyk. "But we will restore it," he said.

Russia's invasion has pummeled Ukraine's cities, killed thousands and turned millions into refugees. It has also laid low some of the country's best known exports, from its grain harvests to the sports it excels at, like gymnastics and boxing.

Usyk, who holds three of the four main heavyweight belts, is set to make a high-profile return from a stint in the Ukrainian army on Aug. 20, when he will fight Anthony Joshua, the British fighter he took the titles from. The fight in Saudi Arabia will be shown free of charge in Ukraine, a sign of its importance for the embattled country.

With the war ongoing, the long-term impact on the rest of Ukraine's boxing world has yet to be seen.

At the Andriy Kotelnik Academy of boxing in Lviv, in western Ukraine, Sosnovsky believes a negative impact is inevitable.

Before the war, around 100 trained at the gym here, in the base of a Soviet-built apartment block.

Now there are around 35 to 40 that train, Sosnovsky said. Eight of the gyms' boxers are fighting on the front line.

Vyacheslav Senchenko, a former world welterweight champion who now trains boxers in Kyiv, said many of his fighters have told him they are quitting the sport, saying they need to look after their family or earn money in a job.

It is the boxers just starting out that Senchenko says he feels most for, given there are currently no professional or amateur fights in Ukraine. Young men are also not allowed by law to leave the country.

"There is no opportunity for younger guys to achieve real fighting experience," he said.

Since the war started, eight Ukrainian boxers, who had won titles at a national or regional level, have been killed in fighting, including a former European youth champion, according to a government website.

Sosnovsky says the damage to the sport isn't just about casualties and missed training opportunities. The country's entire boxing infrastructure has been degraded.

Fourteen sports facilities have been damaged and three de-



Ukraine boxer Oleksandr Usyk, above, holds three of the four main heavyweight belts. Right, Dmitry Sosnovsky is a former national boxing coach.

stroyed, according to the Ukraine government.

Trainers and boxers have had to leave their gyms and equipment in occupied territories.

Sosnovsky said a friend who is a boxing coach fled from Mariupol, a port city now in the hands of Russia, and ended up in Germany.

"He is a world class trainer, and he has to start again from zero," he said.

The country has excelled at boxing, but the effects of the war are being felt across all sports.

The effects of the war are being felt across all sports here.

Olga Shulpina, a gymnastics coach at a children's sports school, took their athletes and parents to a camp in Poland this summer and is now unsure how many will return.

"It is difficult to predict how many promising personnel will be lost for Ukrainian sports in the coming years," she said.

One of Ukraine's largest fencing centers was destroyed in an attack on the city of Kharkiv. Andrey Markarushchenko, who ran the center and is president of the regional fencing federation, said the loss

will have a serious effect on fencing training in the country.

All soccer competitions, including the country's main professional league, were stopped when the war started. The country's national side regrouped to compete in the play-offs for a coveted spot in this year's soccer World Cup, only to suffer a narrow loss to Wales in June.

In recent decades, the country has particularly excelled at boxing.

Brothers Wladimir and Vitali Klitschko dominated the heavyweight division from around 2004 to 2015. Vasiliy Lomachenko won titles in three weight classes and Andriy Kotelnik was a former lightweight world champion trained by Sosnovsky and who owns the Lviv gym. When the war began, Lomachenko, like Usyk, joined Ukrainian forces.

With Sosnovsky as head coach, Ukraine topped the medals table at 2011's amateur World Boxing Championship and were second at the 2012 Olympics to the U.K., the games' hosts.

Sosnovsky keeps in regular contact with the boxers he trains who are now on the front line. When they arrived there, several called to say they were under equipped.

"We need socks, bulletproof vests, radios," Sosnovsky said they asked.

The 64-year-old, who was born in a Russian Arctic penal colony



that his mother had been sent to, made several trips to bring equipment to the front line.

The gym's weight room is currently being used to sleep several refugees from eastern Ukraine. At one point there were up to 40 sleeping on its floor.

On a recent morning, only one fighter trained, the sounds of his skipping echoing through the empty gym. But the 17-year-old middleweight prospect is also soon set to leave, immigrating to Poland with his mother.

"For the school, he will be lost. He will ... probably be a Polish boxer," said Sosnovsky, who has trained him for the last five years.

Senchenko, the former welterweight champion, said that of five professional fighters he helps

coach that he rates as promising, two are now in Germany.

Matviy Bulyk, Sosnovsky's fighter, says he doesn't want to leave the country and hopes to always compete under a Ukrainian flag.

"But I have no say in the decision," he said.

Before each major international fight Sosnovsky used to motivate his boxers while sending them into the ring by telling them they were fighting for their family and country.

When boxers head for the front line, he repeats the same message.

"Now, you'll fight for your father, for your mama, for your country," he said.

—Katia Rudeshko
contributed to this article.

A Major League Pitching Coach Goes Back to School

By Robert O'Connell

THE MOST SURPRISING transaction of this Major League Baseball season, with apologies to Juan Soto and the Padres, may have come back in June, when news circulated on the Minnesota Twins' team plane that Wes Johnson, then the pitching coach for a first-place club, had abdicated his post. His reason? He had taken the same job a few levels down, past the minor leagues and back in the college ranks, at Louisiana State University.

The move sent shock waves through the Minnesota roster, especially the pitchers who, in a bounce-back year after a last-place finish in 2021, had seen a full run drop off their cumulative earned-run average. But the news also shot through a sport with a firm sense of hierarchy that places amateur baseball and the minor leagues at one end and the glitz of a contending big-league club at the other.

Johnson, who has the weather-beaten cheeks of a bullpen lifer and a 12-year-old daughter at home in Arkansas, used a different rubric.

"Family was first," Johnson said in a recent interview. "I get to eat breakfast with them, I get to see basketball games and volleyball games. In the big leagues, you ain't seeing squat."

Yet LSU's eagerness to bring Johnson aboard—and its willingness to pay him a big-league salary—also reflects a reality about the development of pitchers in baseball today: a lot of the most important work is done at the college



Former Twins pitching coach Wes Johnson left MLB to take a job with LSU.

level, which has become the top pipeline for major league hurlers.

That has created an arms race in college baseball. At the sport's highest level, a pitching coach can improve a club at the margins. In college, if he establishes a reputation for shaping future pros, he can be a powerhouse unto himself.

"Wes isn't just what I would consider the best pitching coach in college baseball. He's one of the best pitching coaches in all of baseball," said Jay Johnson (no relation), LSU's head coach. He said that Wes Johnson helps pitchers add pitches, increase velocity and stay healthy—a combination that, coupled with MLB experience, will help LSU recruit pitchers eager to progress to

the majors. He expects other schools to look increasingly to the professional ranks for their hires.

Pitching coaches at any level are hardly household names. Even semi-serious baseball followers might know only that of their favorite team. If fans can't name the college-level mentors, though, they have certainly seen their work. Annual MLB draft boards, prospect lists and big-league staffs are populated by products of college baseball's recognized houses of hurlers. LSU alumni include Aaron Nola of the Phillies and Kevin Gausman of the Blue Jays.

Other sports have no ready analog for the college pitching coach. NBA rules force most American bas-

ketball prospects to stay a season in college, but the year often doesn't do much to change their draft stock. Top quarterbacks learn to quicken their reads in college football, but the throwing motions that made them five-star recruits often don't undergo major overhauls.

College pitching coaches, however, work with players for at least three years, the minimum a pro prospect can stay if he opts not to enter the draft out of high school. They can gift their charges with a career-defining weapon—a convincing changeup or wipeout breaking ball—and help them walk one of sports' most treacherous tightropes, building velocity while staving off disastrous arm injury.

When Jay Johnson took the LSU head-coaching job prior to the 2022 season, he knew what call he would make first, especially given the Tigers' windfall from the SEC's deal with ESPN and their second-in-the-country attendance numbers. "He was my choice last year," Jay said of Wes Johnson, but the timing wasn't right. "When I went back this season, the administration was [said], 'Whatever you need to do.' " What LSU needed to do was offer a three-year deal worth \$380,000 annually, with a \$25,000 relocation bonus and incentives that could raise his total compensation much higher; Wes had made \$400,000 a year in Minnesota.

With Minnesota, Wes Johnson helped fine-tune flamethrowers like Jose Berrios, but his best work may have been with Kenta Maeda, a mid-dollar free agency signing who

under Johnson's tutelage finished second in the 2020 Cy Young race.

Before coming to Minnesota, Maeda had thrown his slider to right-handed batters and his changeup to lefties, keeping to the conventional wisdom of working the pitches away from the hitters' bodies. Johnson guessed that Maeda's stuff bit sharply enough that he could mix-and-match it with success. Maeda followed the directive, and his ERA dropped from 4.04 to 2.70, the fifth-lowest in the American League.

"It became really apparent," Johnson said, "that hitters just didn't know what was coming."

During his time in the majors, Johnson became an expert in using slow-motion cameras and data-capturing systems to adjust individual pitches or even design them from square one—among other unnamed tactics. "Golly, you're gonna write this and then some of these other teams are gonna know what I'm doing," Johnson said.

Johnson wanted to get to Baton Rouge by midsummer, to bend the ears of recruits deciding between LSU or the MLB draft. As the draft deadline grew near, he held court with prospective Tigers, making his case for why LSU would be the best thing for their long-term goals. Chase Shores and Griffin Herring, Texas teens who chose to bypass the draft to work under Johnson, were among those convinced.

"I don't have one specific philosophy," Johnson said. "If we have 20 arms show up on campus this fall, I'll have 20 different philosophies."

OPINION

The Payback Will Be Brutal



POTOMAC WATCH
By Kimberley A. Strassel

Trump derangement syndrome has a curious way of scrambling coherent thought. Witness the Democratic-media complex's blind insistence the Justice Department raid on Donald Trump's home is just and necessary—rather than a dangerous move for their party and the republic.

In descending on Mar-a-Lago, the department and the Federal Bureau of Investigation shifted the U.S. into the category of countries whose ruling parties use government power to investigate political rivals. No attorney general has ever signed off on a raid on a former president's home, in what could be the groundwork for criminal charges.

Yet to read the left's media scribes, Monday's search was a ho-hum day in crime-fighting. The Beltway press circled the wagons around Attorney General Merrick Garland and primarily parroted Speaker Nancy Pelosi's piety that “no one is above the law.” “The Mar-a-Lago Raid Proves the U.S. Isn't a Banana Republic,” pronounced the Atlantic, clearly worried readers might conclude the opposite. It is “bedrock principle” that those who “commit crimes” “must answer for them,” it lectured.

The Washington Post's Aaron Blake attests it's totally standard to investigate presidents—look at Israel! The New York Times soothingly explains that prosecutors

“would have carefully weighed the decision,” and that the investigation therefore must be “serious.” Roll Call produced a law professor to remind all that a judge had to sign off on a “detailed affidavit that established probable cause.” The last time we got this level of reassurance about federal law enforcement's professionalism was at the height of the Russia-collusion hoax.

If you have doubts about all this, you're uninged and lawless. The Washington Post quoted “extremism trackers,” who explained that any GOP statements “delegitimizing the government” were “nudges toward violence.” Said one: “They use events like this to feed into this fantasy they've co-created with their supporters.” Several outlets claimed Republicans' criticism of Justice and the FBI was little more than an effort to “inoculate” themselves against any probes.

Yet not even the Justice Department is so simple-minded. It has longstanding guidelines on politically “sensitive” investigations, particularly close to an election. The guidelines reflect a recognition that it's impossible to strip politics out of political probes, and that a claimed crime must be severe to outweigh the risk of irreparably landing the department with a reputation as a politicized or corrupt agency. The probe also has to be worth the risk of setting off a toxic cycle of reprisal and escalation.

The bar has always been at its highest when the investigation involves a former pres-

ident. Even more so when the former president remains a contender for the office. Mr. Garland breezed past all this history and complexity in his “equal under the law” statement Thursday, even as he expressed outrage that anyone might mistrust the department and the bureau that brought us the Steele dossier and the Carter Page wiretaps.

Democrats may be betting that adverse coverage of Mr. Trump will help them in November, or in 2024. They'd better hope so. Their media

What went around at Mar-a-Lago Monday will come around hard for Democrats.

defenders recklessly ignore the boomerang history of unleashed governmental powers and the long-term political danger of violating precedents and norms. A Democratic Congress enacted, and Jimmy Carter signed, the first independent counsel law in 1978. Two decades later it led to Bill Clinton's impeachment.

If anything, a perceived political persecution of Mr. Trump could help him to a second term. And he would be even more unrestrained as the 47th president than he was as the 45th. A second Trump administration wouldn't have the caliber of grown-ups who signed up for the first tour. Mr. Garland's raid has made even the highest political figures fair prosecutorial game, and the me-

dia's new standard is that the department can't be questioned as it goes about ensuring “no one is above the law.” Let's see how that holds when a future Republican Justice Department starts raiding the homes of Joe Biden, Hillary Clinton, Barack Obama, Eric Holder, James Comey and John Brennan.

Payback could come even sooner. Democrats set a new low with their Ukrainian impeachment circus, and a GOP House next year might be up for a reprise. Get ready for a few more select committees—perhaps excluding the minority party, as the Democrats effectively did with the Jan. 6 committee—to investigate Mr. Garland's politicized department or Hunter Biden's finances. Watch them subpoena sitting Democratic representatives, as the Jan. 6 committee did to Republicans. Reps. Adam Schiff, Ilhan Omar and Eric Swalwell may find themselves on the back bench with a new Republican majority eager to follow Mrs. Pelosi's example and strip the opposing team's members of committee assignments.

All this tit for tat will further undermine our institutions and polarize the nation—but such is the nature of retributive politics. Which is why the wholesale Democratic and media defense of this week's events is so reckless. Both parties long understood that political restraint was less about civility than self-preservation. What goes around *always* comes around. What went around this week will come around hard.

Write to kim@wsj.com.

BOOKSHELF | By Benjamin Shull

Spinning Plates

A Waiter in Paris

By Edward Chisholm
(Pegasus, 371 pages, \$28.95)

George Orwell, in his 1933 book “Down and Out in Paris and London,” sought to capture the mindset of the waiter: “He lives perpetually in sight of rich people, stands at their tables, listens to their conversation, sucks up to them with smiles and discreet little jokes. . . . He will take pains to serve a meal in style, because he feels that he is participating in the meal himself.”

“Down and Out,” Orwell's first full-length book, is a touchstone for Edward Chisholm's memoir, “A Waiter in Paris: Adventures in the Dark Heart of the City.” Mr. Chisholm is an Englishman who had originally moved to Paris after graduating from university to live with a girlfriend. When the relationship breaks up, he stays on in the French capital and eventually finds work at a restaurant he calls “Le Bistrot de la Seine,” the hothouse setting around which his book is anchored.

French cuisine doesn't figure as prominently in “A Waiter in Paris” as it might have. But Mr. Chisholm's story is immersive and often thrilling. The title is a bit of a misnomer, as for much of the book the author is more precisely a “runner” in charge of bringing glasses, cutlery, plates, food and drinks to the tables. Mr. Chisholm documents his elevation from runner to waiter, and along the way probes into restaurant life in Paris, the personalities of his colleagues and the city itself.

At the book's beginning, Mr. Chisholm has a little French but is not quite fluent. In a nice touch, he includes snippets of conversation with blank spaces for words he doesn't yet know. After asking the restaurant's loathsome manager, whom he dubs the Rat, for a formal employment contract, the Rat responds: “Ha! You'll have a contract when _____ ready, which in my opinion is never. _____! Tell me. Why does a runner need a contract? Hey? A runner only lasts a few months. _____ It's not worth the paperwork. We have to pay for that. _____ Why would we pay for someone like you?”

The author's French improves along with his competence at his job. He hears the restaurant's *directeur* yell out “Il y a du monde déjà,” which he roughly translates as “There is already the world,” but soon learns that it means “It's already busy.” The word for tips, he tells us, is *pourboire*, which literally translates as “for drinking.” There's plenty of alcohol consumed in these pages.

As the author's experience with the Rat shows, working in a Parisian restaurant can grind one down. “The truth is,” Mr. Chisholm writes, “it's a cruel existence. You live week to week, often under sadistic managers, with a wage so low you're fighting each other for tips. It's physically demanding, frequently humiliating and incredibly competitive. A world hiding in plain sight governed by archaic rules and a petty hierarchy—populated by the most incredible cast of characters you'll ever come across.”

Food and drinks come out of the kitchen via three former members of the Tamil Tigers, a guerrilla group that was based in Sri Lanka. One of the waiters is a Sicilian communist; over the course of the book, he's replaced by a Pole who claims both to own a restaurant in Gdansk and to have been a member of the French Foreign Legion, though another employee insists he's part of the Serbian special forces and an assassin, hiding in Paris from people who want him dead. Mr. Chisholm has a run-in with the head chef, “a Corsican of unbridled fury” who pins him against a wall after an ill-advised trip into the kitchen.

A British expat's memoir of learning the folkways of Parisian restaurants while trying to make it as a writer.

“A Parisian restaurant is a twice-daily exercise in crisis management and maximizing profitability,” he writes. “Quite frankly, having seen how it works from the other side of the swinging door, I can say that it's nothing short of a miracle that your dishes arrive at your table with all the elements you requested, and that, on top of that, they arrive at exactly the same time.”

