

THE WALL STREET JOURNAL.

What's News

Business & Finance

The U.S. and China are nearing an agreement that would allow American accounting regulators to travel to Hong Kong to inspect the audit records of Chinese companies listed in New York, according to people familiar with the matter. **A1**

◆ **Biden's decision** to cancel up to \$20,000 in student debt for millions of borrowers will have broad economic consequences, including on inflation, consumer behavior and government budgets, though the degree of those effects is uncertain. **A1, A4**

◆ **Peloton posted** a \$1.2 billion loss in the most recent quarter and, in a race to save itself, is eschewing fundamental aspects of its decade-old business model. **A1**

◆ **Major U.S. stock indexes** rose, with the S&P 500, Nasdaq and Dow industrials notching gains of 1.4%, 1.7% and 1%, respectively. **B11**

◆ **The second-quarter** decline in U.S. economic output was less severe than initially estimated, with GDP contracting at a 0.6% annual rate, the Commerce Department said. **A2**

◆ **The SEC voted** to require companies to disclose how well top management's pay tracked with corporate performance over several years. **B10**

◆ **Bitcoin Depot** has reached a deal with a SPAC that values the cryptocurrency ATM firm at roughly \$885 million and would take it public. **B1**

◆ **Gap, Victoria's Secret** and Abercrombie & Fitch reported declining quarterly sales, as consumers shift their spending. **B1**

World-Wide

◆ **California approved** regulations banning the sale of new gasoline-powered cars and trucks by 2035, an action aimed at addressing climate change that could speed the nation's transition to electric vehicles. **A3**

◆ **A federal judge** in Florida ordered the government to release by noon Friday its redacted version of the affidavit detailing evidence that led to the extraordinary search of Trump's Mar-a-Lago home. **A3**

◆ **A Fulton County, Ga.,** prosecutor is seeking testimony from Mark Meadows, according to a court filing, as she investigates efforts by Trump and his allies to overturn the state's 2020 election results. **A4**

◆ **Much of southern** Ukraine lost electricity for part of the day after the Zaporizhzhia nuclear-power plant was disconnected from the electrical grid. Ukrainian and Russian officials blamed each other for the outage. **A8**

◆ **The DHS has terminated** a government board to combat online disinformation, after a range of critics said it could stifle free expression on the internet and had an unclear mission. **A6**

◆ **The U.S. military used** helicopter gunships to kill what it said were members of an Iran-backed militia that had fired rockets at a base used by American forces in Syria. **A16**

◆ **Tennis star Djokovic,** who remains unvaccinated against Covid-19, said he would skip the U.S. Open. **A12**

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Pakistan Reels as Monsoon Rains Stoke Deadly Flooding



DELUGE: Pakistan's top climate official said the country is experiencing a humanitarian disaster amid the deadliest flooding in over a decade. Monsoon rains have washed away villages and crops and killed more than 900 people since late June. **A16**

Biden Student-Loan Relief Fuels Debate About Inflation

By GABRIEL T. RUBIN

President Biden's decision to cancel up to \$20,000 in student debt for millions of borrowers will have broad economic consequences, including on inflation, consumer behavior and government budgets, though the degree of those effects is uncertain.

Assuming the plan survives any potential legal challenges, the move to cancel a lump sum of debt for more than 40 million borrowers and change repayment rules could provide a modest boost to longer-term inflation and lead to larger federal deficits, economists said.

In the short term, some, such as Obama administration economist Jason Furman said the debt relief risks "pouring roughly half trillion dollars of gasoline on the inflationary fire." In contrast, Wall Street analysts said the near-term impact is likely to be limited because debt relief isn't like other forms of stimulus. People won't immediately have more money to spend because

almost all borrowers haven't been paying during a government repayment moratorium during the Covid-19's pandemic.

"You are already receiving forbearance from your student loan payments, so your disposable income isn't necessarily going to go up relative to where it is now," said Michael Gapen, head of U.S. Economics Research at Bank of America. "Will we see it in the statistics in the next six months? Probably not."

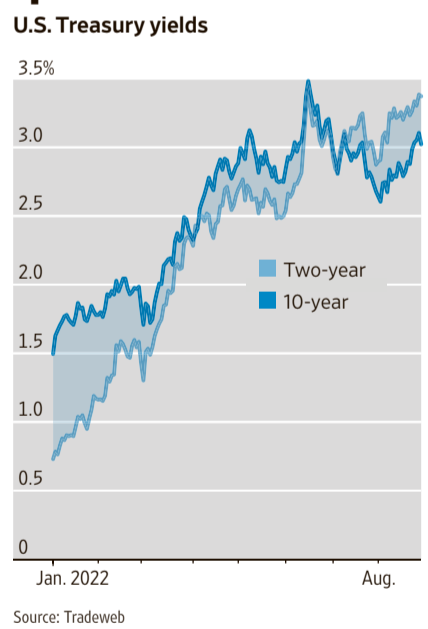
If all borrowers who are eligible for debt cancellation enroll, student loan balances will be reduced by around \$400 billion, according to a Goldman Sachs analysis released Thursday. Their economists found that student loan payments would fall from 0.4% of personal income to 0.3%. Debt cancellation isn't likely to have much of an effect on inflation.

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◆ **Plan could test president's** legal powers..... **A4**
◆ **Borrowers who paid during** the pause can get refunds..... **A4**

Optimism Spurs Rise in Yields

U.S. government-bond yields have rebounded this month, reflecting increased optimism among investors about the near-term economic outlook. Yields remain below their peaks set in June, when investors were most concerned about runaway inflation, but they are also now well above their recent lows, when analysts were debating whether the U.S. was already in, or entering, a recession. **B1**



Peloton Reports \$1.2 Billion Loss

By SHARON TERLEP

Peloton Interactive Inc. posted a \$1.2 billion loss in the most recent quarter and, in a race to save itself, is eschewing fundamental aspects of its decade-old business model.

The once-hot maker of connected fitness equipment said Thursday that its quarterly revenue fell nearly 30% and warned it would spend more cash than it brings in for several more months. Peloton lost \$2.8 billion in the year ended June 30, compared with a \$189 million loss in the prior year.

Losses come as demand for Peloton's bikes and treadmills has plunged and the company's count of people who subscribe to its fitness classes stagnated after growing fourfold since early 2020. The company had about three million subscribers to its connected fitness offering at the end of the June quarter.

Peloton shares fell more than 18% to close at \$11.01, as the company posted staggering losses and weaker revenue than analysts had projected. Its share price is down about 91% from a year ago.

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◆ **Heard on the Street:** Peloton brand is past its prime..... **B12**

Strike the Jeans and Flannels—Labor Activists Get Fashionable

Union leaders attract attention for their style, but veterans are unimpressed

By SEBASTIAN HERRERA

John Elward, a truck driver for United Parcel Service Inc. near San Francisco, collects labor union memorabilia. He owns at least 12 Teamsters jackets, his favorite being a green one labeled "Irish American." Then there are his dozens of union pins and patches.

So when organizers in April became the first to unionize an Amazon.com Inc. facility, the 42-year-old Mr. Elward grew excited. Several of the leaders seemed to have a flair for fashion—not something typically associated with labor activism.

Chris Smalls, the activist who led the organizing drive at Amazon, wore a red baseball cap, red sweats and hoodie and a red "Amazon Labor Union" shirt on top that day, all finished with a pair of oversized sunglasses. Pictures of his outfit went viral.

At the Time 100 gala two months later, Mr. Smalls went with black overalls and a black blazer, along with a bandanna and huge black shades. For an appearance on "The Daily Show," he donned a bubble gum-pink Amazon Labor Union shirt and a printed baby blue bomber jacket.



Work it

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Microsoft Co-Founder's Art Trove Poised to Fetch \$1 Billion at Auction

By KELLY CROW

Microsoft co-founder Paul Allen collected chemistry sets as a boy, but the trove of paintings and sculptures he later amassed could top \$1 billion when it heads to auction at Christie's this fall.