The book leaves the restaurant from time to time as Mr. Chisholm tries to make a life in the City of Light. He recounts navigating the country's byzantine labor laws—“the French administrative catch-22”—and trying to secure lodging. He stays out one night with the Sicilian until 5 a.m., drinking and talking politics. Afterward, massively hung over, he heads to an administration office to attempt to get a Social Security number. At first the woman at the desk stonewalls him. When Mr. Chisholm recalls the Sicilian's advice and plays the broken-heart card, telling her he can't produce the necessary documents because they're at his ex-girlfriend's apartment, she agrees to give him a break.

As long as he's a runner, Mr. Chisholm pines to be a waiter. A no-show one day finally gives him the opportunity to work the drinks terrace (even though a colleague quips that actual waiters serve food). Day One is a success, as he reflects at the end of a spring day, the Eiffel Tower backdropped by a violet sky: “This is now my world: the bistro, the waiters—coffee, cigarettes and cash.” A seminal moment comes soon after, when an American couple, after an evening of small talk—“me speaking English in a French accent or correcting their French with my British-sounding French”—leaves him a hefty tip.

“A Waiter in Paris” has its villains, not least the Rat, but Mr. Chisholm also forges a number of friendships. The book is an amalgamation of his experiences in Paris, where he spent four years working various waiting and bar jobs while trying to make it as a writer. By all accounts he learned the *métier* and was a capable waiter. He's a fine writer.

Mr. Shull is a books editor at the Journal.

Coming in BOOKS this weekend

The Cold War as war of nerves • “The Price of Time”: A history of borrowing, lending & interest • The ‘It’ Girl: Sex appeal in America's Jazz Age • The poems & light verse of W.H. Auden • Tom Nolan on mysteries • & more

American Diplomacy Loses Its Religion

HOUSES OF WORSHIP
By Thomas Farr

we've accepted the Founders' view that all people must have the freedom to exercise religion and that this freedom is so sacrosanct it deserves special protection in our Constitution.

But that consensus has faded. According to the prevailing moral orthodoxy, religious practice not only isn't celebrated; it's increasingly intolerable. Those who affirm traditional beliefs about human life and nature—from abortion to marriage, to distinctions between the sexes—are cast as dangerous to democracy. Especially troubling is that such calls often come from the government, whose duty is to defend religious rights. Take the Equality Act—pending in Congress and supported by the Biden administration—which would vastly expand antidiscrimination laws and expressly bar religious exemptions. The effect would be to subject dissenters from secular orthodoxy to ruinous lawsuits.

Weakened protections for religious practice at home harm faithful citizens. They gravely affect those abroad, too. By pushing religion to the margins, we undermine our moral leadership and ability to aid the millions of people—Christians, Muslims, Jews, Yazidis, Bahá'is and others—who are persecuted for their religious beliefs.

This cultural change didn't happen overnight, but a bipartisan consensus on the importance of religious liberty remained strong well into the 1990s. In March 1993 then Rep. Chuck Schumer introduced the Religious Freedom Restoration Act, a bill meant to fortify protection against laws that “substantially burden a person's exercise of religion” unless the government can show that it was furthering a “compelling governmental interest” via the “least restrictive” means possible. The measure passed with overwhelming bipartisan support. “Our Founders cared a lot about religion,” President Clinton said at the signing ceremony. “They knew that religion helps to give our people the character without which a democracy cannot survive.”

Five years later Mr. Clinton signed the International Religious Freedom Act, designed not only to reduce persecution of religious minorities abroad but to convince nations that religious freedom promotes pluralism, economic growth, stability and security.

IRFA created a new mission in the State Department, led by an ambassador at large for international religious freedom. While the office has struggled to integrate itself within the department's foreign policy since its founding, a series of ambassadors had begun to make significant progress. Though an outstanding diplomat holds that post today, the administration's policies have fundamentally undermined his of-

fice's operating premises.

The State Department disavowed the work of its Commission on Unalienable Rights, a panel then-Secretary Mike Pompeo assembled in July 2019 “to ground our discussion of human rights in America's founding principles.” When the commission published its report a year later, its central contention was that certain rights—including religious freedom—are given by

By pushing faith to the margins, the U.S. undermines its moral leadership abroad.

God to every person and may not be removed by government. The report recommended this powerful and humane idea be strengthened in American diplomacy.

Two months into office Secretary of State Antony Blinken renounced the framework: “There is no hierarchy that makes some rights more important than others.” The implication is that governments can manufacture rights they favor and simply deem them universal. Look how that's worked out in China, Iran or Russia.

The State Department has parroted that conception of rights since. It has declared that the right to abortion and “the rights of the LGBTQI communities” are “at the heart of our foreign policy.” Countries that fail to recog-

nize them risk losing U.S. support—an arrogant attempt at cultural dominance.

This is made possible by a backward conception of religion—and what constitutes it. The State Department in 2021, for example, offered \$500,000 in grants to promote the “religious freedom” of “atheist, humanist, non-practicing and non-affiliated individuals.” Such people have the same fundamental rights as the faithful. But an official pretense that those beliefs constitute “religion” further damages the credibility of our religious-freedom diplomacy.

Mihrigul Tursun, a Uyghur Muslim woman, was interned in a Chinese “re-education” camp, tortured, deprived of sleep and subjected to electric shock—all because she was faithful to a religion that offends an atheist, totalitarian government. The U.S. must be clear-eyed about why it is fighting for people like Ms. Tursun.

The Declaration of Independence sets forth a radical claim: that all human beings are endowed by our Creator with certain “unalienable Rights.” The beauty and effectiveness of that claim is unlike that of any other system known to mankind. It applies to everyone, and it coerces no one. We abandon it at our peril.

Mr. Farr is president of the Religious Freedom Institute. He served as director of the State Department's Office of International Religious Freedom, 1999-2003.

Politicized Justice Goes Beyond Mar-a-Lago

By Brett Tolman

The raid on Donald Trump's Mar-a-Lago residence this week was political theater, pure and simple. It was an attempt by the Justice Department and the Federal Bureau of Investigation to tarnish the current president's political enemy by misusing the power of the federal government.

But while the media feasted on images of agents toting assault rifles outside Mr. Trump's home, a team of federal prosecutors have been working out of sight to exploit a legally dubious loophole to undermine a core tenet of the Constitution: the president's authority to grant clemency.

Like every modern president, Mr. Trump used that constitutional power to pardon convicts and commute sentences. He did so 237 times, a

low figure compared with recent predecessors. President Obama used the power nearly 2,000 times. President Clinton pardoned or granted clemency to 456 people, including 140 on his last day in office.

Trump gave clemency to Philip Esformes. The department is seeking to retry him.

Philip Esformes, a South Florida nursing-home operator, was among those to whom Mr. Trump granted clemency. In 2019 Mr. Esformes was convicted of a massive Medicare fraud scheme and sentenced to 20 years in federal prison despite a magistrate judge's holding that federal prosecutors had improperly obtained

and handled evidence in the case. Judge Alicia Otazo-Reyes said she “found the government's attempt to obfuscate the evidentiary record to be deplorable.”

Mr. Esformes is pursuing an appeal, but in December 2020 Mr. Trump granted clemency and commuted his prison sentence. The reprieve was short-lived. Not long after President Biden's inauguration, the Justice Department announced that it would attempt to retry Mr. Esformes. In the original trial, the jury failed to come to a verdict on six of the 26 counts against him.

In a May 2021 filing with the 11th U.S. Circuit Court of Appeals, Margaret Love, who served as the Justice Department's pardon attorney from 1990 through 1997, attested that she had reviewed the record and concluded “that the intent of the commutation re-

quest was to end any further prison term for Esformes.”

Why would prosecutors pursue him at this point? Perhaps because administration officials see an opportunity to humiliate a political foe. As with the Mar-a-Lago raid, justice and the rule of law were sacrificed on the altar of politics. The Justice Department's antipathy for Mr. Trump appears to have led to norm-shattering decisions that set dangerous precedents for future administrations.

Americans should be disturbed by the misuse of the FBI's power to embarrass Mr. Biden's political rival—and also about abuses of power that are taking place outside the media spotlight.

Mr. Tolman is executive director of Right on Crime. He served as U.S. attorney for Utah, 2006-09.

OPINION

REVIEW & OUTLOOK

China's Chips Are Down

America's industrial-policy advocates see China as a technological juggernaut whose government direction the U.S. must imitate or become a declining power. Yet that's not how it looks from Beijing, which is frustrated by its second-string semiconductor industry.

President Biden on Tuesday invoked the hobgoblin of Chinese technological superiority as he signed Congress's \$280 billion computer-chip subsidy bill. China has leapfrogged the U.S. in research and development, he claimed, and "is trying to move way ahead of us in manufacturing these sophisticated chips." Beijing may be *trying* but it is struggling mightily despite spending enormous sums.

Bloomberg this week reports that Beijing is launching corruption investigations into government ministers and business leaders involved in its semiconductor initiative, which is a cornerstone of President Xi Jinping's Made in China 2025 plan to achieve manufacturing self-sufficiency. Corruption crackdowns are Mr. Xi's modus operandi when things don't go according to Communist plan.

When senior government officials last month reviewed the country's chip-making progress, they reportedly grew dismayed that advances may have been overstated and investments weren't paying off. Mr. Xi's plan to throw money at the semiconductor industry, as with others, has resulted in many unproductive companies chasing government subsidies.

About 15,700 new semiconductor companies registered in the first five months of last year. As it turns out, government is a poor allocator of capital, and semiconductor handouts have spawned cronyism and graft. These problems are intrinsic to industrial policy. But Mr. Xi is blaming China's industrialists, rather than his planning model.

Bloomberg says the government is investigating the head of its National Integrated Circuit Industry Investment Fund and has dispatched an investigation team to the Ministry

of Industry and Information Technology. Also under investigation is Tsinghua Unigroup, a chip-making national champion that collapsed last year and was forced into receivership.

U.S. politicians note that Beijing's industrial policy has helped drive down manufacturing costs of technologies that have become commodities such as solar panels and rudimentary chips. But China still badly trails the West in advanced semiconductor design and equipment despite spending more than \$100 billion to catch up.

Meantime, U.S. technology export controls are making it even harder for China to catch up with Western computer-chip technology. This may be one reason for Beijing's stepped up militarism with Taiwan, which manufactures many of the most advanced chips. What U.S. business and political leaders don't seem to understand is that the world, including China and Taiwan, still relies on U.S. innovation, which is a product of our capitalist system.

Mr. Biden said Tuesday that "federal research and development brought down the cost of making [chips] and built a market and an entire industry." That's wrong. Business consolidation, economies of scale and off-shoring reduced manufacturing costs. But the main U.S. comparative advantage continues to be technological innovation, which is driven by business research and development.

R&D spending made up 3.5% of U.S. GDP in 2020 compared to 2.4% in China, according to the OECD. Business investment accounts for about three-quarters of U.S. R&D. Today's fixation with Chinese government planning is reminiscent of the overbaked worries in the 1980s that Japan's bureaucracies were the secret to its economic success.

China's assets are formidable, but its politically directed economic policy isn't one of them. The U.S. doesn't need politicians and bureaucrats picking winners and losers. It needs economic policies that unleash the creativity and investment of people and private firms.

Xi Jinping is said to be unhappy with the results of state subsidies.

Merrick Garland's Warrant Gambit

Who says Merrick Garland is a political naïf? The Attorney General emerged briefly from Main Justice on Thursday to defend the FBI's search of Donald Trump's residence without saying much at all. Instead he put the burden on Mr. Trump to let a federal judge release the judicial warrant that allowed the search of Mar-a-Lago.

Mr. Garland said he had asked the judge to release the warrant and property list presented by the FBI at Mar-a-Lago, which gives the appearance of transparency. The magistrate will no doubt consult Mr. Trump's attorney, and if the former President declines his assent the warrant may stay sealed. That could make it look as if Mr. Trump is trying to hide something, though a warrant is nothing more than a license to search a premises. It is not an implication of guilt, though it can do reputational harm if it suggests the FBI is looking for evidence of wrongdoing.

The warrant may shed some light on the reasons for the search, but it will be only one side of the story. Mr. Garland was at pains

Thursday to say his department is doing all this by the legal book, and that no one is playing politics. But the AG is clearly trying to deflect anger at Monday's unprecedented search of a former President's home without having to elaborate on the legal case he is pursuing.

It's nice to hear Mr. Garland say he personally signed off on the search. But it's a little much to hear him lecture the country that it's beyond the pale to criticize the FBI. After the Russia collusion fraud, the Steele dossier con, the misleading FISA requests for the Carter Page warrants, and the Robert Mueller whitewash of all of that, there are plenty of reasons for Americans to take a don't-trust-but-verify attitude to the bureau. This isn't disdain for the rule of law. It's well-earned skepticism.

By sanctioning the Mar-a-Lago search, Mr. Garland has broken a political norm that has stood for 232 years. He had better have enough evidence to justify it in the end, or he will have unleashed political forces and a legal precedent that Democrats as much as Donald Trump may come to regret.

The AG puts the onus on Trump to release the FBI search warrant.

Newsom Taunts Texas on Guns

California Gov. Gavin Newsom must not have enough to do because he is spending much of his time trolling Republicans in other states. First it was Florida on Disney, and now it's Texas, with a new law modeled on the Lone Star State's abortion law that charges private citizens with enforcing a state ban on so-called assault weapons. Mr. Newsom's gambit could do broader harm, as the American Civil Liberties Union warns.

Democrats in Sacramento last month enacted legislation creating a private right of action to sue gun makers and distributors for imported firearms that violate the state's gun laws. California law prohibits more than 50 models of semiautomatic rifles, pistols and shotguns that Democrats call assault weapons though many are in common use.

Gun businesses can be sued repeatedly for illegal firearms imported into the state whether or not they knowingly helped someone break a law. Plaintiffs who prevail are entitled to at least \$10,000 in damages plus attorneys fees. The law is modeled on Texas's SB8 law, which established a similar litigation scheme to enforce a ban on abortions after six weeks.

When SB8 passed last summer, Texas's ban violated the Court's *Roe* precedent. But since state officials were prohibited from enforcing the ban, abortion providers couldn't seek an injunction in federal court, which can only enjoin individuals tasked with enforcing laws, not the laws themselves. Yet courts also can't enjoin private citizens who haven't sued.

We criticized Texas's law but explained that the way to challenge it was for a doctor to perform an abortion, get sued and invoke *Roe* as a defense. An 8-1 High Court majority gave abortion providers another option last December by holding that they could sue executive li-

censing officials who take actions against them for violating the state's health code.

The Court never ruled on SB8's constitutionality or reached the merits. But Mr. Newsom seems to believe the Court upheld the law and claims he will show Justices to be "complete and abject hypocrites and frauds if they reject our bill that's modeled after that abortion bill as it relates to private right of action, to go after assault weapons."

Our guess is that the Justices would likewise decline a petition by gun businesses to preemptively enjoin California's assault weapons ban as they did SB8. But they may take the case on the merits down the road.

California's gun law raises even more serious due process concerns than SB8 because it also prohibits gun businesses that get sued from asserting the Second Amendment right of individuals in self-defense. Abortion providers weren't similarly impeded in Texas.

The ACLU warned California Democrats that the gun law "would set a dangerous legal precedent—not only undermining fundamental principles of due process, but eliminating the judiciary as a check and balance against the political branches." Other states could follow with similar laws that chill constitutionally protected rights.

Illinois could charge private citizens with enforcing state restrictions on corporate political expenditures. Florida could tweak its law cracking down on Big Tech censorship—which the Eleventh Circuit Court of Appeals blocked on First Amendment grounds—to mirror the California and Texas litigation schemes.

One misconceived state law doesn't justify another. Americans won't benefit from an inter-cine state war to erode their constitutional rights and principles.

LETTERS TO THE EDITOR

How to Think About the Raid on Mar-a-Lago

Patience, please! We still don't know why the FBI raided Mar-a-Lago ("The FBI's Dangerous Trump Search," Review & Outlook, Aug. 10). As Merrick Garland says, "No person is above the law," and that obviously includes the president. It is possible that former President Trump didn't take only documents that belong in the archives (a crime, yes, but not terribly serious), but also documents that pose a serious threat to our national security. I can imagine that if the shoe were on the other foot, Republicans would cheer on the FBI and claim vindication about Hillary Clinton, former President Barack Obama or whoever. We shouldn't condemn the search before we know all the facts.

CATHY PUTNAM
Concord, Mass.

It is difficult to understand how a dispute with the National Archives over who gets to keep what would warrant the unannounced FBI raid on the Trump residence. Reasonable people are left to wonder if there were other reasons for it, such as hoping to find information to reinforce legal action against Mr. Trump for Jan. 6.

We know by their actions that the Democrats fear Mr. Trump's return. And it's not a stretch to say that fear is also shared by the bureaucracy, also known as the swamp, which has quite an appetite for self-preservation.

J. LINWOOD KEITH
Atlanta

You suggest that "Democrats may also be wrong in their calculation about how a prosecution would affect Mr. Trump's future." I disagree. The editorial board has previously pointed out the cynicism of Democrats helping Trump-backed candidates in Republican primaries because those candidates will be weaker in the general election.

Democrats know that the only Republican whom President Biden could likely defeat in 2024 is Mr. Trump. Attacking him forces Republicans to rally to his defense and makes Mr. Trump more likely to run in 2024. That is the Democrats' dream.

FRED VAN BENNEKOM
Bolton, Mass.

After the Clintons removed valuables from the White House in 2001, no FBI raid on their house ever occurred, despite later calculations that they grossly underestimated the value of what they took.

The claim that Mr. Trump took documents belonging to the National Archives should have been handled with the same discretion. Instead of the hostile search warrant and raid, a simple declaratory action would have sufficed: the documents are ordered to be produced or listed before a judge who hears arguments and then declares what stays with Mr. Trump and what goes to the National Archives.

BOB MAGILL JR.
Ann Arbor, Mich.

AARP Has a Staggering Conflict of Interest

Kimberly Strassel poses an all-too-critical question: "Whom Does AARP Serve?" (Potomac Watch, Aug. 5). It's an inquiry we've had for quite some time, and unfortunately for AARP's members, the answer isn't seniors.

Ms. Strassel notes that 2020 was the first time AARP was paid over \$1 billion in corporate royalties, much of it derived from UnitedHealth Group. Compare that with the roughly \$300 million AARP receives from membership dues, and the conflict becomes clear. Even with a conservative baseline estimate of about 66% of AARP's total royalty revenue, AARP still pulls in more from its deal with UnitedHealth Group, raking in over \$661 million annually from selling health-insurance plans.

Between 2010 and 2017, AARP received an estimated \$4.189 billion in aggregate royalties from its partnership with UnitedHealth Group

through its AARP-branded Medigap and Medicare Advantage plans. After 2017, AARP stopped disclosing exactly how much it profited from its insurance relationship. But it certainly hasn't stopped lobbying on behalf of its corporate benefactor.

In 2009, AARP lobbied for ObamaCare despite the clear opposition of its members. Then, in 2011, AARP fought against changes to Medigap insurance without disclosing its financial conflicts to Congress. Now it is pushing disastrous drug price controls in the absurdly named Inflation Reduction Act.

AARP should open its books ahead of any House vote on reconciliation so voters—and members—can see whom AARP truly represents.

PHIL KERPEN
President, American Commitment and the Committee to Unleash Prosperity
Washington

Reagan and Volcker: Partners or Antagonists?

In "Lessons From the Great Inflation of 1973-81" (op-ed, Aug. 3), Phil Gramm and Mike Solon characterize the relationship between President Ronald Reagan and Federal Reserve Chairman Paul Volcker as a partnership. In fact, Volcker viewed Reagan's policies, particularly his 1981 tax cuts, as an obstacle to his anti-inflation program—a point emphasized in speeches and Congressional testimony. The ballooning deficit from tax cuts was counterproductive. Eventually, Volcker did his talking by jacking up interest rates to record levels as the tax cuts were being approved by Congress.

If Joe Manchin Were Serious About His Permitting Deal

Your editorial "Manchin Rides Alone on Permitting" (Aug. 6) is far too kind to Sen. Joe Manchin. He must be competent enough to know that Sen. Chuck Schumer and Rep. Nancy Pelosi have no intention of fixing the process of permitting hydrocarbon projects.

Had he been serious about his deal, Mr. Manchin would have insisted that both the Congressional Review Act resolution and a clean bill fixing the permitting process be passed by both houses of Congress and signed into law by the president before he supported the bill that you elsewhere characterize as "the misnamed Inflation Reduction Act."

CHAD KING
Bluffton, S.C.

Rating Celebrities in Politics

I must take issue with Gerard Baker's conclusion that Gvs. Jesse Ventura and Arnold Schwarzenegger enjoyed "remarkable success" ("The Not Ready for Prime Time Republicans," Free Expression, Aug. 9). The voters of Minnesota and California, respectively, couldn't wait for them to leave office by the end of their terms. Oh, and Sonny Bono, while kind of a goofy guy, seemed to be generally considered an effective lawmaker.

E. DENNIS HINDE
Las Vegas

It's About Science, Not Race

In "Covid Vaccine Mandates Heighten School Inequity" (op-ed, Aug. 9), Drs. Eliza Holland and Nikki Johnson argue against school vaccine mandates for children because black children are immunized at lower rates than the general population, and so they would be disproportionately prevented from attending school.

Apparently racial inequity is today's cudgel of choice. How about science-based arguments instead? Children are highly unlikely to become seriously ill or die from Covid, especially from today's less virulent strain. Those five years old and younger are particularly unlikely to benefit from vaccination, but still partake in the risk.

JAMES N. ROMANELLI, M.D.
Melville, N.Y.

Pepper ... And Salt

THE WALL STREET JOURNAL



"I don't blame my parents.
I blame the village."

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OPINION

The Midterms Are Far From Over

By Mark Penn

Midterm elections are usually seen as a referendum on the president. Based on Joe Biden's approval ratings, Republicans should have locked victory in by now. But while a July 27-28 Harvard CAPS-Harris poll finds Mr. Biden's job approval at a historic low of 38%, the Democrats still get 50% of the generic congressional ballot. Of the poll's respondents, 18% disapprove of Mr. Biden's performance yet plan to vote Democratic in November. A closer look at this group could prove useful to both parties as Election Day approaches.

They break down as follows: 52% Democrat, 6% Republican, 42% independent or other; 37% liberal, 51% moderate, 12% conservative. Whereas 45% approve of the Democrats, only 27% approve of the GOP. And while 27% have a favorable view of Mr. Biden personally, only 17% say the same about Donald Trump.

The key voters are the 18% who disapprove of Biden but still plan to vote for congressional Democrats.

The key battleground is the economy and inflation. Nearly 90% of these voters say, contrary to the Biden administration's assertions, that the U.S. is in a recession now or will be in the next year, and more than 60% say their personal financial situation is getting worse. Around 4 in 5 don't approve of the president's performance on either inflation or the economy.

The Inflation Reduction Act is a risky proposition for the Democrats. If they can pass the package and con-



GETTY IMAGES (L); KEVIN DIETSCH, CHET STRANGE

vince Americans that its \$739 billion in taxes and \$433 billion in spending will live up to its name, great. But if the nonpartisan Joint Committee on Taxation's message wins out—that the bill is a tax increase on virtually all Americans—it could sink the Democrats' chances.

The bill has also made headlines for dedicating record amounts to climate change, but Democrats should be careful: 70% of these swing voters want Mr. Biden to focus on lowering gasoline prices rather than climate change. Fifty-eight percent mostly blame Mr. Biden's policies for high fuel prices, and 64% want him to reverse his stance and approve the Keystone Pipeline. More than half oppose the idea of bypassing Congress by declaring a "climate emergency."

Democrats shouldn't overestimate the popularity of the position that abortion up until birth is acceptable. Nor should Republicans expect swing voters to accept complete abortion bans. While 73% disapprove of the Supreme Court's decision to overturn *Roe v. Wade*, only 48% say the reversal has made them more likely to vote Democrat. (And the electorate isn't as permissive about abortion as

the party: In the June version of the Harris Poll, 58% of all respondents favored restrictions after the 15th week of pregnancy, far earlier than *Roe* and *Planned Parenthood v. Casey* allowed.)

Jan. 6 is also a losing cause among pro-Democratic Biden disapprovers. A slim majority—53%—think Congress's investigation and hearings are biased (up from 37% in June). Nearly 6 in 10 don't think Mr. Trump should face criminal indictment. But they disapprove of Mr. Trump even more strongly than of Mr. Biden. Nearly 80% don't want the former president to run in 2024, compared with only 71% for the incumbent. The Democrats can frame the midterms as yet another battle against Trump.

One good sign for Democrats is that the Republicans' effort to paint them as elitists hasn't totally worked. These swing voters skew young, lower-income and less-educated. Four in 10 of them are under 35; a similar proportion earn less than \$50,000 a year; and only 1 in 5 has a four-year college degree.

Law-and-order appeals are unpromising with these voters, who care less about crime and immigra-

tion than those who already plan to vote Republican. Guns and women's rights are their most important issues after inflation. Republicans should continue to make popular compromises on gun control, such as those in June's bipartisan bill, and ditch threats of full abortion bans.

Republicans are stuck at the 50-year line, held back by fears of extremism and of Mr. Trump's potential return. To make any progress, they will have to double down on the economy and push energy independence over climate change to reach these struggling Americans. They will need to win the message war over the Inflation Reduction Act as a wasteful taxing-and-spending spree in times that demand pro-growth policies and fiscal responsibility.

The midterms will depend on whether voters' fear of inflation or of the unknown wins out. Democrats need to stoke fears about what Republicans would do with congressional majorities; Republicans need to alleviate them. Democrats need to prove they deserve to stay in power by fighting inflation now, while Republicans can frame the tax-and-spending bill as the last straw.

Right now neither party is showing the discipline to execute a swing-voter strategy and both are playing mostly to their bases. The mystery of why Republicans have not closed the deal is explained by these voters who dislike the president but can't stand the Republicans either. This group of younger, mostly lower-middle-income moderates will determine if the 2022 midterms are a blowout or a squeaker. They remain up for grabs.

Mr. Penn, chairman and CEO of the Stagwell Group and chairman of the Harris Poll, was chief strategist on Bill Clinton's 1996 presidential campaign, Hillary Clinton's 2000 Senate campaign, and Mrs. Clinton's 2008 presidential campaign.

Democrats, Stop Helping Pro-Trump Republicans

By Tim Roemer

John Gibbs, a former Trump administration official who questions the outcome of the 2020 election, spent almost \$339,000 to spread his message in last Tuesday's Michigan Republican congressional primary. The Democratic Congressional Campaign Committee spent even more—\$450,000—to prop up Mr. Gibbs on TV and propel him to a narrow win over Rep. Peter Meijer, one of only 10 House Republicans who voted to impeach Donald Trump after Jan. 6, 2021.

The DCCC's intention in Michigan and elsewhere is as twisted as it is transparent: to advance a Republican opponent who will be easier for a Democrat to defeat in the November general election. This is politics at its most cynical.

The DCCC plays with fire by elevating candidates who threaten democracy—even if they lose this fall.

As a Democratic congressman who won multiple elections in a Republican-leaning district, I worked closely with the DCCC. Although I didn't always agree with its policy recommendations, I valued its role in lending resources and insight. Let me offer some advice in return: Promoting Trump acolytes in Republican primaries is a deeply flawed strategy. The DCCC needs to stop elevating candidates who deny the 2020 election results and propagate dangerous lies about our democracy.

The Democratic Party—which has also deployed this shady scheme in California, Colorado, Illinois, Maryland and Pennsylvania—is playing with fire. Democrats have rightly made protecting democracy a national issue. But cynically propping up enemies of democracy undercuts this message. It makes it harder for Democrats to criticize candidates such as Mark Finchem, the Republican nominee for secretary of state in Arizona, whose election-denying platform is a direct threat to fair elections there.

By helping to extend the candidacies of Republican election deniers until November, Democrats give them additional months of attention and airtime to amplify support for their destructive conspiracy theories. Even if Mr. Gibbs loses on Election Day, his primary win increases the visibility of his platform. While Messrs. Gibbs and Trump team up to raise money off their fabrications, in Michigan—a 2024 battleground state—trust in democracy will continue to erode.

Some might say that all is fair in love and war—that to protect a jeopardized majority, the DCCC should be as machiavellian as necessary. Politics is a contact sport, they say. Republicans do it. Democrats should too.

Yet there are bright lines in politics. One is lying about election results and corroding Americans' long-held belief in the peaceful transfer of power. It is risky and unethical to promote any candidate whose campaign is based on lies about our elections. Democrats shouldn't support short-term tactics that fuel the fire set by Mr. Trump.

Democracy is fragile, but I remain optimistic. In Congress, a bipartisan coalition is working to reform the archaic Electoral Count Act of 1887 and prevent future attempts to overturn the will of the people. In recent months, other bipartisan bills have passed that will better protect children from gun violence, invest in microchip plants vital to national security, and build a 21st-century infrastructure that will help the U.S. compete with China.

Democrats can and should fiercely compete in elections with Republicans, but embracing a strategy to elevate the worst among them could backfire. Instead, the DCCC should tell voters a powerful story that happens to be true: An energetic and effective Democratic Congress is accomplishing important victories. It's time for the party to put its money where its principles and priorities are and inspire trust in our working democracy.

Mr. Roemer, a Democrat, served as a U.S. representative from Indiana (1991-2003) and U.S. ambassador to India (2009-11). He is a co-chairman of Issue One's ReFormers Caucus, a bipartisan group of former officials.

The Chinese Communist Party Needs Its Bourgeoisie



POLITICAL ECONOMICS
By Joseph C. Sternberg

What if we all woke up tomorrow morning and decided we simply didn't care about China anymore? That sounds like a preposterous hypothetical to ask about the world's second-largest economy and a growing military power. Yet Xi Jinping could make it more of a reality than anyone realizes.

Recent developments point to surprising ways China's relevance to the rest of the world is changing. To cite two: China's trade surplus surged to a record of \$101 billion in July, the latest in a string of trade-surplus records China has set since 2020. Meanwhile, a German think tank this week estimated that a trade war with China would be six times as costly for German business as Britain's departure from the European Union has been.

Neither of these facts signals Chinese strength, though they may appear to at first glance. Take that trade surplus, long an obsession of mercantilists in the U.S. and Europe. It is happening now because, as economist Michael Pettis has observed, the Chinese economy otherwise is stalling. Covid lockdowns and a policy crackdown on real-estate investment in particular are suppressing consumer spending. The trade surplus is expanding because exporting has become the only option available to Beijing to bolster its anemic economic growth.

And what a disaster this is for Beijing's international influence. Developed nations' main reason to integrate China into the global trading system—and cater to its Communist Party's political neuroses on human rights, Taiwan or anything else—wasn't to turn the country into the world's factory. Quite the opposite: Countries wanted to open China to trade because of its population of more than 1.4 billion consumers. Their ascent into the global middle class, buying U.S. and European goods and services along the way, was the great prize to be won.

All signs are that Beijing isn't liv-

ing up to its side of this bargain. The Chinese government is making it harder for citizens to reach the middle class and undercutting those who already did. Any correction in the property market, which accounts for roughly one-third of gross domestic product, necessarily would wipe out some considerable portion of middle-class household wealth given the tendency to treat property as the middle class's primary investment outlet.

Mr. Xi's ambition to consolidate more of the economy in state hands, meanwhile, may economically benefit a new cadre class of Communist Party members. But this will come at the expense of a much larger middle class that depends on the productive private economy for its prosperity.

Hence that study from the German think tank, Ifo Institute, describing substantial economic links between Germany and China and calculating substantial costs for severing those ties. The most important question to ask about such a report is why anyone would bother to write it in the first place. The answer is that Germany is in the middle of a major debate about its economic dependence or otherwise on China.

Very real costs would arise from a tariff-heavy trade war. But looming

over the political debate about Germany's relationships with the world's autocrats is a dawning commercial realization: German companies are finding the sales aren't there.

Beijing's world-wide clout depends on its massive population's buying power, which Xi is undermining.

For the 40 largest German companies included in the benchmark Dax stock-market index, 8.2% of their revenue comes from mainland China, according to data from FactSet, compared with 28% from Western Europe and 21% from the U.S. Among France's largest listed companies, China accounts for only 6.7% of revenue, compared with 21% from the U.S. China furnishes 7.9% of revenue for American companies included in the S&P 500.

Of course, these Chinese earnings would be painful to lose, and these numbers don't account for revenue companies would sacrifice if they were no longer able to produce goods in China that they sell else-

One Good Inflation Report Isn't Enough

By Jason Furman

Prices, on average, didn't go up in July. That's terrific news—and much better than I had expected. The Federal Reserve should still continue its aggressive attack on inflation with another 75-basis-point hike at the September meeting. Taken together with recent data suggesting continued inflationary momentum, some easing of recession concerns, and the de facto easing of monetary policy in recent weeks, the case is even stronger.

July was a reprieve for American families. Gasoline prices fell by 80 cents a gallon. Consumers got more relief on everything from airfares to hotel lodgings. Prices are still very high, but that is not a problem that

can be solved in a single month.

Most of that relief, however, came from favorable volatility—the flip side of the unfavorable volatility of previous months. Taking out food and energy, core inflation rose 0.3% in July. That is very low compared with recent months but still a 3.8% annual rate, much faster than most anyone was expecting six months ago and well above the Fed's target. Other inertial measures—trimmed mean and median CPI—rose at around a 6% annual rate in July.

Of course the Fed shouldn't make decisions on a single month's data. Just as the incredibly high inflation in May and June was likely an aberration that overstated underlying inflation, the July numbers probably understate them. Add that personal-consumption-expenditure inflation was higher than expected since the last Federal Open Market Committee meeting and wage growth is either staying very high or increasing. It would be hard to make the case that the underlying inflation rate in the economy is lower than 4%.

The data since the FOMC meeting has said consistently that the immediate recession risks have diminished. Strong job growth and the lowest unemployment rate in 50 years say the Fed has even less to worry about on the other part of its dual mandate, which is employment stability. Add positive surprises in forward-looking indicators for manufacturing, services, factory orders, and other data and the Atlanta Fed's GDPNow model is currently tracking

2.5% GDP growth in the third quarter.

Though the inflation job is far from done, financial conditions have actually been easing, not tightening. While the Fed raised rates by an extraordinary 75 basis points at back-to-back meetings, that doesn't matter for the economy. Everything that

The Fed shouldn't back away from its plan to hike interest rates again.

does is going in the opposite direction. Mortgage rates are down 80 basis points from their peak, inflation-adjusted long-term interest rates are down, the dollar has weakened, and the stock market is up.

The market has shifted to expecting 50 basis points at the next FOMC meeting. That may be the right prediction, but based on the data to date, it would be the wrong policy. Plenty of things could happen between now and September that would justify something else. But the Fed is still so far from its inflation target that it can't afford to continue to let financial conditions ease. Better to be more aggressive now than to have a bigger problem to deal with later.