Christie's confirmed Thursday that it had won the right to sell at least 150 artworks from Mr. Allen's estate—now poised to be the most expensive art collection the auction industry has ever handled. The sale is estimated to surpass the \$922 million collection of real-estate developer Harry Macklowe and his ex-wife Linda Macklowe, sold earlier this year, as well as the \$835 million estate of banker David Rockefeller and his wife, Peggy, in 2018. Mr. Allen died at age 65 in 2018 after a recurrence of non-Hodgkin lymphoma.

Marc Porter, chairman of Christie's Americas, said the



Cézanne's 1888-90 landscape, 'La Montagne Sainte-Victoire'

house must finish cataloging all 150 works before providing additional details on the sale's offerings, though he confirmed it will include Jasper Johns'

China, U.S. Near A Deal To Avoid Delistings

Stateside regulators would be able to vet audit data of Chinese firms listed in New York

By KEITH ZHAI

SINGAPORE—The U.S. and China are nearing an agreement that would allow American accounting regulators to travel to Hong Kong to inspect the audit records of Chinese companies listed in New York, people familiar with the matter said, as the two countries move toward resolving a yearslong standoff.

Securities regulators in Beijing are making arrangements for U.S.-listed Chinese companies and their accounting firms to transfer their audit working papers and other data to Hong Kong from mainland China, the people said.

Regulators from the U.S. Public Company Accounting Oversight Board would then travel to the semiautonomous city to perform on-site inspections of the Chinese companies' auditors and their records, they said.

The China Securities Regulatory Commission recently informed some accounting firms and companies about the plan, the people said, adding that U.S. accounting inspectors could arrive in Hong Kong as soon as September.

A final agreement can only be reached if the U.S. side determines it has full access to the audit working papers, they said.

In response to a Wall Street Journal query, the CSRC said it doesn't have any relevant information to disclose. The

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TOMORROW



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U.S. NEWS

Release of Redacted Search Affidavit Is Ordered

By JAN WOLFE
AND SADIE GURMAN

WASHINGTON—A federal judge in Florida ordered the government to release by noon Friday its redacted version of the affidavit detailing evidence that led to the extraordinary search of former President Donald Trump's Mar-a-Lago home.

Department officials filed redactions to the documents shortly before the noon Thursday deadline set by U.S. Magistrate Judge Bruce Reinhart, who approved the warrant for the Aug. 8 search of the complex in West Palm Beach, Fla.

"[T]he government has met its burden of showing that its proposed redactions are narrowly tailored to serve the government's legitimate interest in the integrity of the continuing investigation and are the least onerous alternative to sealing the entire Affidavit," Judge Reinhart wrote in his order, which he issued after reviewing the government's sealed submission.

The release of the redacted affidavit could lead to the public learning more about the unprecedented law-enforcement action, but it isn't clear how heavily redacted the affidavit will be. The Justice Department said last week that the redactions could be so major that nothing of substance would be made public.

Judge Reinhart wrote in his order that he agreed with the government's redactions of key details, including identities of witnesses and law-enforcement agents—as well as the investigation's "strategy, direction, scope, sources and methods."

Several advocacy groups and news-media companies, including Dow Jones & Co., publisher of The Wall Street Journal, petitioned the court earlier this month to make the document public. Mr. Trump and his allies, including some in Congress, have also called for it to be unsealed.

The judge's ruling comes a day before Mr. Trump's lawyers face a deadline for clarifying their separate motion, filed Monday, asking that a special master be appointed to review the documents seized at Mar-a-Lago.

Google To Label Abortion Clinics in Searches

By MEGHAN BOBROWSKY

Google said it would identify healthcare facilities that provide abortion services in its maps and search functions amid pressure from employees to do more on the issue in the wake of the Supreme Court ruling that overturned Roe v. Wade.

The Alphabet Inc. unit on Thursday said it has been working on the update for months and will rely on information provided by a business or authoritative data source to label what services a facility provides.

"We're now rolling out an update that makes it easier for people to find places that offer the services they've searched for, or broaden their results to see more options," a Google spokesperson said.

Under the updated labeling system, the company said it would add a "Provides abortions" label to places where such services are available. It said it also will label a facility with "Might not provide abortions" when it has been unable to confirm such services are offered there.

Last month, Google said it would start automatically deleting visits to abortion clinics from users' location history and make the erasure the default setting.

California Bans Sales of Gas Cars by '35

By MIKE COLIAS
AND CHRISTINE MAI-DUC

California approved regulations banning the sale of new gasoline-powered cars and trucks by 2035, an action aimed at addressing climate change that could speed the nation's transition to electric vehicles.

The aggressive target was a contentious topic when Democratic Gov. Gavin Newsom first announced it through an executive order two years ago, after the Trump administration had moved to strip California of its unique ability to set higher air pollution-related standards than those set by the federal government.

The actual regulations by the California Air Resources Board to gradually phase out internal-combustion vehicles encountered less formal opposition this week, with companies including General Motors Co. signaling their support, reflecting the auto industry's ramped up electric-vehicle sales ambitions since that time. Members of the CARB voted to formally adopt the rules at a meeting on Thursday in Sacramento.

Still, auto industry lobbying groups cautioned that the target remained extremely difficult to achieve, noting that many factors, including the build-out of EV charging networks and availability of raw materials needed to make batteries, affect how quickly new car sales can re-



Auto makers signaled support for California's 2035 ban on the sale of new gasoline-powered vehicles.

alistically go fully electric.

"These are complex, intertwined and global issues well beyond the control of either CARB or the auto industry," said John Bozzella, president of the Alliance for Automotive Innovation.

The regulations, which apply to sales of new cars, pickup trucks and SUVs, would establish annual thresholds for the share of zero-emission vehicles auto makers must sell in the state each year, starting at 35% in 2026, and ramping up to 68% by the 2030 vehicle model year and 100% by 2035.

While EV sales still account for only around 6% of U.S. new-vehicle sales, they surpassed 16% in the second quarter in

California, which has long been a pioneer in EV adoption.

Sales of electrics have been growing faster than the broader vehicle market as auto makers introduce new models, even as EV prices have risen amid inflationary pressures. On Thursday, Ford Motor Co. said it raised the price of its Mustang Mach-E SUV by \$3,000 to \$8,000.

Since Mr. Newsom first floated the plan in 2020, many major car makers have said they are working toward an eventual phaseout of gas-powered vehicles, with varying timelines and regional differences. GM, the largest auto maker by U.S. sales, in late 2020 pegged the same 2035

target for ending sales of nearly all of its internal-combustion vehicles. GM on Thursday reiterated that plan and said it shares California's vision of an all-electric future.

Volkswagen AG and Toyota Motor Corp. have said they aim to sell only zero-emission cars in Europe by that time and are investing heavily in battery plants and other EV manufacturing in North America. Toyota, which had earlier sided with the Trump administration on its effort to strip California of its special regulatory status, said in a letter to the state this week that it recognized the state's authority in the matter.

California's measure goes further than the EV goals pro-

posed by President Biden last year, which set a voluntary target for half of U.S. auto sales to be zero-emission by 2030. GM, Ford and Jeep maker Stellantis NV at the time said they supported that goal.

The Clean Air Act of 1970 granted California a waiver to set its own environmental rules, allowing it to enact some of the nation's strictest regulations to combat air pollution. Other states can choose to adopt the California rules and many Democratic-leaning states do, which means that the California rules often wind up affecting much of the country.

Seventeen other states covering roughly 30% of the nation's new-vehicle sales had copied California's auto emissions regulations that were in place in May, according to the CARB, and may adopt the new EV rules.

Under the California regulation, plug-in hybrids, full electrics and hydrogen cell vehicles would all count toward the zero-emission targets, though auto makers will only be able to use plug-in hybrids to meet 20% of the overall requirement.

The regulation will impact only new-vehicle sales and affects only manufacturers, not dealerships. Traditional internal-combustion vehicles will still be legal to own and drive after 2035, and new models can still be sold until 2035.

◆ Battle for charging-station advertising gears up..... B5



Ermes Orta, left, fled Cuba and lives with his brother, Luis Rodriguez Bernal, right, in Florida. Below, Reyniel Sánchez says he was robbed and beaten on his trip to the U.S.