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

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WORLD NEWS

Xi Cautioned Biden to Avoid a Crisis

In a call ahead of Pelosi trip, Chinese leader indicated Beijing had no intention to go to war

By LINGLING WEI

Four days before U.S. House Speaker Nancy Pelosi's visit to Taiwan, Chinese leader Xi Jinping got on the phone with President Biden and delivered a message: Now isn't the time for a full-blown crisis.

Mr. Xi—who views bringing Taiwan under Beijing's control as central to his vision of Chinese national revival—was frustrated that months of diplomatic efforts failed to stop Mrs. Pelosi's trip, according to people close to China's decision-making process.

In the July 28 conversation, Mr. Xi warned Mr. Biden of unspecified consequences if Mrs. Pelosi went to Taipei, people briefed on the call said. He also indicated that he had no intention of going to war with the U.S., and said both sides needed to “maintain peace and security,” according to the people.

Asked about the discussion, Liu Pengyu, spokesman for the Chinese Embassy in Washington, said: “President Xi elaborated on China's principled po-

sition on the Taiwan question” in his discussion with Mr. Biden.

Biden administration officials said they made it clear to Beijing that Washington is committed to the “One China” policy that has long underpinned the relationship between the two countries but that lawmakers have the right to visit Taiwan.

After Mrs. Pelosi left Taiwan, China reacted with days of large-scale military exercises, halted cooperation with Washington on climate and other issues and froze some military contacts. China's leaders sought to calibrate their response to be forceful but not provoke an escalatory response from Washington and its allies, said the people familiar with Beijing's thinking.

For Mr. Xi, an important factor was his desire for stability ahead of a high-level Communist Party conclave later this year when he is expected to be confirmed as the country's paramount leader for another five years.

Still, China's actions have further strained relations with the U.S. and raised security concerns among its allies.

Other countries across Asia and Europe fear Beijing's approach could herald the start of a new phase of more direct

pressure on Taiwan.

Speaking to Mr. Biden just before Mrs. Pelosi's visit was politically risky for Mr. Xi, who is eager to project strength in the face of rising discontent within China as a result of his Covid-19 measures and other policies.

In the end, Mr. Xi decided to talk to Mr. Biden to minimize the risks of a conflict with the U.S., according to the people familiar with the decision-making process.

Chinese officials had warned Washington against a Taiwan visit by Mrs. Pelosi since April. Beijing worries that her visit could trigger a “domino effect” of other world politicians traveling to Taipei, boosting its international standing and potentially encouraging a declaration of independence, said the people with knowledge of Chinese thinking.

Even though Beijing's long-stated goal is to bring Taiwan under its rule, the people said, its focus for now remains preventing the self-governed island from moving toward formal independence.

In an article published last month by the official People's Daily, Liu Jieyi, director of Beijing's Taiwan Affairs Office—who is tipped for a top

foreign-policy position in Mr. Xi's next term—outlined a framework for resolving the Taiwan issue that pledged to “resolutely crack down on Taiwan independence separatist acts.” The article listed “peaceful reunification” as its basic principle, but didn't renounce the use of force.

In the past few weeks, it became increasingly clear there was little Beijing could do to deter Mrs. Pelosi's trip.

Xi seeks stability ahead of high-level Communist Party conclave this year.

Taiwan was a key topic of discussion between Messrs. Biden and Xi when they spoke on the phone. Mr. Biden explained the division of governmental authority among the legislative, executive and judicial branches, and reminded his Chinese counterpart of former House Speaker Newt Gingrich's visit to Taiwan 25 years ago, according to the people briefed on the call.

In the end, both leaders agreed to maintain communi-

cation and to proceed with plans for a face-to-face meeting at an unspecified date, the people said. If such a meeting takes place after Mr. Xi secures his next term, it would be seen in Beijing as a status booster for the Chinese leader.

While trying not to dramatically escalate tensions with the U.S., Mr. Xi has had to make a show of strength domestically. For instance, the Chinese media livestreamed the launch of missiles into the waters around Taiwan. And nationalistic media personalities and scholars representing more hawkish viewpoints within the government warned of a possible war in the Taiwan Strait.

Some foreign-policy analysts expect Mr. Xi to grow bolder in confronting the U.S. and pressuring Taiwan and other jurisdictions in his next term.

“Xi's top priority right now is stability,” said Yun Sun, director of the China program at the Stimson Center, a Washington think tank. “Beijing so far has shown a great deal of restraint but that's a short-term tactic aimed at preventing the relations with the U.S. from spinning out of control.”

—Charles Hutzler contributed to this article.

Samsung Leader To Receive A Pardon

By JIYOUNG SOHN AND HAKYUNG KIM

SEOUL—Samsung Electric Co.'s de facto leader, Lee Jaeyong, will receive a pardon on Monday, South Korea's presidential office said, a legal reprieve underpinned by expectations that the business tycoon would help propel the nation's economy.

Mr. Lee, twice imprisoned for bribing South Korea's former president, will have his criminal record from his 2017 conviction wiped clean. But the grandson of Samsung's founder still has unresolved legal woes related to an accounting scandal that could land him back in jail if found guilty. Mr. Lee has denied wrongdoing.

All major decisions across the Samsung conglomerate, which spans smartphones to insurance to electronic-vehicle batteries, require Mr. Lee's sign-off. Samsung didn't have a comment.

Mr. Lee, 54 years old, had won parole a year ago from a 30-month sentence tied to his bribery conviction. His release came with restrictions, such as a five-year employment ban and limits on overseas travel.

The pardon of the Samsung scion, who goes by Jay Y. Lee in the West, has enjoyed widespread public support. Around 77% were in favor of the move, according to a recent poll.

The pardon represents a rare popular move from South Korea's conservative president, Yoon Suk-yeol, who took office in May.

He has been hindered by a string of controversies relating to his cabinet choices, his relocation of the presidential office and his decision last week to turn down an in-person meeting with visiting U.S. House Speaker Nancy Pelosi (D., Calif.).

Mr. Yoon's approval ratings have sunk to 25%, according to a Gallup Korea poll released on Friday, a 28-percentage-point drop from his peak in June.

Several other prominent South Korean business leaders, including Lotte Group Chairman Shin Dong-bin, received presidential pardons. More than 1,600 individuals received special pardons on Friday.

Mr. Yoon, at a Friday cabinet meeting, said he hoped the pardons would serve as an opportunity for the nation to “come together and overcome the economic crisis.”

South Korea's big business groups welcomed the presidential pardons. The Korea Enterprises Federation said that the pardons gave entrepreneurs an opportunity to return to the forefront of management at a time of global economic tumult and rising competition.

The pardons will fall on South Korea's Aug. 15 Liberation Day, which marks the end of Japanese colonial rule. The date has traditionally served as a time when business leaders convicted of white-collar crimes have often been absolved.

Nonprofit Sneaks Western Aid to Myanmar

By FELIZ SOLOMON

MAE SOT, Thailand—A few times each month, Saw Khu wakes before dawn and sets out on a dangerous mission to deliver sacks full of Western aid money to conflict-torn areas deep inside Myanmar.

After sneaking across the border from Thailand in a wooden canoe, he is driven through a mountain range strewn with soldiers from Myanmar's military, which seized power in a coup last year. Arriving at a rendezvous point, he divvies up the cash among colleagues who either hand it over to families in need or use it to buy rice, instant noodles, tarps, mosquito nets, soap and other essentials.

“I'm not afraid,” said Mr. Khu, a 47-year-old Myanmar national whose nonprofit has around 200 members across southeast Myanmar and a handful in Thailand. “It's something that has to be done.”

Mr. Khu's missions are illegal in both countries. They are one of the few precarious avenues being used to get aid to Myanmar's most vulnerable populations since the 2021 coup ended a nascent transition to democracy and aggravated conflict between the army and its opponents, according to interviews with more than a dozen representatives of local and international aid organizations, human-rights advocates and officials from the U.S. and Thailand.

While the U.S. Agency for International Development and United Nations agencies continue to operate inside Myanmar, their reach is limited because the junta controls where they can go and to a large degree what they can do. Getting permission to move around involved complex processes even before the coup, but representatives of three



Aid arrives for people who settled temporarily by the Moei River to escape fighting between the Myanmar army and insurgent groups.

aid organizations said there is now an intentional regime tactic of denying them access to large populations to cut off resources to areas where opposition to military rule is strongest. They cited the regime's denial of travel authorizations and arbitrary delays in issuing staff visas as obstacles.

To reach vulnerable communities, Western governments often take the cross-border route—but it is convoluted. Myanmar-focused groups like Mr. Khu's aren't eligible for legal status in Thailand, which means most foreign governments can't send funds directly to them. Instead, the governments contribute to larger, registered organizations that, while primarily focused on Thailand,

channel some of the funds to the dozens of smaller groups operating inside Myanmar.

Donors have little visibility on how the aid is ultimately distributed but say the smaller groups that are capable of navigating Myanmar's tough conditions are their best hope of reaching at least some hard-hit locations. Aid workers like Mr. Khu operate with the help of armed rebel groups in Myanmar that are fighting the junta, traveling through their territories and under their protection.

A U.S. State Department spokesperson said Myanmar's regime continues to deny humanitarian access to many populations in need and urged all countries to press them for more. “At the same time, we and others in the international

community are identifying alternate means of providing lifesaving assistance that is not dependent upon access permission,” the spokesperson said.

U.S.-based advocacy group Refugees International estimates some \$10 million of aid has entered Myanmar through Thailand since the coup via these informal channels. It is a fraction of overall aid to the country, which is in the hundreds of millions of dollars. Large parts of Myanmar remain inaccessible.

The Myanmar military didn't respond to a request to comment.

Thailand Foreign Ministry spokesman Tanee Sangrat said that cross-border aid is allowed through legally registered groups like the Thai Red

Cross Society. But human-rights advocates and aid workers say delivering aid to populations deep inside Myanmar requires familiarity with the country's languages, terrain and conflict dynamics.

The Myanmar nationals who do that work described living in constant fear of being caught crossing the border.

In early July, an aid worker who was using aid money to buy rice for displaced people in southeast Myanmar's Bago region was abducted by the Myanmar military and killed, the worker's organization said.

“We're just trying to help people, but to do that we have to be tricky, creative, and risk our lives,” said Mr. Khu's supervisor. “There's no guarantee—if we die, we die.”

WORLD WATCH

NEW ZEALAND

Housing Prices Fall, Down 12% From Peak

New Zealand home prices fell on an annual basis for the first time in 11 years in July, adding to signs of a slowdown for the global economy.

The national median sale price of 810,000 New Zealand dollars, equivalent to \$519,000, was 1.8% lower than a year earlier, cooled by higher interest rates and lending restrictions, the Real Estate Institute of New Zealand said Thursday.

It was the first annual fall in prices since July 2011. July's median price was 4.7% lower than June's and is down about 12% from its peak in November.

Property prices skyrocketed all over the world during the pandemic, when low rates and stimulus spurred many to invest in real estate. Housing markets are now cooling in many countries.

—Stephen Wright

MEXICO

Divers' Attempts To Reach Miners Fail

Rescue divers' first attempts to reach 10 miners trapped inside a flooded coal mine since last week were stopped by debris-filled shafts and poor visibility, Mexican authorities said Thursday. They made four attempts Wednesday but weren't able to go far.

On Aug. 3, 15 miners were inside the coal mine in Sabinas, Coahuila, about 70 miles southwest of Eagle Pass, Texas.

Authorities believe the miners breached a wall containing another flooded area. Five miners escaped with injuries, but there has been no contact with the remaining 10.

For much of the past week authorities have used dozens of pumps to try to lower the water level inside the flooded mine shafts.

—Associated Press

ISRAEL

Palestinian Death Toll Rises to 48

The Palestinian death toll from last weekend's fighting between Israel and Gaza militants rose to 48 Thursday after an 11-year-old girl and a man died from wounds they suffered during the worst cross-border violence in over a year.

Meanwhile, two wounded Gaza children, ages 8 and 14, were fighting for their lives in a Jerusalem hospital. In all, more than 300 Palestinians were wounded over the weekend when Israel struck Islamic Jihad targets and the militant group fired hundreds of rockets at Israel.

Israel said it launched the initial wave of airstrikes, which killed an Islamic Jihad commander, in response to an imminent threat from the militant group, days after Israeli troops arrested one of its leaders.

—Associated Press



INFERNO: A wildfire raged overnight Thursday near Belin-Bélieu in France's parched southwest. The country is enduring its worst drought on record, and wildfires have forced the evacuation of about 10,000 people and destroyed at least 16 houses.

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Friday, August 12, 2022 | B1

S&P 4207.27 ▼ 0.07% S&P FIN ▲ 1.02% S&P IT ▼ 0.48% DJ TRANS ▲ 0.65% WSJ \$IDX ▼ 0.01% 2-YR. TREAS. yield 3.227% NIKKEI (Midday) 28479.98 ▲ 2.37% See more at WSJ.com/Markets

Streamers Temper Growth Plans

Disney, Netflix, Warner Bros. raise prices, cut costs to focus on bottom line

By ROBBIE WHELAN AND SARAH KROUSE

The growth-at-all-costs phase of the streaming wars is over. Now, profits are the priority.

Faced with slowing subscriber growth in their core domestic markets, some streaming services are shifting their focus from adding users to building their bottom line. The result is that streamers like Walt Disney Co., Netflix Inc. and Warner Bros. Discovery Inc. are each doing some combination of slashing costs, raising prices and creating new ad-supported tiers that offer content at lower prices to consumers but establish a new

revenue stream for the companies.

The streaming providers say the price increases are warranted because of the amount of content offered. "We have plenty of room on price value," Disney Chief Executive Bob Chapek said Wednesday.

The price increases come as growth has stalled domestically, usually the most profitable market for streamers. Just 100,000 of the 14.4 million net new subscriptions to its flagship Disney+ service in the most recent quarter came from the U.S. and Canada. Of the rest, about eight million came from India, while about six million came from other countries, including 52 new markets where Disney+ has launched since May.

"Domestically, Disney+ is tapped out," said analyst Rich Greenfield of LightShed Partners. "Disney is operating under the belief that, just as in



Disney+ has scaled back projections for global subscribers.

their theme parks, they can raise prices dramatically and count on customers not dropping the service."

Disney said that in early December, it will raise the price of its ad-free standalone Disney+ service in the U.S., from \$7.99 to \$10.99 a month, and the company will begin offer-

ing an ad-supported tier for Disney+, starting at \$7.99. The company also announced increases to one of its bundle packages.

In addition, the company scaled back its projections for total global subscribers to Disney+, largely in response to lower anticipated growth in In-

dia, where Disney recently was outbid for the right to stream matches from a popular cricket league.

Markets welcomed news of the price increases and the company's better-than-expected quarterly results. Shares of Disney rose 4.7% Thursday to \$117.69.

Investors and analysts expect higher subscription costs and the introduction of ads to Disney+ to result in higher profits from the streaming segment but note that price increases risk alienating some customers and increasing the platform's churn rate, or the percentage of users who cancel the service each month. The U.S. churn rate for Disney+ is already rising, growing to 4% in the second quarter from 3.1% a year earlier, according to media analytics firm Antenna.

"We do not believe that there's going to be any mean- Please turn to page B4

Rivian's Loss Triples To \$1.7 Billion

By SEAN MCLAIN

Rivian Automotive Inc. reported its net loss in the second quarter nearly tripled to \$1.7 billion, further putting pressure on the electric-vehicle startup to conserve cash and move quickly to fill customer orders.

The California-based SUV and truck maker said revenue for the quarter was about \$364 million as it increased production and deliveries of its first three models. Rivian started manufacturing vehicles for the first time late last year.

The second-quarter results roughly met analysts' expectations with Rivian reporting an adjusted net loss of \$1.62 a share.

The auto maker affirmed its 2022 production guidance of building 25,000 vehicles by year-end but said its operating loss is expected to grow to \$5.45 billion from its previous projection of \$4.75 billion for the full year.

"We've seen unprecedented levels of inflation, especially across our raw material inputs and lithium prices," said Claire McDonough, Rivian's finance chief.

"We've also experienced increased costs in regard to our expedited freight expenses."

Rivian is seeking to rein in those costs by increasingly shipping vehicles by rail instead of by truck, which is cheaper but could result in a longer delivery time to customers, she said.

Rivian said it expected losses to shrink as its plant in Normal, Ill. runs closer to full Please turn to page B4

STREETWISE

By James Mackintosh

Market's Inflation Story Fights Fed



The peak inflation story that propelled investors back into risky assets this summer got a big boost from Wednesday's figures showing prices fell slightly last month.

Unfortunately, there's no sign the Federal Reserve will change its mind and agree with investors that rates should come down again next year. Even if it does, mixed economic signals might well move the market's focus away from inflation and interest rates and on to the shaky support for earnings.

The immediate response of traders to the better inflation numbers was to slash bets on another three-quarter-percentage-point-rate rise at the next Fed meeting. Also priced in was for rates to top out at a lower level at the end of the year, with less chance they hit 4%, and to come down faster than previously thought. That meant lower bond yields, boosting stocks, especially growth stocks expected to make their money further in the future.

There's no doubt the headline inflation figures were good, coming in lower than expected even in the "core" prices that exclude food and energy. There was even a tiny fall in month-on-month prices, thanks to plunging fuel costs.

Dig in, and the picture is not so reassuring. Inflation remains both broad-based and far above the Fed's target.