Cuban Migrants Flee to U.S. in Record Numbers

By JOSÉ DE CÓRDOBA

MIAMI—Cuban migrants are arriving in the U.S. at the highest rate since Fidel Castro came to power in 1959, fleeing political repression and the island's worst economic crisis in more than three decades.

More than 175,000 Cuban migrants were apprehended in the U.S. between last October and July, six times as many as in the previous 12-month period, according to U.S. Customs and Border Protection.

Most are young, single adults, according to government statistics. Many are relatively well educated, say people who work with the migrants.

The exodus "reflects the desperation, the lack of hope, and the lack of future people on the island feel," said Jorge Duany, head of the Cuban Research Institute at Florida International University.

About 250,000 Cubans left Cuba in the years immediately after Castro's takeover in 1959, Mr. Duany said. The current wave also eclipses the roughly 125,000 Cubans who reached the U.S. in 1980 when Castro, facing a political crisis, allowed hundreds of boats, mostly crewed by Cuban-Americans, to pick them up at the Cuban port of Mariel.

Another 30,000 Cubans set out for Florida on makeshift rafts in 1994 when Castro allowed them to migrate after thousands rioted over the economic hardship brought on by the end of Soviet subsidies.

Cuba's current economic crisis sparked a wave of protests across the island in July 2021, which prompted a harsh response from security forces. In

the following months the government brought charges against 930 protesters, and sentenced 675 of them to prison terms, some as long as 25 years, according to Laritza Diversent, director of human-rights group Cubalex.

With sanctions tightened by the Trump administration, Cuban economic mismanagement and the impact of the pandemic, inflation has soared, basic foods and medicines have become scarce, and money transfers from Cubans in the U.S. have dwindled. The flow of foreign tourists also has dried up.

Gloom on the island deepened after an Aug. 5 fire destroyed 40% of the fuel-storage capacity at the city of Matanzas, leading to more electricity outages that even before the disaster were lasting up to 20 hours a day in many places.

"Cuba continues to bleed out talent, capacity, energy and resources," said Alejandro de la Fuente, a professor of Cuban history at Harvard University. "They are selling everything they own to get out."

Cuban officials didn't respond to requests to comment.

Today's exodus is facilitated by Cuba's close ally Nicaragua, which in November dropped visa requirements for Cubans to fly to the capital Managua. That opened a corridor for Cubans, mostly using smugglers, to make their way overland to the U.S. through Central America and Mexico. The move has eased political and social pressure on the Cuban government as younger Cubans abandon the island.

In dozens of advertisements posted on Facebook, travel agents and people working out



The exodus 'reflects the desperation, the lack of hope...people on the island feel.'

of homes offer round-trip tickets on charter flights priced at between \$3,000 and \$4,000 from Cuban cities to Managua.

The high cost of making the long trip to the U.S. via Nicaragua—as much as \$10,000—means that most of those taking that route are white Cubans who are more likely than Black Cubans to have relatives living in the U.S. who can fund the trek, Mr. de la Fuente said.

A State Department spokesperson said the U.S. is concerned about the increase in Cuban migration. "Predatory businesses are taking advantage of their desperation, charging Cubans and their families exorbitant fees to leave the island," the spokesperson said.

Once in the U.S., most of the Cuban migrants go to the Mi-

ami area where many have friends and family who help finance the newcomers' trips.

"I'm trying to get my arms around the numbers," said Esteban Bovo, mayor of Hialeah, Fla., a working-class city of more than 230,000 inhabitants next door to Miami that is considered to have the largest number of Cubans in the U.S.

Family networks have provided many of them with jobs off the books, says Pedro Freyre, a Cuban-American lawyer at Akerman LLP.

Florida state officials didn't reply to requests to comment.

In Cuba last summer, amateur boxer Ermes Orta and a group of his friends were arrested by Cuban police in the central city of Sancti Spiritus in the wake of nationwide demonstrations.

The 20-year-old spent a month in jail before being convicted of "criminal association and defiance," and fined about \$100. Police hauled him in each week for questioning.

Mr. Orta saw no future in Cuba. His father sold a motorcycle, and an older brother, a bartender in Miami Beach, contributed some \$7,000 for Mr. Orta to buy a plane ticket to Nicaragua and pay a smuggler to guide him through Mexico to the U.S.

In Florida, Mr. Orta shares his brother's apartment and trains at a gym with a group of Cuban boxers.

"If my brother didn't get me out of Cuba, I was going to go to prison," he says.

The trip is a dangerous one as migrants often are preyed upon by gangs as they move northward through Mexico.

Reyniel Sánchez, a 31-year-

old electrical inspector, said he repeatedly was robbed and beaten in Mexico by armed assailants who he thought were members of a drug cartel. He said two women who were traveling in his group were raped by gunmen. The migrant group was freed after relatives in the U.S. sent money to their captors, he said.

Most Cubans turn themselves in to Border Patrol agents, the first step in the process of asking for asylum. They typically are released in the U.S. with papers telling them to report to immigration court. At least 1.8 million cases are pending in immigration court, according to government data. Most Cubans are getting court dates in 2024.

Until the end of the Obama administration, Cubans typically got temporary legal status that led to a green card a year later as long as they didn't commit crimes. The Trump administration ended that policy in January 2017.

María, a Cuban-American house cleaner, has raised about \$8,000 with other relatives to help pay for two family members—Samuel, a nephew who just graduated as a surgeon, and his girlfriend, a medical student—to make the trip to Miami via the Nicaraguan route.

The Wall Street Journal agreed to use only first names for a number of immigrants concerned about retribution in Cuba or working illegally in the U.S.

Samuel said as many as 50 classmates and friends have left the city of Colón in central Cuba, where he lived, in the past year. "Colón is empty of young people," he said.

U.S. NEWS

Debt Plan Tests Emergency Powers Those Who Paid Amid Pause Can Get Refund

Challengers to loan program would have to show they suffered concrete harm

BY JACOB GERSHMAN
AND GABRIEL T. RUBIN

President Biden's student loan forgiveness plan could be the latest legal test of the administration's emergency executive powers during the pandemic.

If the White House plan is challenged in court, its lawfulness could hinge on the education secretary's powers under a 2003 federal statute that gives the head of the Education Department the capability to waive or modify federal student-loan provisions during war or a national emergency.

In legal memos, the Biden administration has argued the statute, the Higher Education Relief Opportunities for Students Act, gives the education secretary sweeping authority to cancel student loans to address financial hardship arising out of the Covid-19 pandemic.

"The Secretary's authority can be exercised categorically to address the situation at hand; it does not need to be exercised 'on a case-by-case basis,'" wrote Lisa Brown, general counsel for the Educa-

tion Department, in a memo released Wednesday.

That interpretation of the statute could raise novel questions in court, and is a change from the Trump administration, which believed Congress never gave the executive branch such blanket authority.

While the Biden administration rescinded that prior interpretation, Mr. Biden has previously raised questions about whether he has the power to take executive action to cancel student debt on a large scale. A former Education Department general counsel under President Barack Obama also has voiced similar concerns.

"I don't think I have the authority to do it by signing with a pen," Mr. Biden said during a CNN town hall last year. Some of Mr. Biden's advisers also have privately raised concerns that broad debt forgiveness could face legal challenges, the Journal has reported. Other advisers contend the president is on solid legal ground.

On Wednesday, Mr. Biden announced a plan that will provide up to \$10,000 in loan forgiveness for people with annual incomes below \$125,000 or couples with incomes under \$250,000. Those who received Pell Grants, a federal financial-aid award for students from low-income households, can be eligible for

forgiveness of up to \$20,000. Advocates for the cancellation say Congress has deliberately given the executive branch broad flexibility to manage the government's relationship with student borrowers. They note that past presidents of both parties have used the law to forgive debt on a more-limited scale.

Mr. Biden has previously pointed to the economic toll of the pandemic as a basis for far-reaching executive action, but the president's emergency powers have been limited by courts, most notably in 2021 when the Supreme Court ruled that the Centers for Disease



President Biden announced his student loan forgiveness plan from the Roosevelt Room of the White House on Wednesday.