The Cleveland Fed calculates a median consumer-price index and one that trims off the prices that moved the most. This is meant to try to get a sense of how broad-based price rises are—and both rose more than core prices last month. To add to the confusion, both were higher year-over-year in July than in June, even as the month-on-month rate fell back from the extreme reached earlier in the summer.

The Atlanta Fed's index of "sticky" prices, those that are changed less often and are thought to provide a better guide to what businesses expect, fell. But it still rose at a worryingly high 5.4% annualized in July.

Finally, the New York Please turn to page B11

Crypto Collapse Brings Regulators In Singapore New Challenges

By ELAINE YU AND CAITLIN OSTROFF

Singapore opened its doors to cryptocurrency firms two years ago. Now, after the implosions of several digital currencies and players rooted in the city-state, regulators are trying to distance themselves from the blowups while they grapple with how to rein in the industry.

Crypto brokers, lenders, exchanges and blockchain companies flocked to the Southeast Asian financial hub after it enacted a regulatory framework for payment services in early 2020. Close to 200 firms applied for licenses to provide digital-payment-token services, according to the Monetary Authority of Singapore, the country's central bank and top financial regulator.

Only about a dozen of those applications had been approved when the crypto market recently underwent a sell-off, which erased the values of digital tokens Luna and TerraUSD, toppled crypto hedge fund Three Arrows Capital Ltd. and forced some crypto lenders to freeze withdrawals.

The Luna Foundation Guard and Terraform Labs—the entities behind the sister tokens' crash—were established and registered in Singapore, respectively. Vauld Group, a crypto lender that suspended withdrawals and filed for protection against creditors, is also based in the country. Three Arrows, which is being liquidated, was based in Singapore for years and its founders, Kyle Davies and Su Zhu, continued to live and work in the country even after moving the fund's domicile to the British Virgin Islands in 2021.

The casualties continue to mount. Zipmex, a Singapore-based crypto exchange, filed for protection against its creditors in late July. Hodlnaut, a crypto lender based in the country, said this week it halted many of its services.

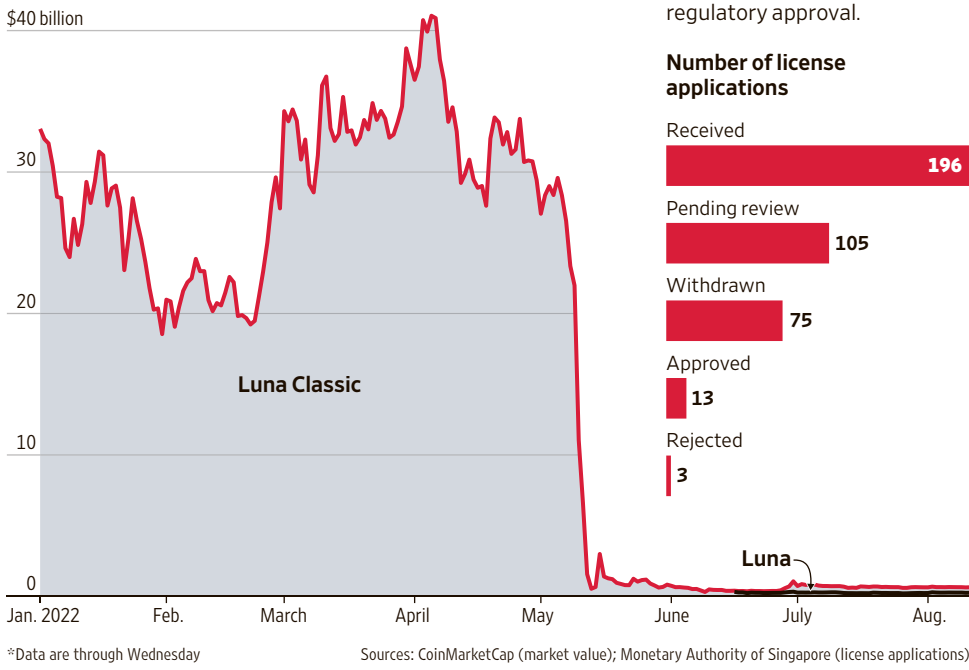
Hodlnaut earlier received in-principle approval from the



Those in the crypto industry flocked to Singapore. The Crypto Expo Asia 2022 in Singapore in June.

The creators of Luna made a second version of the cryptocurrency after the original one collapsed, but it hasn't gained momentum.

Market value of Luna tokens

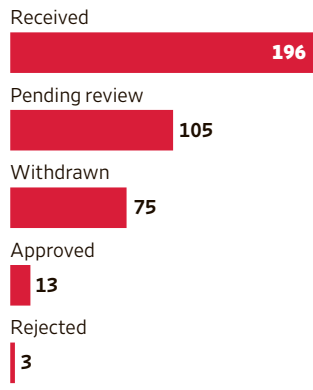


MAS for a license. In June, the firm's chief executive, Zhu Juntao, said the firm had \$750 million in assets under management at its peak, with the vast majority from users outside the country. "I am hiring 50 em-

ployees in Singapore and I'm paying taxes in Singapore. So that would benefit the government tremendously," he said on a panel organized by Singapore Management University and The Wall Street Journal.

Very few companies that have applied for Singapore licenses to provide digital-payment token services have gotten regulatory approval.

Number of license applications



A representative for the regulator said it rescinded its license approval, and Hodlnaut's Please turn to page B2

◆ Efforts to rein in Tornado show limits of crypto policing..... B2

Veterans in 3M Earplug Case Fight Bankruptcy-Court Venue

By BOB TITA

Lawyers for U.S. military veterans suing 3M Co. over its earplugs are trying to block the manufacturer's plan to resolve the yearslong liability case in bankruptcy court.

Aearo Technologies LLC, a 3M subsidiary that once produced the earplugs, late last month accepted responsibility for claims of hearing loss from more than 230,000 veterans

who have said they used the earplugs during their time in the military. As part of the move, Aearo absolved the Minnesota-based industrial conglomerate from liability for the earplugs.

Aearo immediately filed for federal bankruptcy protection in Indianapolis. Bankruptcy provides corporate defendants, such as Aearo, leverage to settle mass-liability claims. Companies in chapter 11 usually

can't be sued outside of bankruptcy court. Aearo said the bankruptcy should allow it to end trials and mediation talks between 3M and the claimants that have been under way in U.S. District Court in Pensacola, Fla., since 2019.

"The verdicts were already outsized and untethered to reality," Aearo said in its July 26 bankruptcy filing. Aearo said the case is now the largest Please turn to page B2

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Veterans Fight 3M's Legal Move

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product-liability civil case in the U.S.

The prospect of a long, costly process for 3M to settle the claims is clouding the outlook for the company's business performance and causing investors to be wary of 3M's stock, according to industry analysts.

3M's shares are down 22% in the past year, compared with a decline of about 6% for the broad-market S&P 500 index, according to FactSet.

As a part of Aearo's bankruptcy filing, 3M pledged more than \$1 billion toward the cost of a settlement between Aearo and the claimants. 3M said its financial commitment to the settlement is uncapped and it is prepared to increase the funding.

Some veterans who have sued 3M have asked the federal judge in Florida presiding over test trials and claims consolidated from throughout the U.S. to maintain jurisdiction over the cases. A hearing on their motions is scheduled for Thursday.

"The court should not allow 3M to simply wipe away the litigated record of these cases to the detriment of innocent claimants because 3M is displeased with the results," a plaintiff's lawyer said in a motion filed to block 3M from sidestepping continued litigation in the Florida court.

The plaintiff's filing described 3M's pivot to bankruptcy court from federal court in Florida as "gaming the system" in search of a more favor-

able outcome after 3M lost several bellwether trials in the Florida court that were intended to provide direction for potential settlement talks for the remaining claims.

The filing noted that 3M agreed to some of the procedures for processing the claims that it now objects to and has the option of appealing court decisions it doesn't like. It said said plaintiffs with claims pending in the Florida court will have to restart their cases from scratch if the claims are transferred to Aearo's bankruptcy.

A separate motion filed by another plaintiff in the Florida court challenges the transfer of liability for the earplugs to Aearo from 3M.

Aearo has been a wholly owned subsidiary of 3M for the past 15 years and largely indistinguishable from its parent company, the plaintiff's filing said. 3M never attempted to separate Aearo's liability from 3M's during the bellwether trials and in numerous filings in the Florida court, the plaintiff said. Aearo also wasn't represented by separate lawyers during the proceedings. "It's always been about 3M," said Bryan Aylstock, the lead counsel for the plaintiffs. "They can't claim the responsible party has been Aearo the whole time."

3M said in a statement the "applicable law supports our position" that the claims should be moved to bankruptcy court.

3M, which acquired Aearo for \$1.2 billion in 2008, was attracted to the company's unique dual-sided earplug for the military. One side blocked all noise while the other side allowed the users to hear spoken voices, but protected them from loud, impulse noises, like explosions.

3M has said the earplugs are safe and effective when soldiers are given the proper training on how to use them.

Activist Invests In Times

Continued from page B1
sports-media company the Athletic, as well as subscriber favorites such as crosswords, games and recipes, a person familiar with the matter said. Shares of New York Times rose nearly 11% to \$35.05. They are down around 27% this year.

A New York Times spokeswoman said the company is aware that ValueAct has made an investment in the company. "As we do with other shareholders, members of our management team have had conversations with ValueAct to hear their views and share ours," she said.

ValueAct paid around \$350.2 million for the shares, according to the filing. Based on the current share price, ValueAct's stake is valued at around \$387 million.

ValueAct said in the filing that it believes New York Times shares are undervalued and represent an attractive investment opportunity.

ValueAct, founded in 2000, has stakes in companies in sectors ranging from information technology and energy to financials and consumers.

ValueAct invests in a small number of companies at once and, in many cases, pushes for representation on the board. It is known for doing much of its work behind the scenes.

Its other media investments have included the company now known as Fox Corp. which, like New York Times, has a large portion of its shares controlled by one family. ValueAct founder and former Chief Executive Officer Jeffrey Ubben held a board seat there from 2015 to 2018. Fox and Wall Street Journal parent company News Corp share common ownership.

Mr. Ubben stepped back from ValueAct in 2017, leaving protégé Mason Morfit in charge. Mr. Morfit is known for having served on Microsoft Corp.'s board.

Pressuring the Times for change could be difficult because of its dual-class share structure that preserves voting power with the Ochs-Sulzberger Trust. The family trust owns 95% of Class B shares and can elect 70% of the board.

—Cara Lombardo contributed to this article.

BUSINESS & FINANCE

Tornado Case Highlights Limits of Crypto Policing

By CAITLIN OSTROFF AND DUSTIN VOLZ

The U.S. sanctioning of a prominent cryptocurrency platform this week exposed technical gaps in the government's ability to prevent criminals, national adversaries and extremist groups from using the services to launder money and finance their operations, analysts said.

Among the central challenges: Cryptocurrency platforms are increasingly run by computer code distributed across computers around the world, rather than by individuals facilitating transactions, analysts said.

The Treasury Department on Monday imposed sanctions against **Tornado Cash**, a popular cryptocurrency platform known as a mixer because it blends funds from different users and redistributes them, obscuring their origin. The Treasury Department accused Tornado Cash of laundering billions of dollars in virtual currency, including \$455 million allegedly stolen by North Korean hackers. As part of the penalties, officials blocked all property held by the exchange under U.S. jurisdiction and barred U.S. companies and individuals from transacting with it.

Analysts said the sanctions would hinder Tornado Cash's growth by discouraging users and major cryptocurrency exchanges that are reluctant to trade on a blacklisted platform.

Circle Internet Financial Ltd., the issuer of a stablecoin that tracks the U.S. dollar, blocked the sanctioned wallet addresses after Monday's announcement, effectively freezing the funds in those wallets.

"It is likely that nearly all responsible registered Virtual Asset Service Providers also took



Crypto platform Tornado Cash was accused of money laundering.

steps to block customers from transacting with these addresses, or face charges of willfully avoiding US sanctions compliance obligations," Circle Chief Executive Jeremy Allaire wrote on Twitter.

But almost as soon as the sanctions were announced, some users began trying to exploit perceived shortcomings in the government's effort. For example, funds can still be transferred out of cryptocurrency wallets on the platform, and its software code, used to initiate transactions, can be reproduced and relunched elsewhere.

"It is difficult, if not impossible, to shut down Tornado Cash entirely," said Tom Robinson, co-founder of risk-management company Elliptic Enterprises Ltd., which analyzes illicit use of crypto services.

Tornado Cash's developers designed the service to enable users to exchange cryptocurrency with little or no information about the parties, a contrast to traditional financial institutions that are typically required to collect details about their account holders. The lack

of disclosure creates opportunities for illicit transactions, Mr. Robinson said.

Tornado Cash's code isn't hosted by an individual or company, but lives on the Ethereum blockchain, a decentralized, global network of computers, where it automatically fulfills trades. As a result, the U.S. and other governments have no individual or entity they can force to halt Tornado Cash's operations. Even when Microsoft Corp.'s GitHub Inc. removed the latest copy of the platform's code from its website after the sanctions announcement Monday, some users had already copied the files.

Crypto analysts also see other workarounds that fans of the platform are exploiting. The sanctions will prevent most centralized cryptocurrency exchanges from touching the platform, but people can create their own cryptocurrency accounts without touching a major exchange, allowing users to send funds to whomever they like. Owners of a wallet don't need to consent to receive coins.

J&J To Stop Talc Sales Globally

By TALAL ANSARI

Johnson & Johnson will stop selling baby powder made with talc globally in 2023, the company said Thursday.

The decision comes after the New Brunswick, N.J., company stopped selling the product in the U.S. and Canada in 2020, citing a decline in customer demand amid safety concerns about one of its most famous products.

J&J faces thousands of lawsuits alleging the talc powder has harmed women who had used it for years. Some of the lawsuits have led to costly jury verdicts.

J&J has been fighting the lawsuits and verdicts and says its talc-containing powder is safe. The company said Thursday its position on the safety of its cosmetic talc remains unchanged.

"As part of a worldwide portfolio assessment, we have made the commercial decision to transition to an all cornstarch-based baby powder portfolio," the company said.

The baby-powder lawsuits have generally alleged that talc, a mineral that is crushed to create Johnson's Baby Powder, can cause inflammation that leads to cancer.

Some of the lawsuits further allege that asbestos in the powder contributed to cancer. Asbestos, a mineral once widely used in construction, has been linked to increased risk for mesothelioma.

The company has repeatedly said its talcum powder doesn't contain asbestos.

—Andrew Scurria contributed to this article.



A cryptocurrency ATM in Singapore. Many crypto companies were drawn by Singapore's promises to support blockchain development.

Singapore Regulators Face Test

Continued from page B1
service suspension didn't violate local regulations. "MAS has been continually reminding the general public that dealing in cryptocurrency is highly hazardous. Not only are the values of cryptocurrencies extremely volatile, customers' monies are not protected under the law," the representative added.

In the wake of crypto's latest rout, the financial regulator warned it will get tough on bad actors, and intends to lay out a road map this month on how it plans to develop Singapore as a digital-asset hub, it said recently.

"These so-called 'Singapore-based' crypto firms have little to do with crypto-related regulation in Singapore," MAS Managing Director Ravi Menon said in a July speech. He said Terraform Labs, Luna Foundation Guard and Vault weren't licensed by the MAS, while Three Arrows—which the regulator recently reprimanded—wasn't regulated under the country's Payment Services

Act, the main framework governing digital assets companies.

Mr. Menon acknowledged that crypto regulations in Singapore and elsewhere have so far focused on money laundering and terrorist financing risks, and regulations are still catching up with the evolving industry.

Before the recent market crash, many crypto companies were drawn by Singapore's attractive tax, immigration and corporate policies, and its promises to support blockchain development and innovation.

Singapore's status only grew when Hong Kong, its main rival, lost its luster as China cracked down on crypto trading and mining last year and as the Chinese city's strict pandemic controls hurt its reputation as a globally connected hub, spurring high-profile firms like FTX to relocate. Many moved to Singapore.

State-backed DBS Group Holdings Ltd., Singapore's largest bank, launched a digital-asset exchange for institutional investors last year. It was planning to expand its services to retail customers, but changed its mind a few months ago after Singapore banned marketing for crypto trading in public.

The MAS's scrutiny of license applications, meanwhile, has frustrated many crypto firms. Dozens withdrew their applications, including the

Singapore affiliate of **Binance**, the world's largest crypto exchange, which went on to secure a license in Dubai.

"Many in the industry are confused and frustrated by the mixed signals being sent out by the MAS," said Claire Wilson, a partner of Singapore-based advisory firm Holland & Marie. "In one breath, Singapore says that it wants to be an innovative digital assets hub, and in the next it says that it imposes a stringent regime."

She said the licensing process has been "a slow and tedious ordeal," and some firms are likely to leave Singapore for other jurisdictions.

200

Crypto firms that applied for Singapore licenses since 2020

Some crypto companies say they have been subject to additional scrutiny from the MAS following the collapses of Terra and Three Arrows. Firms that have gotten licenses or are nearing completion said it has been a two-year process that included sitting for interviews with regulators, providing detailed information on

how they make money and showing officials how they safeguard against money laundering and hacks.

Crypto.com, which operates a popular trading platform, in June said it won in-principle approval for a license to offer a range of payment services to customers in Singapore. Its CEO and co-founder, Kris Marszalek, said the MAS's approval "reflects the trusted and secure platform we have worked diligently to build."

"When you do get the license, it's almost like a badge of pride," said Adrian Ang, a partner at Singapore law firm Allen & Gledhill. "If you are licensed in Singapore, everyone knows that you must have gone through a difficult application process, and people would probably have confidence that you meet those same high standards that make it difficult to get a license."

Kristi Swartz, a Hong Kong-based partner at DLA Piper, said regulators face the quandary of wanting to be specific and prescriptive but broad enough to catch misconduct or risky acts in a fast-moving industry. The focus should be on regulating the activity, not the technology, she added. "When you're trying to be clear and stern but yet flexible, it's hard," Ms. Swartz said.

BUSINESS NEWS

Six Flags Attendance Takes Steep Fall

By WILL FEUER

Six Flags Entertainment Corp. said attendance fell 22% in the second quarter from a year ago, even as other theme-park operators have seen visits nearly return to prepandemic levels.

The lower attendance was made up a bit by visitors spending more at its theme parks, with revenue down 5%. Still, profit fell by more than a third.

The results come as Chief Executive Selim Bassoul mounts a turnaround effort that includes raising prices, attracting a more premium customer base and improving guest experiences by reducing overall attendance.

Mr. Bassoul, who took the top job nearly a year ago, said the attendance drop is largely due to its pivot toward a new customer base. "This is not like the market dropped so fast," he said on the quarterly earnings call Thursday. "We have basically changed our strategy of creating a better guest experience by having fewer people in our parks."

Attendance so far this year



A company turnaround effort includes raising prices and drawing more premium customers. Six Flags Magic Mountain in California.

was 35% below 2019 levels, Mr. Bassoul said, or about 10% to 15% below what the company was targeting. "Our execution needs to improve" on attendance, he said.

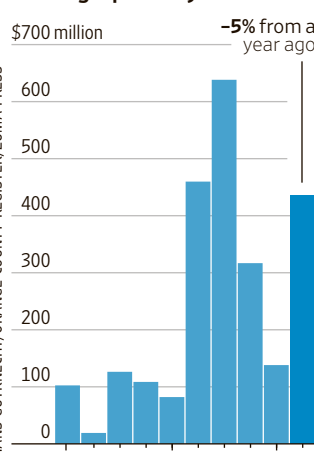
The chain of regional theme parks, based in Arlington, Texas, posted revenue of \$435.4 million, below the \$518.5 million expected by Wall Street.

Shares of Six Flags tumbled

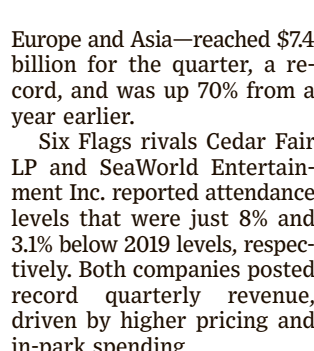
18% to \$21.12. The stock is down about 50% so far this year.

Other park operators have posted strong results for the summer quarter, with attendance recovering almost to 2019 levels across the board. Walt Disney Co. said sales at its parks, experiences and products division—which includes Disneyland, Walt Disney World and four resorts in

Six Flags quarterly revenue

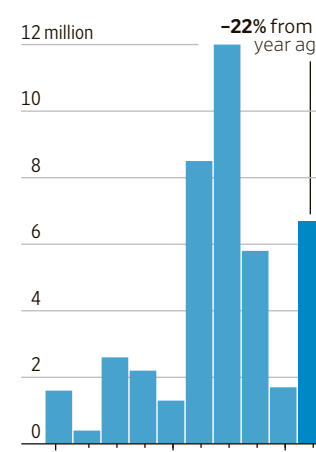


Performance this year



Sources: S&P Capital IQ (revenue); FactSet (performance); the company (attendance)

Attendance



Sources: S&P Capital IQ (revenue); FactSet (performance); the company (attendance)

Europe and Asia—reached \$74 billion for the quarter, a record, and was up 70% from a year earlier.

Six Flags rivals Cedar Fair LP and SeaWorld Entertainment Inc. reported attendance levels that were just 8% and 3.1% below 2019 levels, respectively. Both companies posted record quarterly revenue, driven by higher pricing and in-park spending.

Six Flags is getting visitors to spend more. It reported a 23% jump in guest spending to \$63.87 per visitor. Mr. Bassoul said per-capita spending is up more than 50% from prepandemic levels.

Mr. Bassoul defended his plan to make the parks more upscale.

"I don't think we'll ever come back to what Six Flags used to be," he said. "Other-

wise, the board would not have embraced the strategy and be willing to pay a short-term price for a long-term benefit."

Overall for the quarter ended July 3, Six Flags posted a profit of \$45.4 million, or 53 cents a share, compared with \$70.5 million, or 81 cents a share, a year earlier. Analysts surveyed by FactSet were expecting a profit of \$1.01 a share.

Warby Parker Lowers Sales Forecast and Cuts Corporate Staff

By CHARITY L. SCOTT

Warby Parker Inc. said it cut about 15% of its corporate staff and lowered its sales outlook for the year as the eyeglasses maker copes with consumers changing their shopping habits amid economic uncertainty.

The job cuts affected roughly 63 employees, the company said Thursday, adding it had made other spending cuts. Warby Parker pulled back on its marketing spending during the June quarter, executives said, responding to softening demand and lower foot traffic at its stores.

Savings from those actions will amount to between \$8 million and \$9 million this

year, and about \$15 million to \$17 million next year, the company said. It reiterated plans to open 40 stores this year, which would bring its total to 201.

Warby Parker is one of several brands that launched as online disruptors and are turning to bricks-and-mortar selling in search of profits. Since its initial pitch of eyeglasses starting at \$95, the company has expanded into offering eye exams and contact lenses.

In March, the company said sales growth would be lower for the year compared with 2021, but attributed lower demand to the disruption caused by the Omicron variant of Covid-19 earlier in the year. Now, executives say, inflation is a drag on consumer spending, and the

company is unsure when this period of higher prices will end.

"We're really being conservative in our assumptions," Dave Gilboa, Warby Parker co-founder and co-chief executive, told analysts during a conference call, adding that customers are making fewer discretionary purchases. "We're not counting on that pent-up demand to show up in our forecast."

Warby Parker said it now expects net revenue between \$584 million and \$595 million for the year, compared with its prior forecast of \$650 million to \$660 million. The latest forecast implies year-over-year revenue growth between 8% and 10%, instead of between 20% and 22%.

Shares of Warby Parker

were up roughly 19% for the day, closing at \$16.90.

The company's stock is down about 64% so far this year, compared with a 12% decline in the S&P 500.

Investors bidding up the shares on Thursday were more focused on the long-term growth outlook of the company more than the aggressive reduction in targets in the short-term, said Ed Yruma, an analyst for Piper Sandler. "They're less than 1% of the optical market, they have attractive price points, they could easily triple the store count over time," he said.

Warby Parker became the latest retailer to lower its guidance, following companies including Walmart Inc. and

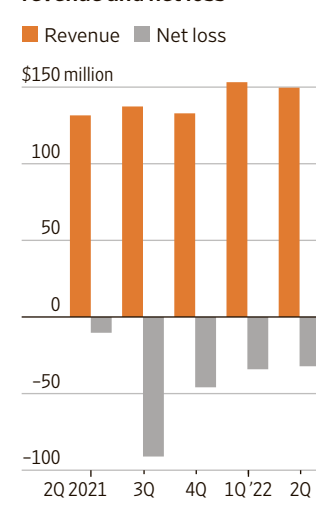
sneaker maker Allbirds Inc., as higher prices cause consumers to pull back on spending.

In the latest quarter, Warby Parker posted revenue of \$149.6 million, up 14% from the previous year. Its net loss widened to \$32.2 million, or 28 cents a share, as the company said it reported higher expenses including those tied to stock-based compensation. On an adjusted basis, the loss was a penny a share, which narrowly beat analysts' forecasts.

The company said its gross margin fell from the prior year, attributing the decline to its growing contact lens business.

Average revenue per customer increased 8.2% during the quarter to \$254.

Warby Parker's quarterly revenue and net loss



Sources: S&P Capital IQ; the company

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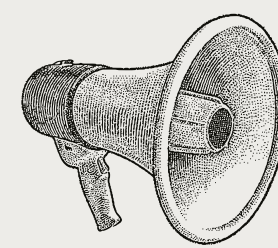
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TECHNOLOGY

WSJ.com/Tech



New foldable-display gadgets were unveiled this week. The priciest tier of smartphones has been a rare source of growth in the sector.

Samsung Sees Foldable Phones As New Edge in Apple Rivalry

CEO says the devices draw three times more brand switchers than flagship handsets

By JIYOUNG SOHN

NEW YORK—Samsung Electronics Co. sees an opening in its stalemated smartphone war with Apple Inc.

That is the view of Samsung's mobile-business head Roh Tae-moon, a chief architect of the company's foldable-display phones. The newest versions, the Galaxy Z Fold 4 and Galaxy Z Flip 4, were unveiled on Wednesday.

Samsung's novel gadgets do something that iPhones can't: bend in half or expand to the size of a tablet.

While sales volumes remain relatively small, Mr. Roh said the foldable phones are drawing in three times more brand switchers than Samsung's conventional Galaxy S flagship handsets. Newcomers represented a double-digit percentage of Samsung's foldable shipments last year, he said. And he expects the latest releases will woo even more.

"We consider this to be a quite meaningful percentage and a positive sign," Mr. Roh said. "This is about switchers from other brands, not Samsung Galaxy device users switching to another Galaxy device."

Samsung, the world's largest smartphone maker, hadn't previously disclosed such a breadth of internal, brand-crossover figures for its foldable devices.

Mr. Roh didn't mention the iPhone or Apple by name when discussing Samsung's rising foldable-phone popular-

ity. But Samsung and Apple are the only two companies vying for affluent buyers willing to shell out big bucks for the latest phone.

The Galaxy Z Flip 4 costs \$1,000 and the Galaxy Z Fold 4 retails at \$1,800, while Apple's highest-priced model, the iPhone 13 Pro, sells for around \$1,100. The priciest tier of smartphones has represented the only pocket of growth for an industry sliding this year amid high inflation and broader economic concerns.

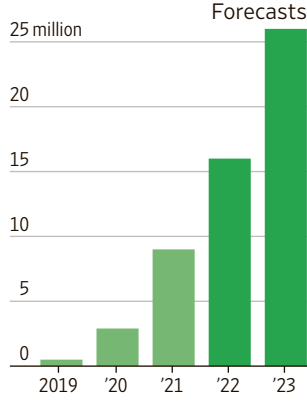
Samsung last year shipped close to eight million foldable devices, a category it dominates over a handful of mostly lower-cost Chinese rivals, according to Counterpoint Research, which tracks smartphone shipments. This year, Samsung is estimated to ship more than 13 million foldable phones.

Siphoning away a few million iPhone users—and convincing more potential departees to stay—would translate into gains for Samsung given the hefty profits generated by the foldable phones. Mr. Roh's excitement also shows how even incremental gains can make a meaningful difference.

It wasn't always that way. The Apple-Samsung rivalry defined the smartphone industry's early years, as the two fought in the courtroom, on television ads and for technological victories. Buyers often jumped brands. But now, about 93% of Apple mobile users stick with Apple, while Samsung retains nearly 90% of its customers—rates that haven't budged much in years, said Michael R. Levin, co-founder of market researcher Consumer Intelligence Research Partners LLC.

Apple has filed several pat-

Global shipment of foldable smartphones



Source: Counterpoint Research

ents for foldable-display technology, though it has given no public indication of any plans to release such a device. In an earnings call last month, Apple Chief Executive Officer Tim Cook said the Cupertino, Calif.-based company saw a record number of consumers switching to an iPhone in its latest quarter, touting double-digit percentage growth year over year.

Apple didn't respond to a request for comment.

Samsung's foldable offerings show enough promise to wonder if Apple might launch its own version some day, said Bryan Ma, vice president of devices research at International Data Corp.

To meaningfully take on Apple, Samsung must improve its historical weak points in user experience, ecosystem design and software, said Hugh Dubberly, a former Apple creative director and former member of Samsung's global design advisory board. He sees little evidence that Samsung's foldable devices with their current features will cause large numbers of iPhone users to switch.

"The fact of the matter is hardware is a commodity," Mr. Dubberly said.

Samsung, in a major internal revamp late last year, merged its mobile and consumer-electronics divisions into one, with the long-term aim of improving its device ecosystem that spans phones to washing machines to televisions.

Mr. Roh, 53 years old, joined Samsung in 1997 and worked his way up through the mobile division's research-and-development team. He helped shepherd the 2019 launch of the Galaxy Fold, the industry's first mainstream foldable device. Skepticism about durability and price dogged the earlier foldable-phone releases.

Now more than three years in, Samsung leads a foldable category that is growing fast, according to Counterpoint. Overall shipments are expected to reach 26 million units next year, up from 9 million in 2021, it said.

Compared with Samsung's other flagship offerings, the lower-priced Galaxy Z Flip has done better at wooing outsiders, Mr. Roh said, while the Galaxy Z Fold has won deeper loyalties. Retention rates for foldables are up to 10% higher than for the flagship Galaxy S devices, he added.

Mr. Roh, for his personal smartphone, said he rotates between the company's flagship devices as they get released. He is using the Galaxy S22 Ultra, which hit shelves in February. Before that, it had been a Galaxy Z Fold 3.

"I have to be actively using our products to truly feel and understand our consumers' feedback," Mr. Roh said. He plans to use the Galaxy Z Fold 4 next.

Deutsche Telekom Is Close to Owning T-Mobile Majority

By ALEX HARRING

German telecommunications giant Deutsche Telekom AG reiterated plans to build its stake in T-Mobile US Inc. and said it is nearing majority ownership of the U.S.'s second-largest wireless carrier by customers.

Deutsche Telekom has been looking to retake a majority stake in T-Mobile since the unit's 2020 merger with Sprint, which SoftBank Group Corp. previously controlled.

The German company already has majority voting power in the U.S. wireless carrier.

The telecom giant's stake in T-Mobile is at about 48.4%, Chief Executive Tim Höttges told analysts in an earnings call on Thursday. Once majority ownership is reached, it is possible the German company could further increase its stake in T-Mobile or participate in a share buyback, Mr.

Höttges added.

The disclosure came as Deutsche Telekom raised its guidance for the second time this year, citing in part the performance of T-Mobile.

The U.S. company reported gains in wireless postpaid phone customers, considered a reliable measure of a wireless company's performance because it tracks monthly bill payers.

Its growth in customer base fell slightly short of rival AT&T Inc., but both outperformed Verizon Communications Inc., which has the largest wireless subscriber base in the country.

T-Mobile's business in the U.S. accounted for about two-thirds of Deutsche Telekom's net revenue in the second quarter.

Deutsche Telekom shares gained about 0.4% in Thursday trading in Germany, while T-Mobile shares slipped 0.9% in New York.



T-Mobile's business in the U.S. accounted for about two-thirds of Deutsche Telekom's net revenue in the second quarter.

Rivian's Loss Triples

Continued from page B1

capacity of building 150,000 a year. To hit this target, Rivian said it would have to run the factory on both a day and a night shift.

For the first half of the year, Rivian struggled with parts-related problems that slowed its production.

"We weren't able even to run a full single shift because of component supply," Chief Executive RJ Scaringe said on a call with analysts Thursday. He said he sees the production rate improving in the current quarter with the addition of a second shift.

"Hiring is under way," he said, in reference to staffing for that shift.

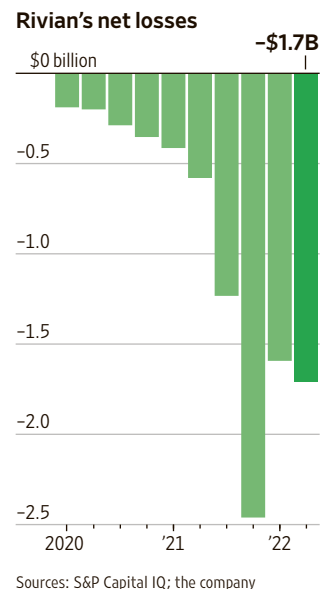
As it focused on ramping up production, Rivian also said it had trimmed capital expenditures to preserve cash and expected to spend \$2 billion rather than its original projection of \$2.6 billion.

At the end of June, Rivian had about \$15.46 billion in cash and cash equivalents, about \$1.5 billion less than at the close of the first quarter.

The results come as the startup enters the second half of the year, a stretch in which Rivian must prove that it can rapidly increase its production rate and deliver vehicles to tens of thousands of waiting consumers.

The company has said it produced 4,401 vehicles in the second quarter, a figure it needs to more than double in each of the final two quarters to hit its target of 25,000 for the year.

While factory output is im-



Sources: S&P Capital IQ; the company

proving, Rivian said its assembly lines are designed for building a higher number of vehicles than it had been producing, resulting in labor and overhead costs weighing on its bottom line.

Rivian's ability to hit that target took on a greater sense of urgency as rising interest rates and inflation stoked fears of a potential recession.

The company last month said it would cut 6% of its workforce and slash spending. RJ Scaringe, the chief executive, said the cuts were needed to ensure the company could meet its production goals without having to raise additional cash.

Last month, Rivian delivered the first of its battery-powered delivery vans to Amazon.com Inc. The company has a contract to deliver 100,000 vans to Amazon by 2030.

Watch a Video



Scan this code for a video on the challenges facing EV startups.