Control and Prevention lacked the authority to impose a moratorium on evictions.

On student loans, however, there's a big preliminary question about who, if anyone, would have standing to bring a lawsuit challenging the debt cancellation.

Under the Constitution's standing requirements, plaintiffs seeking to challenge the loan-forgiveness plan would have to demonstrate that they have suffered a concrete harm because of the administration's actions.

A recent Virginia Law Review article doubted that any party could meet that stan-

dard. "Commentators and policymakers should not assume that federal courts would have anything at all to say about the legality of federal debt cancellation, as it is likely that no party would have standing to challenge the executive action," the article said.

Some would-be litigants appear prepared to try. One, the Job Creators Network, a right-leaning, small-business advocacy group, said it is "weighing its legal options to block President Biden's illegal student loan bailout."

Andrew M. Grossman, a Washington, D.C.-based litigator at law firm BakerHostetler, said a state could set the stage for a lawsuit by treating the loan forgiveness as taxable income. "It is not far-fetched at all that a state could tee up this issue easily," Mr. Grossman said.

Eugene Kontorovich, a professor at George Mason University's Antonin Scalia Law School, said states could conceivably bring a lawsuit on behalf of public state universities, alleging that the loan forgiveness made an affordable in-state education less attractive.

Other legal observers have suggested that loan-servicing companies and investors who own securities backed by student loans might be in a position to sue the administration.

Impact on Inflation Is Debated

Continued from Page One

flation, they found, writing that "debt forgiveness that lowers monthly payments is slightly inflationary in isolation, but the resumption of payments is likely to more than offset this."

Mr. Biden, a Democrat, also announced that borrowers with remaining balances must prepare to resume paying starting in January after nearly three years of the pandemic-related freeze.

Republicans immediately tied the debt cancellation to risks of higher inflation.

"Biden's student loan forgiveness plan may win Democrats some votes, but it fuels inflation, foots taxpayers with other people's financial obligations, [and] is unfair to those who paid their own way," Sen. Mitt Romney (R., Utah) said this week.

The plan's impact on inflation was a central concern for Mr. Biden and his advisers in recent months, as the president's approval ratings were dragged down by mounting public frustration this year with higher consumer prices, according to administration officials and others familiar with the internal discussions.

Earlier this year, some in the administration thought Mr. Biden might not move forward with loan forgiveness because of the expected political backlash, some of the people said. The president signaled he was prepared to weather the criticism, the people said.

Mr. Biden instructed his



Student-loan balances could be reduced by as much as \$400 billion under the Biden plan, a Goldman Sachs analysis found.

aides to examine the possible fallout of the plan on the deficit and inflation. He was presented with modeling that eventually eased his concerns, the people said. Aides told the president that the overall effect on inflation would be neutral or even deflationary if they paired targeted forgiveness with a resumption of loan payments within a few months.

The payments, they argued, would offset the potential inflationary effect of a surge in demand that might come after borrowers received debt relief.

Some analysts disagreed with the administration's analysis.

"The argument is both bogus and mathematically wrong," said Marc Goldwein, senior policy director for the Committee for a Responsible

Federal Budget, a nonpartisan

think tank. He noted that even the 23 million borrowers with remaining balances will get the benefit of four more months of deferred payments and will pay less on their loans going forward, both of which are likely to boost their consumption and contribute to inflation.

Other economists see less immediate effects.

"It would probably take several quarters or more" for personal spending to meaningfully accelerate, Mr. Gapen said. The effect of that increased consumption would likely be "well within the margins of predicting GDP growth or inflation over time," he said.

In addition to debt cancellation, Mr. Biden's plan also would change how borrowers will pay off their loans in the

future by adjusting income-based repayment programs to require lower payments and capping interest, especially for lower-income borrowers.

The changes, along with the extra relief for Pell Grant recipients, likely makes the plan more targeted to lower-income borrowers than some economists feared. Without such policies, student debt relief would skew toward wealthier people who are more likely to pursue an advanced degree than the average American. But it also makes the plan more expensive than if Pell Grant recipients received the same \$10,000 in relief as other borrowers.

The Committee for a Responsible Federal Budget found that the total cost of student loan relief would be around \$500 billion over 10

years, including \$360 billion in canceled debt, \$120 billion from the changes to repayment plans, and \$20 billion from another four-month extension to the payment pause. It will likely knock out the deficit-shrinking benefits of the Inflation Reduction Act, which Democrats pushed through Congress earlier this month, CRFB found. Over time, as loans don't get repaid, the federal government will lose money that might otherwise have been paid back.

—Andrew Restuccia
contributed to this article.

Listen to a Podcast

Scan this code for a podcast about the student-loan forgiveness plan.

Biden Links Trump to 'Semi-Fascism'

BY ANDREW RESTUCCIA
AND TARINI PARTI

ROCKVILLE, Md.—President Biden described the governing philosophy of former President Donald Trump and his allies as "like semi-fascism" during a fundraiser for the Democratic National Committee on Thursday.

"What we're seeing now, is either the beginning or the death knell of an extreme MAGA philosophy," Mr. Biden said at a fundraiser at a private home in Bethesda, Md., referring to the Republican former president's "Make America Great Again" slogan. "It's not just Trump, it's the entire philosophy that underpins the—I'm going to say something, it's like semi-fascism."

The White House declined to comment. Mr. Biden has previously called Mr. Trump and his supporters "ultra-MAGA" in speeches, but at a fundraiser and rally on Thursday he escalated his attacks on the former

president, kicking off what aides said will be several weeks of campaigning ahead of the midterm elections.

Mr. Biden spoke during the events about his concerns regarding democracy and what he described as an extreme GOP agenda.

"Today there are 15% fewer

The president attacks 'extreme MAGA philosophy' at a fundraiser.

democracies than there were 10 years ago...How do we sustain peace and stability if that's the case?" he asked at the fundraiser.

"This is not your father's Republican Party. This is a different deal," Mr. Biden said.

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

comment.

Nathan Brand, a spokesman for the Republican National Committee, called Mr. Biden's comments "despicable," adding that the Democratic Party hasn't done enough to help Americans struggling with food and gas prices.

The roughly 100-person fundraiser was set to raise \$1 million for the Democratic National Committee and the Democratic Grassroots Victory Fund, a joint fundraising committee between the DNC and state party committees, according to a DNC official.

The president spoke later Thursday at a DNC rally at a high school in nearby Rockville, Md., where he criticized Mr. Trump's allies, warning that they were a threat to democracy. The former president and several Republicans have continued to spread false claims about widespread fraud in the 2020 election. "They refuse to accept the will of the people," Mr. Biden said.

Mr. Biden also sought to draw a distinction during the rally between Republicans who have aligned themselves with Mr. Trump and those in the party who have spoken out against him. The president has long contended that he can work with lawmakers from both parties, pointing to his decades in the Senate.

"I respect conservative Republicans—I don't respect these MAGA Republicans," Mr. Biden said, adding that the choice for voters in November is between Democrats and "MAGA Republicans."

Some Democratic strategists have urged Mr. Biden to more aggressively criticize Mr. Trump, who they believe remains unpopular with certain swing voters.

Mr. Biden plans to travel the country and make criticism of Mr. Trump's agenda a key part of his message, aides said. He has, however, stayed silent on federal agents searching Mr. Trump's Florida home.

Meadows Testimony Is Sought In Georgia

BY ALEXA CORSE

Georgia's Fulton County District Attorney Fani Willis is seeking testimony from Mark Meadows, former President Donald Trump's final chief of staff, according to a court filing, as she investigates efforts by Mr. Trump and his allies to overturn the state's 2020 election results.

Ms. Willis, a Democrat, said in the filing Thursday that she is seeking to have Mr. Meadows appear before a special grand jury in Atlanta in September.

Mr. Meadows couldn't be reached for comment. Mr. Trump has denied any wrongdoing and has accused Ms. Willis of conducting a political witch hunt.

In the filing, Ms. Willis cited a telephone call between Mr. Trump and Georgia's Republican Secretary of State Brad Raffensperger, in which

Those Who Paid Amid Pause Can Get Refund

BY JULIA CARPENTER

The few Americans who continued to make student loan payments during a federal pause enacted at the beginning of the pandemic will now be eligible for a refund.

On Wednesday, President Biden announced a sweeping student loan forgiveness plan that will provide up to \$10,000 in loan forgiveness for people with annual incomes below \$125,000 or couples with incomes under \$250,000. Those who received Pell Grants, a federal financial-aid award for students from low-income households, can be eligible for forgiveness of up to \$20,000.

The Education Department clarified Thursday that those who paid off all or part of their federal student loans since March 13, 2020, will still qualify for forgiveness. Borrowers can request a refund by calling their loan servicer directly.

The student-loan pause halted mandatory payments, interest accrual and collections on federal student loan debt from March 13, 2020, onward. The pause was a pandemic-relief measure that has since been extended multiple times. As part of Wednesday's announcement, the pause has been extended until the end of the year, with payments set to resume in January 2023.

Kate Blosser, a 29-year-old higher-education marketing manager, immediately thought of her younger sisters when she first read the headlines on Wednesday. Both her sisters each will have \$20,000 of federal student loans forgiven.

Ms. Blosser was one of the relative few who had continued making student loan payments during the pause. She made \$1,500 in payments in the past seven months, bringing down her federal student loan balance to \$3,500.

On Thursday morning, she called her loan servicer to inquire whether forgiveness would apply to the amount she had already paid. "The whole thing was super smooth," she said. "The girl on the phone was a total peach and was like, 'Yeah, I see you made these seven payments. I'll put the paperwork in and in six to eight weeks you should see a direct deposit.'"

Only 1.2% of borrowers continued paying down loans as of March 2022, according to Mark Kantrowitz, a student loan expert. His estimate is based on repayment data released by the Education Department.

Some 37 million borrowers skipped nearly \$200 billion in payments during the pause, the Federal Reserve Bank of New York estimated.

When that payment is refunded to the borrowers' student loan balance, they can then receive the amount of forgiveness for which they qualify, depending on if they meet all other criteria.

As of the fourth quarter of 2021, some 32.3% of total borrowers had student loans with a balance of \$10,000 or lower, according to estimates by the New York Fed.

U.S. NEWS

IRS Aims New Funds at Improved Service

By RICHARD RUBIN

WASHINGTON—The Internal Revenue Service is planning to spend the first big chunk of its \$80 billion expanded budget to hire people who will answer taxpayers' telephone calls during the 2023 tax-filing season.

The move is a mundane, patch-the-holes start for the transformation of the tax agency, which aims to beef up enforcement and modernize technology systems over the next decade using nearly \$80 billion from the law that President Biden signed last week. That effort will take years as the IRS hires specialized enforcement staff, updates outdated computers and begins more intensive audits of high-income Americans and corporations.

The IRS expansion has generated political heat in the weeks since it became clear that Congress would pass it, with Republicans issuing warnings about armies of agents harassing small-business owners and the IRS ordering an internal security review amid threats to employees. The reality will play out over the years ahead as audit rates increase.

In the short term, however, officials are focusing on a pain point for taxpayers, who have struggled to reach a live IRS employee who can answer



The IRS building in Washington. The agency plans to spend the first part of its expanded budget on hiring people to answer its phones.

their questions. Recently only about one in 10 callers has been getting through to the IRS, according to National Taxpayer Advocate Erin Collins, an independent public representative inside the agency.

Natasha Sarin, the Treasury Department official helping implement the IRS changes, said taxpayers should expect a significantly higher level of service in the next filing season as the IRS digs out from its pandemic-era tax return backlog. She said agency officials are still determining how many people they will hire to

answer telephones. In fiscal year 2021, the IRS employed about 79,000 people; about 40% of those were in taxpayer service.

Some of the \$3.2 billion in service funding included in the new law will start getting used soon, Ms. Sarin said, even before the six-month deadline set by Treasury Secretary Janet Yellen for the IRS to finish a detailed plan for the full \$80 billion. That is in part because the administration is trying to show taxpayers quick, tangible benefits for the spending that a Democratic-

controlled Congress approved and that is drawing sustained criticism from Republicans.

"We both have to invest in the pieces that are immediate salves at the same time that we're investing" for the long term, Ms. Sarin said.

Ideally, the IRS would have secure electronic ways for tax practitioners and the government to communicate, said Jan Lewis, chair of the tax executive committee at the AICPA, an accountants' association. Until then, having people answer phone calls is important because it saves taxpayers and tax

preparers time and avoids slow mail correspondence.

"Adding people on the phone lines, yes. Let's get it done," said Ms. Lewis, who practices in Jackson, Miss. "But let's make sure they're trained and able to help."

Having more people on the phone could help the agency manage its backlogs. It has, at times, shifted lower-level and midlevel workers from answering telephones to processing an avalanche of paper returns and correspondence.

Enforcement is the main goal of the Biden administra-

tion's plan for the IRS, and that is reflected in how the money is divided in the 10-year plan, with \$45.6 billion going to enforcement, \$25.3 billion to back-office operations and just \$3.2 billion for taxpayer services.

That's in part an attempt by Democrats to secure upfront enforcement funding, the part that's most politically controversial with Republicans, who may have partial control of Congress as soon as January. Sen. Rick Scott (R., Fla.) has been discouraging people from applying for new IRS enforcement jobs because of what Republicans might do to the agency's funding, though making significant changes could be hard with Mr. Biden still in office.

"We will immediately do everything in our power to defund this insane and unwarranted expansion of government into the lives of the American people," Mr. Scott said this month.

Enforcement hiring will take much longer than adding people to phone lines. First, Ms. Sarin said, the IRS will expand and update its human-resources office to handle the higher volume of hiring. Then, it will start recruiting people with specialized knowledge who can audit large partnerships or corporations.

—Laura Saunders
contributed to this article.

CBO Reduces Revenue Estimate From Tax Enforcement

By RICHARD RUBIN

Income limits on household tax audits and staffing challenges will reduce by \$23 billion what the Internal Revenue Service is projected to collect from its expanded enforcement operations, according to the Congressional Budget Office.

The CBO outlined the revised estimate Thursday in a letter issued by its director, adjusting the projected 10-year revenue generated by the

nearly \$80 billion in IRS spending included in the law President Biden signed last week. The 10-year funding boost is now estimated to raise \$180.4 billion, down from \$203.7 billion, according to the CBO.

Treasury Department officials have long said the real numbers would be far higher; a spokeswoman declined to comment Thursday afternoon.

Congress passed the IRS funding increase this month, but that hasn't ended the de-

bate over how the extra funding will be spent and the potential burden it could impose on middle-income families. Republicans have been saying that many American taxpayers who aren't tax cheats would suddenly face greater chances of time-consuming audits, while Democrats have said that the expanded IRS will focus on corporations and the highest-income households.

Treasury Secretary Janet Yellen tried to quell concerns

earlier this month, directing the IRS not to raise audit rates above "historical levels" for small businesses and households making under \$400,000, the group Mr. Biden had said during his presidential campaign he would protect against tax increases.

Those restrictions will make the IRS less effective at policing the tax system, according to CBO.

"It can use other enforcement activities instead, but

they may not be as productive, and developing new ways of detecting noncompliance might take time," CBO Director Phillip Swagel wrote in Thursday's letter to two Republican House members.

That constraint is compounded by a late change in the hiring powers granted to the IRS. Earlier versions of the plan would have given the agency more flexibility to accelerate a hiring process that can take many months and

cause candidates to go elsewhere. The final version lacked the changes because of Senate procedural rules, and CBO now projects that the IRS will hire more slowly than had been expected.

Overall, despite Ms. Yellen's directive, taxpayers making under \$400,000 will still pay a "small fraction" of new revenue gleaned from tougher enforcement, according to CBO, which expects the IRS to focus on non-compliance by higher earners.