Streamers Rethink Pricing

Continued from page B1

ingful long-term impact on our churn," Mr. Chapek said about the price increases. He said Disney+ was one of the lowest-price streaming services when it launched and has become more valuable over time as it has added more popular shows and movies.

Other companies that focus on streaming video are making similar moves. Warner Bros. Discovery, the newly formed media giant that owns premium television service HBO and the streaming services HBOMax and Discovery+, reported last week that it had added 1.7 million new subscriptions. Like Disney, about all of Warner-Discovery's subscription growth came from overseas. Its direct-to-consumer segment lost 300,000 domestic subscribers in the quarter.

David Zaslav, the newly formed company's CEO, has taken an ax to Warner-Discovery's spending, scrapping multiple high-budget movies that were in production or near



Disney plans to raise the price of its ad-free Disney+ service.

completion and destined for release on HBOMax, including "Batgirl" and "Wonder Twins," after deciding that the best return on capital for them was a tax write-off.

"Our focus is on shaping a real business with significant global ambition but not one that solely chases the subscribers at any cost or blindly seeks to win the content spending wars," said J.B. Perrette, Warner-Discovery's head of streaming, in a call with analysts.

Warner-Discovery said it expects losses in its streaming business to peak this year and expects profitability for the segment in 2024. Similarly, Disney, whose direct-to-consumer segment has lost more than \$7 billion since Disney+

launched in late 2019, predicts that Disney+ will achieve profitability by September 2024.

Warner-Discovery has signaled it will launch an ad-supported tier of HBOMax next year. The company has alluded to a new pricing strategy focused on the goal of streaming profitability, but it hasn't revealed pricing details.

"We will shift away from heavily discounted promotions," Mr. Perrette said.

At Netflix, customer defections jumped after it raised the price of U.S. plans by \$1 to \$2 a month this year. In the U.S. and Canada, the company lost 1.3 million subscribers during the second quarter, more than twice the 640,000 it lost in the region in the first quarter. Like

Disney+, Netflix is looking to increase the revenue per user that they draw by selling ads.

Doing so helps streaming services make more money from their existing customer bases, while offering an alternative to price hikes, according to industry analysts.

Existing subscribers to Disney+ will be automatically put into the ad-supported tier unless they elect the higher-price ad-free version, and some shows, like "Dancing with the Stars," will stream with no ads on any tier, a Disney executive said. Disney said that in general, the ad load on Disney+ will be lighter than that of other services, and will benefit from consumers who cancel cable subscriptions and replace them with streaming services.

Netflix said in July it expected some loss of customers following a price increase and that customer departures are returning to the levels they were at before the increase.

The Los Gatos, Calif., company has said its coming ad-supported tier of service is likely to appeal to more price-conscious customers who are willing to pay less in exchange for viewing ads. Netflix hasn't said how much its ad-backed tier will cost, but it is expected to charge less than the most basic plan that is currently available.



Production is improving at the sole factory in Normal, Ill.

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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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How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations...

Footnotes:
1-New 52-week high
2-New 52-week low
3-Indicates loss in the most recent four trading days
4-First day of trading
5-Does not meet continued listing standards
6-Temporary exemption from Nasdaq requirements
7-NYSE bankruptcy
8-Trading halted on primary market
9-In bankruptcy or receivership or being reorganized under the Bankruptcy Code...

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.

Table with columns: Thursday, August 11, 2022, Stock, Sym, Close, Net Chg. Includes sub-tables A, B, C.

Table with columns: Stock, Sym, Close, Net Chg. Includes sub-tables D, E, F.

Table with columns: Stock, Sym, Close, Net Chg. Includes sub-tables G, H, I.

Table with columns: Stock, Sym, Close, Net Chg. Includes sub-tables J, K, L.

Table with columns: Stock, Sym, Close, Net Chg. Includes sub-tables M, N, O.

Table with columns: Stock, Sym, Close, Net Chg. Includes sub-tables P, Q, R.

Table with columns: Stock, Sym, Close, Net Chg. Includes sub-tables S, T, U.

Table with columns: Stock, Sym, Close, Net Chg. Includes sub-tables V, W, X, Y, Z.

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Table with columns: Stock, Sym, Close, Net Chg. Includes sub-tables S, T, U.

New Highs and Lows

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session.

Table with columns: Thursday, August 11, 2022, Stock, Sym, Hi/Low, Chg. Includes sub-tables A, B, C.

Dividend Changes

Table with columns: Company, Symbol, Yld %, Amount New/Old, Frq, Payable / Record.

Table with columns: Company, Symbol, Yld %, Amount New/Old, Frq, Payable / Record.

Table with columns: Company, Symbol, Yld %, Amount New/Old, Frq, Payable / Record.

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Table with columns: Company, Symbol, Yld %, Amount New/Old, Frq, Payable / Record.

Table with columns: Company, Symbol, Yld %, Amount New/Old, Frq, Payable / Record.

Borrowing Benchmarks

wsj.com/market-data/bonds/benchmarks

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Table with columns: Inflation, U.S. consumer price index, International rates, Money Rates, Treasury bill auction, Other short-term rates.

Table with columns: Prime rates, Policy Rates, Overnight repurchase, U.S. government rates, Discount, Federal funds.

Table with columns: Secured Overnight Financing Rate, Notes on data, U.S. prime rate.

Table with columns: DTCC GCF Repo Index, Fannie Mae, Other short-term rates, Call money, Commercial paper (AA financial), Labor.

Table with columns: Prime rates, Federal funds, Secured Overnight Financing Rate, Notes on data, U.S. prime rate.

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Exchange-Traded Portfolios | WSJ.com/ETFResearch

Largest 100 exchange-traded funds, latest session

Table with columns: Thursday, August 11, 2022, ETF, Symbol, Closing Price, Chg YTD (%).

Table with columns: ETF, Symbol, Closing Price, Chg YTD (%).

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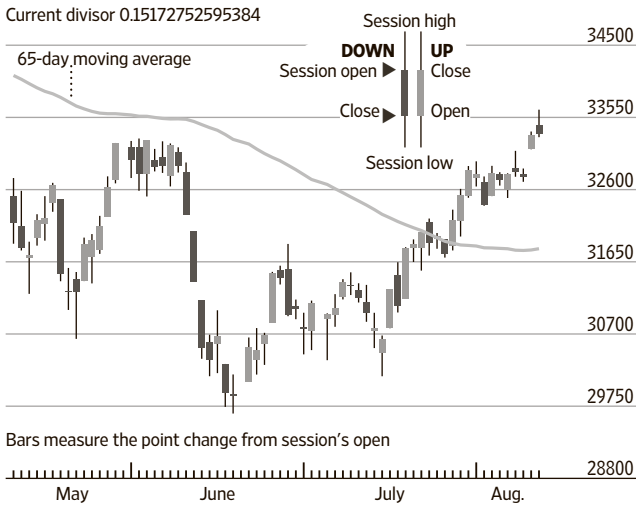
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MARKETS DIGEST

EQUITIES

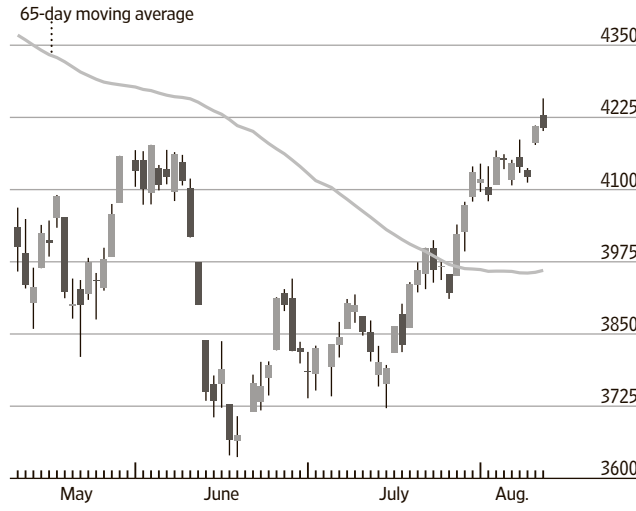
Dow Jones Industrial Average

33336.67 ▲ 27.16, or 0.08%
High, low, open and close for each trading day of the past three months.



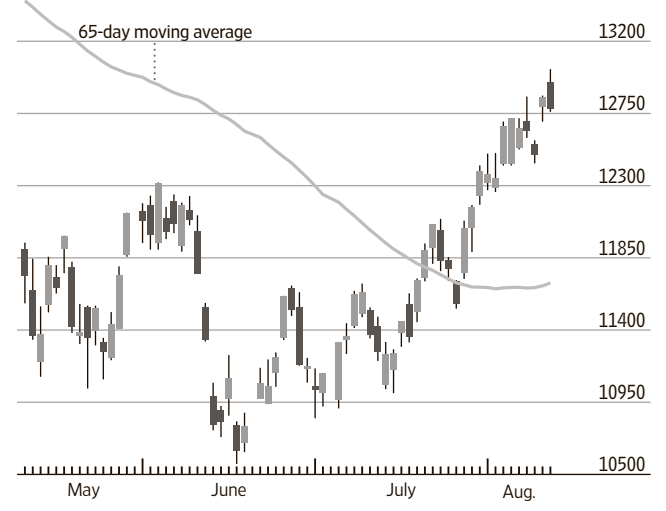
S&P 500 Index

4207.27 ▼ 2.97, or 0.07%
High, low, open and close for each trading day of the past three months.



Nasdaq Composite Index

12779.91 ▼ 74.89, or 0.58%
High, low, open and close for each trading day of the past three months.



Major U.S. Stock-Market Indexes

Table with columns for Index Name, High, Low, Close, Net chg, % chg, 52-Week High, Low, % chg, YTD, and 3-yr. ann. Includes Dow Jones, Nasdaq Stock Market, S&P, and Other Indexes.

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6 p.m. ET as reported by electronic trading services...

Most-active issues in late trading

Table listing companies like Rivian Automotive, SPDR S&P 500, Southwestern Energy, etc., with columns for Volume, Last, Net chg, After Hours % chg, High, and Low.

Trading Diary

Volume, Advancers, Decliners

Table showing market volume, number of advancers, decliners, and issues traded for NYSE and NYSE Arca.

International Stock Indexes

Table listing international stock indexes by region/country, including MSCI ACWI, Euro STOXX, Nikkei 225, etc.

Percentage Gainers...

Table listing percentage gainers among various companies like Treasure Global, Veru, Vacasa, etc.

Percentage Losers

Table listing percentage losers among various companies like Invitae, Nucera, FaZe Holdings, etc.

Most Active Stocks

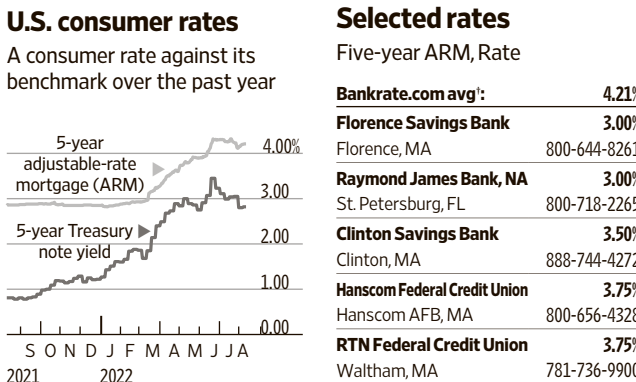
Table listing most active stocks by volume, including T2 Biosystems, TMBR, ProShares UltraPro QQQ, etc.

Volume Movers

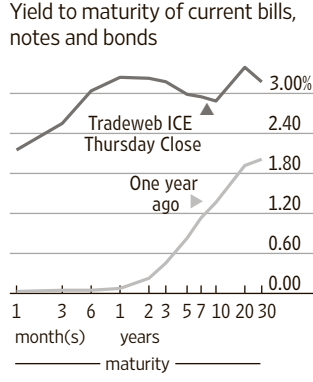
Table listing volume movers ranked by 65-day average volume, including Oxus Acquisition CI A, Mountain Crest Acqn V, etc.

CREDIT MARKETS

Consumer Rates and Returns to Investor



Treasury yield curve



Forex Race



Corporate Borrowing Rates and Yields

Table listing corporate borrowing rates and yields for U.S. Treasury, Aggregate, High-Yield, etc.

CURRENCIES & COMMODITIES

Currencies

Table showing U.S.-dollar foreign-exchange rates for various countries like Argentina, Brazil, Canada, etc.

Commodities

Table showing commodity prices for DJ Commodity, Crude oil, Natural gas, etc.

COMMODITIES

wsj.com/market-data/commodities

Futures Contracts

Metal & Petroleum Futures table with columns for Open, High, Low, Settle, Chg, and Open interest. Includes Copper-High, Gold, Silver, Platinum, and Crude Oil.

Interest Rate Futures table with columns for Open, High, Low, Settle, Chg, and Open interest. Includes Ultra Treasury Bonds, Treasury Bonds, and Treasury Notes.

Currency Futures table with columns for Open, High, Low, Settle, Chg, and Open interest. Includes Japanese Yen, Canadian Dollar, British Pound, Swiss Franc, Australian Dollar, Mexican Peso, and Euro.

Agriculture Futures table with columns for Open, High, Low, Settle, Chg, and Open interest. Includes Corn, Oats, Soybeans, Soybean Meal, Soybean Oil, and Wheat.

Index Futures table with columns for Open, High, Low, Settle, Chg, and Open interest. Includes Mini DJ Industrial Average, Mini S&P 500, Mini S&P Midcap 400, and Mini Nasdaq 100.

Index Futures table with columns for Open, High, Low, Settle, Chg, and Open interest. Includes Mini Russell 1000, U.S. Dollar Index, and various commodity futures like Iron Ore and Shredded Scrap.

Cash Prices

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Cash Prices table with columns for Thursday and Thursday. Includes Energy, Metals, Fibers and Textiles, Grains and Feeds, Food, and Fats and Oils.

KEY TO CODES: A=ask; B=bid; BP=country elevator bids to producers; C=corrected; D=CME; E=Manfra,Tordella & Brookes; H=American Commodities Brokerage Co; K=bi-weekly; M=monthly; N=nominal; n.a.=not quoted or not available; P=Sealand Publishing; R=SNL Energy; S=Platts-TSI; T=Ottok Limited; U=USDA; V=Benchmark Mineral Intelligence; W=weekly; Y=International Coffee Organization; Z=not quoted. ©Data as of 8/10

Source: Dow Jones Market Data

Bonds | wsj.com/market-data/bonds/benchmarks

Tracking Bond Benchmarks

Return on investment and spreads over Treasuries and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Bond benchmarks table with columns for Total return close, YTD total return (%), Index, Yield (%), and Total return close, YTD total return (%), Index, Yield (%). Includes Broad Market, U.S. Corporate Indexes, Mortgage-Backed, High Yield Bonds, and Global Government.

*Constrained indexes limit individual issuer concentrations to 2%; the High Yield 100 are the 100 largest bonds. †In local currency. ‡Euro-zone bonds. **EMBI Global Index. Sources: ICE Data Services; Bloomberg Fixed Income Indices; J.P.Morgan

Global Government Bonds: Mapping Yields

Yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose (▲) or fell (▼) in the latest session

Global Government Bonds table with columns for Coupon (%), Maturity, Country, Latest, Yield (%), Month ago, Year ago, Spread Under/Over U.S. Treasuries, and Prev, Year ago. Includes U.S., Australia, France, Germany, Italy, Japan, Spain, and U.K.

Source: Tullett Prebon, Tradeweb ICE U.S. Treasury Close

Corporate Debt

Prices of firms' bonds reflect factors including investors' economic, sectoral and company-specific expectations

Investment-grade spreads that tightened the most...

Corporate Debt table with columns for Issuer, Symbol, Coupon (%), Yield (%), Maturity, Spread, and Last week. Includes Valero Energy, BNP Paribas, HSBC Holdings, ABN AMRO Bank, General Motors, WPP, Citigroup, and Morgan Stanley.

...And spreads that widened the most

Corporate Debt table with columns for Issuer, Symbol, Coupon (%), Yield (%), Maturity, Spread, and Last week. Includes Credit Suisse, Morgan Stanley, Standard Chartered, Pfizer, Banco Santander, Ally Financial, GSK, and Northern Trust.

High-yield issues with the biggest price increases...