Allen's Art Trove Set For Auction

Continued from Page One

Montagne Sainte-Victoire." The Cézanne last sold at auction for \$39 million in 2001; Mr. Porter estimates it could resell for at least \$100 million this November in New York.

Like the Rockefeller estate, all proceeds from Mr. Allen's sale will go to charity, though no recipients have yet been named, the house said. Mr. Allen donated \$2 billion during his lifetime to funds addressing biomedical research, culture, environmental causes and homelessness.

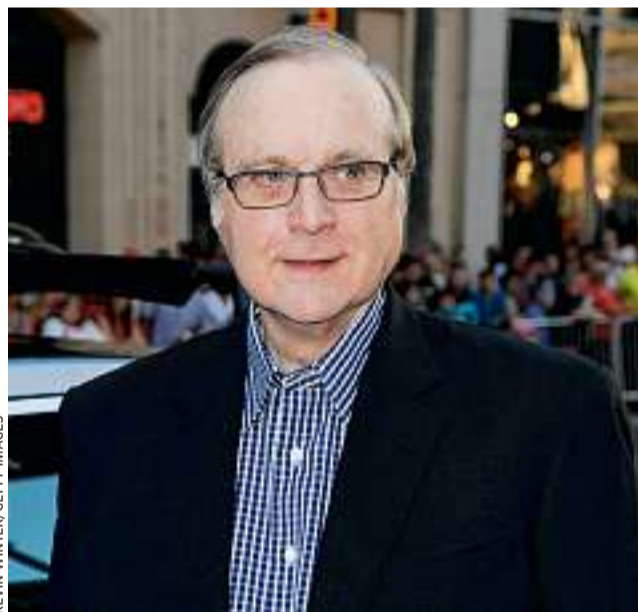
Jody Allen, the collector's sister and executor of his estate, described her brother in a statement as being both "analytical and emotional," adding, "He believed that art expressed a unique view of reality—combining the artist's inner state and inner eye—in a way that can inspire us all."

Since collectors tend to pay premiums for art tied to noteworthy owners, Mr. Allen's estate could prove to be the marketing bonanza of the fall art season.

"Collecting art was personal for him, an element of his intellectual exploration," Mr. Porter said of the collector.

Mr. Allen's role pioneering the personal-computing industry with his high-school friend Bill Gates has long been the stuff of Silicon Valley legend. After leaving Microsoft in 1983, he began paying more attention to art. He was inspired in part by his librarian father, who collected Chinese celadon pottery and hung a poster of Georges Rouault's 1916-1936 "The Old King" in the family living room, according to Mr. Allen's 2011 autobiography, "Idea Man."

By the early 1990s, Mr. Allen started to make waves at major auctions and eventually gained a reputation as an extremely private yet omnivorous collector. Even his autobiography didn't delve into the back stories about his holdings of impressionist and modern art. In other collecting fields, he ap-



Mr. Allen in 2014. Proceeds from the sale will go to charity.

peared more willing to discuss his activities, from war planes and Jimi Hendrix's electric guitars to historic manuscripts and Captain Kirk's first "Star Trek" command chair. He lent or donated many of these objects to museums he founded such as Seattle's Experience Music Project, now renamed the Museum of Pop Culture, or the Flying Heritage & Combat Armor Museum.

Only his blue-chip paintings and sculptures will be offered as part of Christie's sale, the auction house said. Mr. Porter said Mr. Allen tended to seek

Collectors tend to pay premiums for art tied to noteworthy owners.

out artworks that represented "groundbreaking" moments in artists' careers, including that Cézanne mountainscape that is now considered a seminal example of the artist's experiments with early abstraction.

A pair of Seattle museum exhibits in 2006 and 2019-2020 drawing from his collection offer clues into potential pieces that could be headed for auction. Among the older works Mr. Allen or his estate has loaned are Sandro Botticelli's circa-1480-1489 "Madonna of the Magnificat," Jan Brueghel the Younger's

1625 "The Five Senses: Sight," and Canaletto's 1783 Venetian scene, "The Grand Canal, Venice, Looking South-East from Saint Eustace to New Rialto Buildings."

Mr. Porter declined to name other specific works in the estate sale but said that Mr. Allen's collecting spanned 500 years of art history and often included landscapes set in places he liked to travel, including Italy and France.

Among the impressionist works known to be in Mr. Allen's collection, according to past museum shows: Edgar Degas' "Woman Seated in Front of a Piano" from 1882-85, Pierre-Auguste Renoir's 1877 "The Reader" and several examples by Claude Monet, including famed views of the Rouen cathedral and water lily ponds.

Mr. Allen is also known for buying several powerhouse modern pieces, including Georgia O'Keeffe's 1927 "White Rose with Larkspur No. 1," and Roy Lichtenstein's 1962 "The Kiss."

The sale could also give the market a chance to see if Mr. Allen's past purchases have appreciated in value—and by how much. In 2000, he paid Sotheby's \$14.3 million for Mark Rothko's 1956 abstract, "Yellow Over Purple," and in 2004, he paid the same house \$39.2 million for Paul Gauguin's 1899 "Maternity II." Two years later, he paid Christie's \$40.3 million for Gustav Klimt's 1903 "Birch Forest."

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—Albert Villarrubia
Austin, Texas

U.S. NEWS

Peloton Reports Steep Loss

Continued from Page One

"The naysayers will look at our [fourth-quarter] financial performance and see a melting pot of declining revenue, negative gross margin, and deeper operating losses. They will say these threaten the viability of the business," Chief Executive Barry McCarthy wrote in a letter to shareholders. "But what I see is significant progress driving our comeback and Peloton's long-term resilience."

Peloton has long sought out an affluent base of customers with stationary bikes that cost up to \$2,500, and has worked to ensure only owners of its equipment are able to connect to its popular workout classes.

Mr. McCarthy, who took over in February, said the company will court more frugal customers and make its workout classes, often accessed through screens on Peloton equipment, compatible with competitors' exercise products.

He said the company is also trying to bring more people in through selling equipment and clothes through Amazon.com Inc.'s e-commerce platform and letting people rent bikes through a subscription. Peloton historically has offered two subscription options, one in which courses connect to bikes and treadmills and cheaper options in which classes aren't connected.

"You never know which initiative is going to get us where we want to go, but I am confident of the cumulative effect," Mr. McCarthy said in a call with analysts.

The efforts come as Peloton's finances deteriorate.

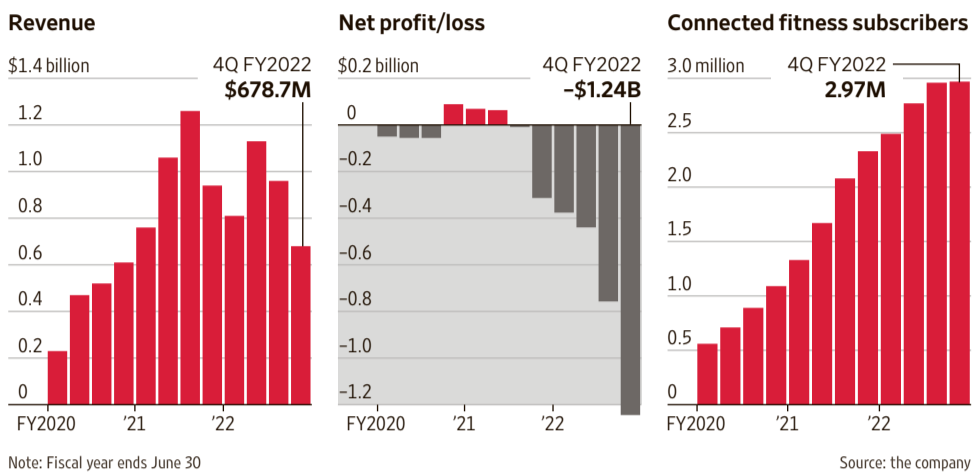
Revenue for the June quarter fell to \$679 million as declining exercise equipment sales more than offset higher revenue from subscriptions.

Efforts to restructure the company contributed to it burning through \$412 million in cash in the latest quarter, after going through \$650 million



The once-hot maker of connected fitness equipment said that its quarterly revenue fell nearly 30%.

Peloton's quarterly financial results



Note: Fiscal year ends June 30

Source: the company

in each of the prior two periods. It ended June with \$1.25 billion in cash reserves and a \$500 million credit line.

Peloton is taking steps to shore up its finances, from sweeping layoffs to outsourcing manufacturing of its fitness equipment. The company said this month it would cut around 800 jobs in an effort to reduce costs, after announcing in February it would lay off about 2,800 workers. Executives said cost-cutting aims to ensure the company maintains at least \$1 billion in available cash.

One of the pandemic's biggest winners, Peloton has struggled to adapt as people revert to prepandemic habits and tighten spending amid inflation near its highest level in decades. Consumers are spending less on in-home fitness as they return in droves to gyms and become increasingly cau-

tious about spending.

Mr. McCarthy's predecessor, Peloton co-founder John Foley, spent hundreds of millions of dollars to expand the company's manufacturing and supply, betting that demand would hold as the pandemic waned. Along with replacing Mr. Foley, the company made changes earlier this year to its board and said it would cancel plans for a \$400 million factory in Ohio.

For the first time, in the most recent quarter, Peloton's subscription revenue was greater than equipment sales. Mr. McCarthy, who previously worked at Spotify Technology SA and Netflix Inc., aims to make Peloton primarily a subscription-based company. Subscriber revenue for the quarter was \$383 million; equipment sales were \$296 million.

Peloton's subscriber count

rose by just 4,000 in the quarter ended June 30 and the company predicts that the total number of subscribers will remain flat in the current quarter.

It is a big change from the start of 2021, when Peloton's quarterly revenue peaked at \$1.2 billion, and exercise equipment comprised more than 80% of sales.

The company said it expects total revenue between \$625 million and \$650 million for the current quarter, which ends Sept. 30.

Mr. McCarthy, in his investor letter, likened Peloton to a dangerously tipping cargo ship he was aboard as a high-schooler. The crew managed a dramatic recovery.

"Peloton is like that cargo ship," he said. "We've sounded the alarm for general quarters. Everyone's at their station."

U.S. WATCH

WASHINGTON

Disinformation Panel Shut Amid Concerns

The Department of Homeland Security has terminated a government board formed this year to combat online disinformation, after a range of critics said it could stifle free expression on the internet and had an unclear mission.

It encountered widespread criticism from conservatives, civil liberties advocates and some current and former officials.

The decision to fold the Disinformation Governance Board followed a recommendation from the Homeland Security Advisory Council, a group of former officials and security experts that provides advice to DHS leadership.

Homeland Security Secretary Alejandro Mayorkas has "terminated the Disinformation Governance Board and rescinded its charter," DHS said on its website late Wednesday. "The Department will continue to address threat streams that undermine the security of our country consistent with the law."

The board was formed this spring and had been intended to counter disinformation deemed a threat to homeland security. Examples cited by DHS officials included misleading information used by smugglers to persuade migrants to travel to the U.S.-Mexico border and disinformation spread by foreign states such as Russia ahead of the midterm elections.

—Dustin Volz

NEW YORK

Two Guilty of Stealing Biden Daughter's Diary

Two Florida residents pleaded guilty Thursday to a felony charge of conspiring to steal and transport the diary of President Biden's daughter, Ashley Biden, to conservative investigative group Project Veritas before the 2020 election.

Aimee Harris and Robert Kurlander each pleaded guilty to a single count of conspiracy to commit interstate transportation of stolen property. "Harris and Kurlander stole personal property from an immediate family member of a candidate for national political office," said Damian Williams, the U.S. attorney for the Southern District of New York. "They sold the property to an organization in New York for \$40,000."

Under terms of the plea, both agreed to forfeit \$20,000, prosecutors said. Mr. Kurlander agreed to cooperate with the government in its continuing investigation into the theft. While prosecutors didn't name Ms. Biden or Project Veritas, people familiar with the matter identified both parties.

A spokesman for Project Veritas, which identifies as a nonprofit news organization, called the group's actions ethical and legal. "A journalist's lawful receipt of material later alleged to be stolen is routine, commonplace and protected by the First Amendment," the spokesman said. A spokesman for Ms. Biden's lawyer, Roberta Kaplan, declined to comment.

—Corinne Ramey



LOOKING UP: NASA's Artemis 1 rocket, seen Thursday at the Kennedy Space Center in Cape Canaveral, Fla., is scheduled for launch on Monday. The unmanned spacecraft will orbit the moon.

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INVESTOR'S BUSINESS DAILY®

U.S. NEWS



Former Vice President Mike Pence is one of the GOP luminaries who has endorsed Zach Nunn, the party's nominee in Iowa's Third Congressional District; Nunn with his family at the state fair this month.



Iowa Candidate Has GOP Fans in High Places

White House hopefuls take great interest in House race in a state critical to 2024 election

By JOHN McCORMICK

DES MOINES, Iowa—Zach Nunn, an Iowa state senator running for Congress, suddenly finds himself flooded with high-profile Republican friends. The GOP nominee in Iowa's Third Congressional District has the good fortune of running in the state where the 2024 Republican presidential-nomination race is expected to start. That means prospective candidates are eager to campaign at his side and help him raise money in what has shaped up as one of the nation's most competitive U.S. House races.

While few outside the state have heard of Mr. Nunn, he has landed endorsements from former President Donald Trump, former Vice President Mike Pence, former United Nations Ambassador Nikki Haley, former Secretary of State Mike Pompeo, Sen. Tom Cotton of Arkansas and Sen. Tim Scott of South Carolina.

Many of the possible 2024 GOP candidates already have

spent time with him on the Iowa campaign trail, while others are expected to do so before the Nov. 8 election. The visits elevate Mr. Nunn's profile, but also give prospective candidates a chance to build their own presence in the state without looking as if they already are actively campaigning more than a year before Iowa's presidential caucuses.

Mr. Nunn, a 43-year-old U.S. Air Force combat veteran, is running against Democratic Rep. Cindy Axne in a district that is one of just seven nationwide where both Mr. Trump and a House Democrat won in 2020.

Ms. Axne, Iowa's lone Democrat in Congress, faces a more challenging landscape than she did two years ago because redistricting has made the district slightly more Republican than when she last ran. GOP strategists view the race as important in their ambition to take control of the House in November's midterm elections.

Mr. Nunn was playing with his children at a park in early July, about a month after he had won a three-person primary, when Mr. Trump called to offer his endorsement. Mr. Nunn described the call as a mostly "one-way conversation" that included reminis-

Pence Backing Came With Personal Touch

Republican House candidate Zach Nunn appeared with former Vice President Mike Pence at the Iowa State Fair last week. After getting soaked in a downpour, they spent time together at an Iowa GOP booth where Mr. Pence offered visitors his personal endorsements of Mr. Nunn.

"He's like, 'This is our guy, this is how we win back D.C.,'" Mr. Nunn recalled the former vice president telling passersby. "It was a humbling experience, but also a very genuine Iowa experience."

cences by Mr. Trump about when he brought his helicopter to the Iowa State Fair in 2015 shortly after first announcing a presidential bid.

A Trump endorsement brings advantages and disadvantages, Mr. Nunn said. The former president's support likely will help mobilize core supporters, but could turn off some independent and suburban voters. Even so, Mr. Nunn said he would welcome an appearance in the district with

Mr. Pence had also called to congratulate Mr. Nunn on the June evening when he won the primary. A few days after that, the former vice president rang to let Mr. Nunn know he would be getting his formal endorsement.

At the time of that call, Mr. Nunn said he was in the midst of changing a diaper on one of his children. He said Mr. Pence explained how he was a veteran of the task and how he cherished the youngest years of his three grown children.

Mr. Pence happened to know that the day of his endorsement call was the birthday of Mr. Nunn's wife. She received a personal note from the former vice president.

Mr. Trump and suggested the roster of high-profile endorsements means people think he has a real chance of winning.

"Nobody wants to endorse in a race which is going to go down in flames," Mr. Nunn said. "So, they're picking those ones that are the leading edge of winning back the majority."