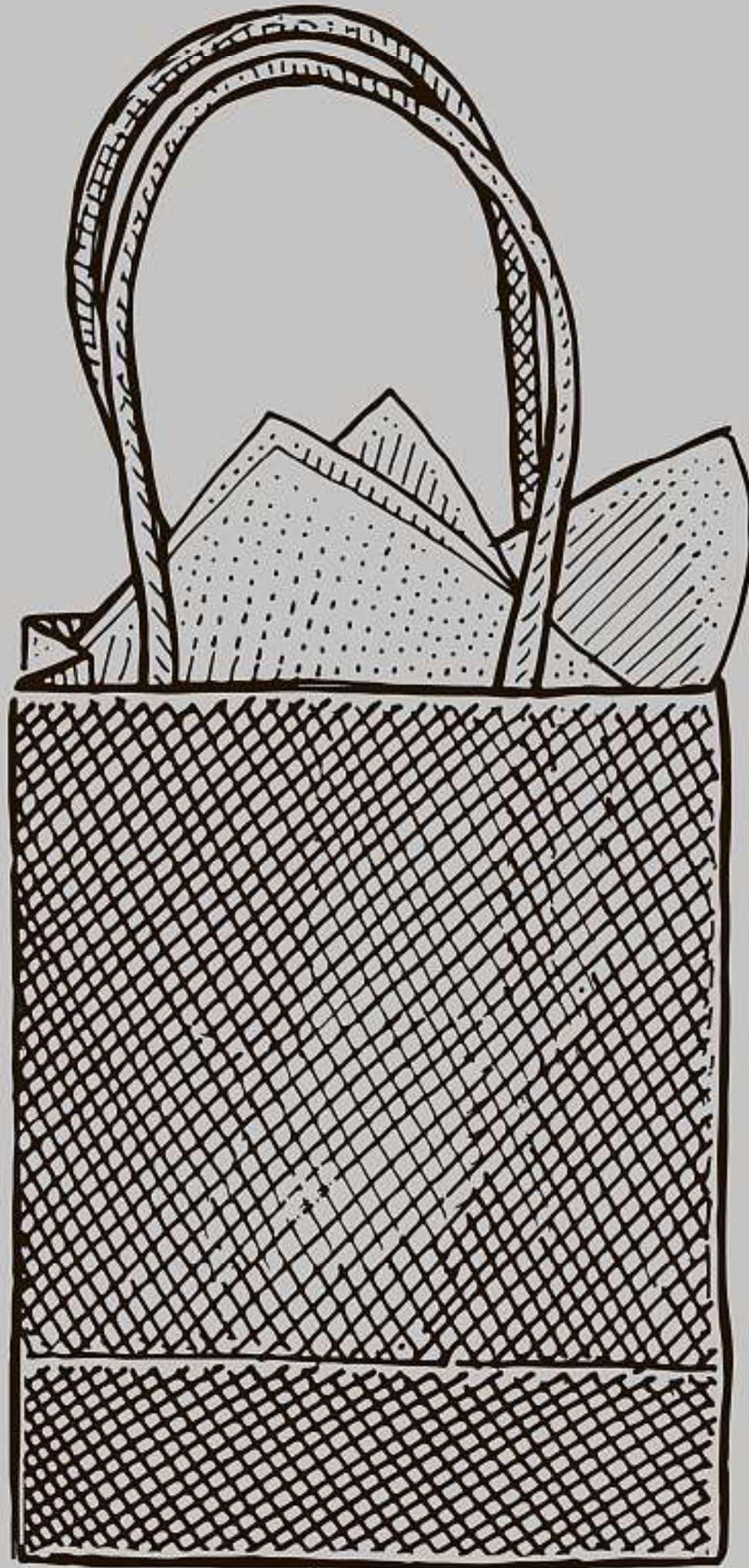
Corporate Debt table with columns for Issuer, Symbol, Coupon (%), Yield (%), Maturity, Bond Price as % of face value, and Last week. Includes OneMain Finance, American Airlines, Sensata Technologies, Dish DBS, Teva Pharmaceutical Finance Netherlands, Hughes Satellite Systems, Occidental Petroleum, and CSC Holdings.

...And with the biggest price decreases

Corporate Debt table with columns for Issuer, Symbol, Coupon (%), Yield (%), Maturity, Bond Price as % of face value, and Last week. Includes Sealed Air, Sprint Capital, Ford Motor, Telecom Italia Capital, MGM Resorts International, QVC, Dish DBS, and Ball.

*Estimated spread over 2-year, 3-year, 5-year, 10-year or 30-year hot-run Treasury; 100 basis points=one percentage pt.; change in spread shown is for 2-spread. Note: Data are for the most active issue of bonds with maturities of two years or more. Source: MarketAxess

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MARKETS

S&P, Nasdaq Fall, as Blue Chips Gain

Energy shares are day's winners, led by Schlumberger, Devon, Marathon Oil

By CAITLIN OSTROFF AND CORRIE DRIEBUSCH

Stocks ran out of steam, giving up gains despite additional data suggesting that inflation might be peaking.

The S&P 500 fell 2.97 points, or 0.1%, to 4207.27, while the tech-focused Nasdaq Composite Index lost 74.89 points, or 0.6%, to 12779.91.

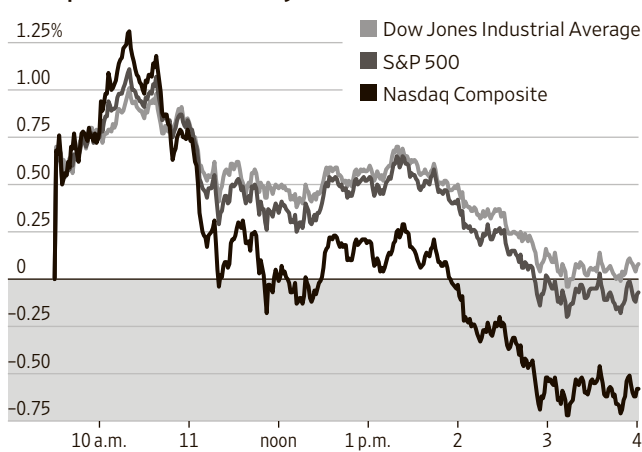
All three indexes rose earlier in the day. Producer-price data buoyed investors' hopes that inflation may be easing, potentially slowing the Federal Reserve's pace of interest-rate increases.

Stocks have rallied sharply from their trough in mid-June. The Nasdaq Composite on Wednesday closed up more than 20% from its low, kicking off a new bull market, though it remains down 18% year to date.

Energy stocks were the biggest gainers in the S&P 500, a familiar pattern for much of the year. Devon Energy, Marathon Oil and Schlumberger all climbed more than 5%.

Inflation has been a focus for both investors and the Fed this year. Central-bank officials have increased interest rates in recent months, raising borrowing costs, to slow demand and stabilize prices.

Index performance Thursday



Source: FactSet

said he is more concerned about the risk of failing to stamp out high inflation than about the possibility of raising rates too high and pushing the economy into a recession.

Money managers hope the easing inflation data for July will be the start of a trend, though the path of inflation

will be affected by the Ukraine war and nations' responses to Covid-19. Fresh data Thursday bolstered those hopes, showing that prices paid by U.S. suppliers fell in July from the prior month.

In bond markets, the yield on the benchmark 10-year Treasury note ticked up to 2.886% from 2.786% Wednesday.

"Inflation data is the really key determinant of market sentiment," said Edward Park, chief investment officer at U.K. investment firm Brooks MacDonald. "Depending on how you cut the data, you can start to sell a more positive or negative story."

Overseas, the Stoxx Europe 600 rose 0.1%. Early Friday, Japan's Nikkei 225 was up 2.4%, Hong Kong's Hang Seng Index was down 0.1% and the Shanghai Composite was up 0.1%. S&P 500 futures rose 0.1%.

AUCTION RESULTS

Here are the results of Thursday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

Table with 2 columns: Auction type and Amount. Includes FOUR-WEEK BILLS and EIGHT-WEEK BILLS.

Table with 2 columns: Auction type and Amount. Includes 30-YEAR BONDS.

OPEC Cuts Oil-Demand Forecasts

By WILL HORNER

Global oil demand will be weaker than expected this year and next as economic growth slows, OPEC said Thursday, suggesting the cartel sees little need to increase output.

In its closely watched monthly market report, the Organization of the Petroleum Exporting Countries cut its forecasts for global oil demand this year by 260,000 barrels to 100.03 million barrels a day.

OPEC's revisions come as oil prices have eased significantly from the highs they hit after Russia invaded Ukraine. Fears about slowing economic growth and signs of respite from a global energy crisis have undercut oil prices, which this month fell to their lowest level since February.

While OPEC lowered its

forecast for global economic growth this year and next, it said demand for oil, while more modest, would still be robust.

The oil cartel now expects global gross domestic product to grow by 3.1% this year, down from the 3.5% rate it forecast last month, as inflation weighs on businesses and consumers and central banks raise interest rates to cool rising prices.

For the U.S. economy, OPEC cut its growth forecasts to 1.8% this year from 3% and to 1.7% in 2023 from last month's 2.1% forecast. It expects China's economy, the world's second largest, to grow by 4.5% this year, 0.6 percentage point less than it forecast in July.

The Vienna-based group said a combination of weaker demand for oil and a steady climb in output from both OPEC and non-OPEC oil producers meant the oil market was close to balanced in the second quarter, with demand

exceeding supply by just 50,000 barrels a day. That compares with a 300,000 barrel-a-day deficit of oil in the first quarter and a 1.6 million-barrel deficit in 2021.

Still, the outlook for energy markets remains volatile.

In a separate report Thursday, the International Energy Agency said that heat waves in Europe were boosting demand for oil as power stations seek alternatives to natural gas.

High prices and limited supplies of natural gas after Russia curtailed some of its energy exports to the region are pushing power plants and heavy industries to turn to oil, the Paris-based IEA said.

High temperatures across Europe have put an unexpected strain on the region's power grids, lifting demand for electricity to power fans and air-conditioning units in what is typically a quiet period for energy demand.

OPEC's outlook for a finely balanced oil market suggests its members are likely to keep

their output at current levels, despite requests by the U.S. and others to produce more to help bring down energy prices.

The Saudi-led cartel, which is allied with a group of Russia-led oil producers in a grouping known as OPEC+, agreed this month to a 100,000-barrel-a-day supply increase in September.

The modest increase was largely seen by analysts as a symbolic gesture in response to U.S. pressure that was too small to have any meaningful impact on oil prices.

The cartel has pushed back against calls for larger production increases, saying the limited spare capacity that its members retain should be kept on hand as a buffer against any unforeseen supply issues.

Brent crude, the international oil benchmark, rose



OPEC's revisions come as oil prices have eased significantly.

2.3% Thursday to settle at \$99.60 a barrel.

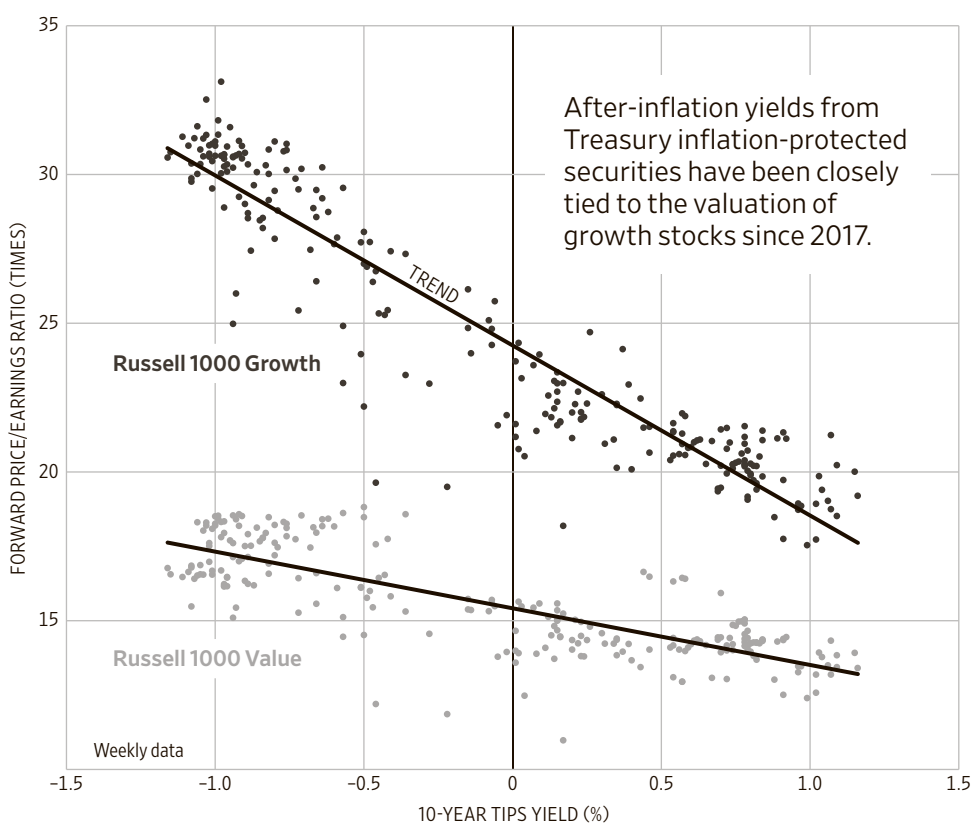
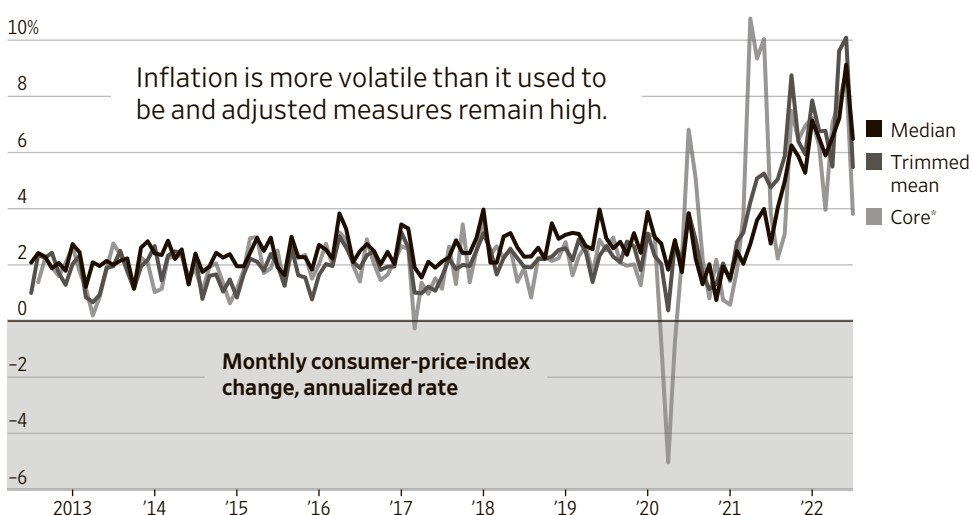
Prices have risen four of the past five trading sessions after last week hitting the lowest point since late February, when Russia invaded Ukraine.

Prices rose above \$127 following the invasion due to Western sanctions meant to cut off Russian oil exports from global consumers.

Regardless of OPEC's weaker expectations for demand, analysts aren't expecting oil prices to ease signifi-

cantly more than they already have. Demand from China and other emerging economies will likely remain strong, while the cartel's recent small supply increase highlights the lack of spare oil supplies that will be needed to meet it, said Hakan Kaya, manager of a commodities fund at Neuberger Berman.

"The supply is simply not there. We are entering a situation of oil scarcity and we all know what scarcity means in economics 101," Mr. Kaya said.



*Core inflation excludes food and energy. Sources: Federal Reserve Bank of St. Louis (CPI); Refinitiv TIPS yield, P/E ratio

Inflation Story Fights Fed

Continued from page B1 Fed's Underlying Inflation Gauge, which incorporates economic data as well as prices to try to get at the inflation trend, hardly dropped at all—putting it in a range of 4.7% to 5.9%.

Still, if it turns out investors are right that inflation has peaked and will continue to moderate from here—one might even say be transitory—that should hold down bond yields, and help stock valuations.

There's been a tight link since 2017 between after-inflation Treasury yields and the valuation of the market using forward price/earnings ratios; a higher yield on benchmark 10-year Treasury inflation-protected securities has meant lower P/E ratios.

"The most capitalist valuation metric in the world, the P/E of the S&P [500], is now just completely dominated by monetary policy," he said.

That worked against investors in growth stocks this year until TIPS yields peaked in June. Since then, a drop in yields has helped drive a big rally in share

prices as valuations rose again.

The case for stocks is that peak inflation means bond yields can stabilize, and maybe even come down a bit. And it might be right, although the Fed is—deliberately—becoming less predictable. So, it's hard to be as sure as the market seems to be.

But valuation is only half the investment story of higher interest rates. The other is the impact on the economy, and so on earnings.

Investors have mostly ignored the potential for a hit to earnings, with profits expected to rise this year and next. Still, monetary policy famously has long and variable lags before affecting the economy, and even the most bullish investors still expect several more Fed interest-rate increases.

There are plenty of straws in the wind indicating that an economic slowdown is on the way. Mortgage applications for new purchases are the lowest since the first lockdown in 2020. Initial unemployment claims have been ticking up since March. Consumer and small-business confidence has collapsed.

Manufacturing new orders are shrinking while inventories rise.

The risk is that slowdown turns to recession, and corporate earnings are hit hard. If that happens, the pattern of the dot-com crash will repeat: the first leg down will be due to falling valuations, and the second due to falling earnings.

The other possible paral-

el is in the bear-market rally. The crash in 2000 started in March, but by September the S&P 500 had rallied more than 10% from its low. This allowed technology stocks and the Nasdaq Composite to gain enough to put them back in positive territory for the year. It didn't last.

The bearish interpretation is that investors are good at ignoring the blindingly obvious and are doing it again with the 15% rise in the S&P 500 from its June low.

In 2007, the subprime crisis went global 15 years ago this week, when French bank BNP Paribas froze three money-market funds.

After a brief panic, the S&P managed an 11% rally by October, with the financial sector rising further, even as Britain experienced its first run on a bank in a century. This was the global financial crisis, but shareholders missed massive flashing red alerts.

The bullish interpretation is that no one could have anticipated the Sept. 11 attacks of 2001 that worsened the dot-com crash, while regulators have dealt with the financial complexity and hidden leverage that devastated the world's banks in 2007.

I lean toward thinking this is a bear-market rally that won't last. Investors wanting to load up on stocks at this point need the Fed to navigate a narrow route between too much inflation on one side and a serious recession on the other. Either of these would sink the market.

New Highs and Lows

Table with multiple columns listing stock symbols, 52-week high/low changes, and percentage changes. Includes sub-sections for Continued From Page B7 and Weekly data.