Rep. Randy Feenstra, who represents the state's most conservative district in western and northwestern Iowa, said he and other Republicans

in the state almost take for granted the amount of attention they get from prospective and actual presidential candidates. He received substantial support from numerous candidates when he first ran for the House in 2020.

The volume of high-profile Republican support Mr. Nunn has received is less common in states that aren't in the initial wave of the party's presidential nomination calendar.

Iowa Democrats for decades also have often been the beneficiaries of time, money and attention from prospective and actual presidential candidates, but that could soon end. The Democratic National Committee is thinking about stripping Iowa's first-in-the-nation status for the 2024 cycle, in part because the state is less racially and ethnically diverse than the nation as a whole.

The DNC decided to put off the decision until after November's elections because members worried that Democrats in competitive races—such as Ms. Axne—might be punished by voters if the party's caucuses and the money and attention they bring Iowa were lost.

Ms. Axne was unavailable for an interview, and an aide declined to share a list of her endorsements. On the cam-

paign trail, she is touting her votes for the infrastructure law passed last year and the more recent climate, health-care and tax bill signed into law this month by President Biden.

Republicans are trying to tie the Democratic incumbent to Mr. Biden, who lost Iowa to Mr. Trump by 8.2 percentage points. The most recent Iowa Poll by the Des Moines Register and Mediacom taken in July showed Mr. Biden's job approval at 27%, the second-lowest rating of any president measured by the decades-old poll.

Mr. Nunn declined to say who he most likes in the prospective 2024 GOP presidential field, in part because he knows naming someone now could alienate others who are backing him. After attempting some comparisons to the cattle ring or sheep barn at the state fair, where judges and visitors inspect the animals up close and personal, he landed on a more generic response.

"I don't think my endorsement is going to go very far," he said. "What I think is going to help them is that if I can get them out and introduce them to people, then the endorsement from the people of Iowa is going to be what sends them forward."

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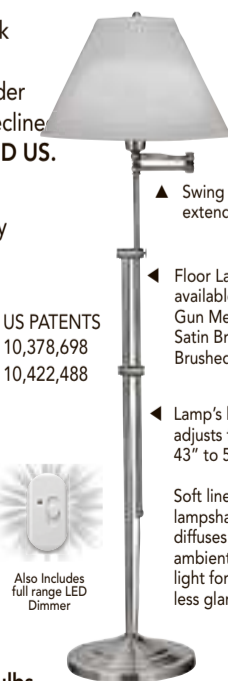
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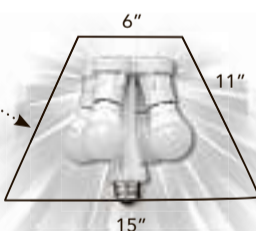
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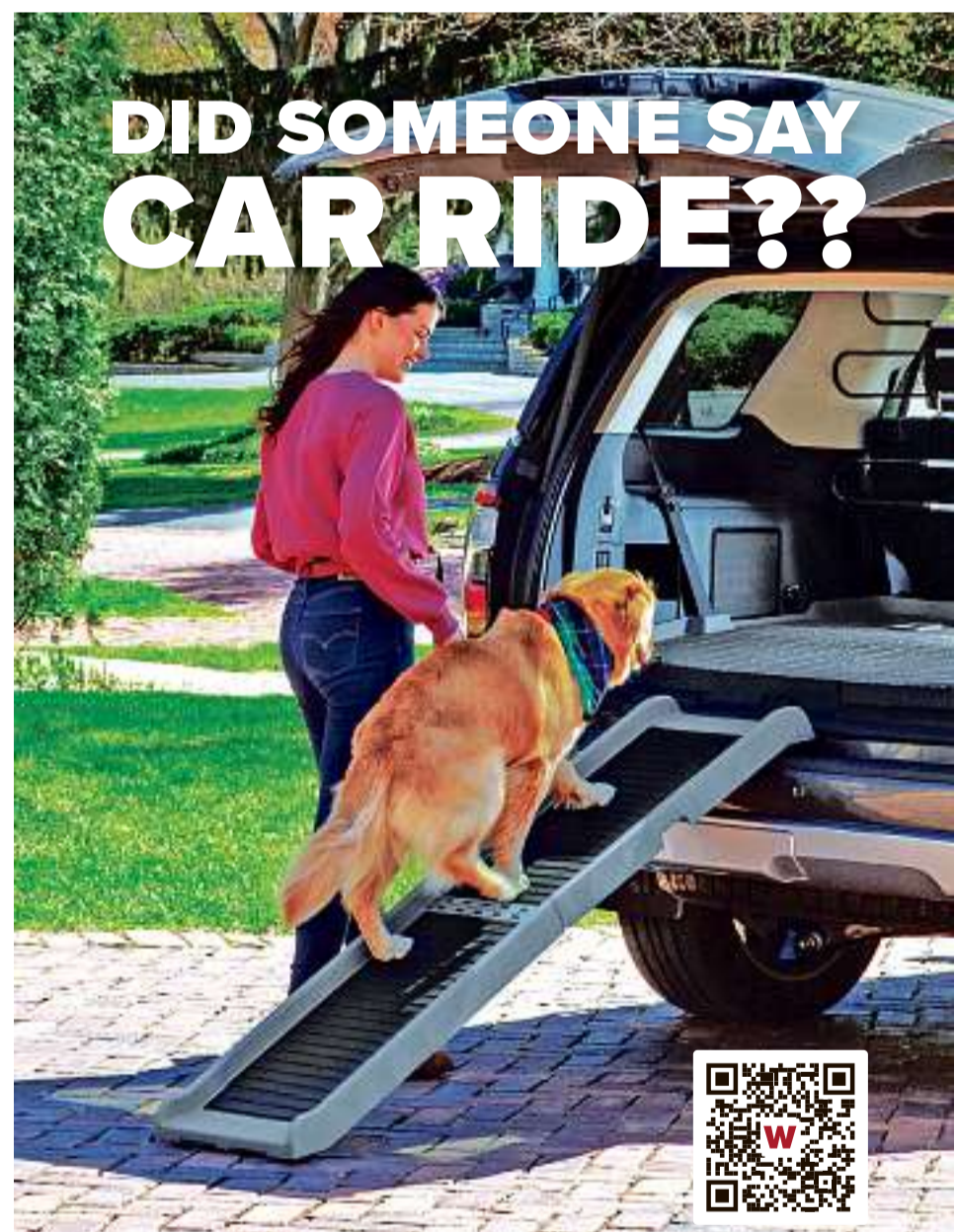
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WORLD NEWS

Nuclear Plant Cut Off From Grid

Electrical outage in Ukraine's south raises tensions over facility occupied by Russia

By IAN LOVETT
AND BOJAN PANCEVSKI

ODESSA, Ukraine—Much of southern Ukraine lost electricity for part of the day on Thursday, after the Zaporizhzhia nuclear-power plant was disconnected from the electrical grid.

The rising tensions over the plant come as Western support for Ukraine holds firm and Russia is struggling to replace losses of troops and materiel. Russian President Vladimir Putin on Thursday signed a decree to increase the size of his country's military.

Ukrainian and Russian officials blamed each other for the electricity outage. Energoatom, Ukraine's atomic-energy regulator, said that the plant had, for the first time, been completely disconnected from the Ukrainian power grid after fires started at a nearby coal mine by Russian troops damaged a power line.

Russian-installed officials said a strike by Ukrainian troops damaged the power lines and cut the plant off from the grid, according to RIA, a state news agency.

The outages encompassed much of southern Ukraine, with residents of Kherson and Melitopol losing power for part of the afternoon. An Energoatom spokesman said the parts of southern Ukraine normally provided electricity by the Zaporizhzhia plant were being serviced by another thermal power plant, while technicians scrambled to restore power.

Ukrainian President Volodymyr Zelensky said in his nightly address Thursday that diesel generators were activated to restore power to the plant. "If the automation and our staff of the plant had not reacted after the blackout,



For the first time, the Zaporizhzhia nuclear plant in the south was completely disconnected from the Ukrainian power grid.

then we would already be forced to overcome the consequences" of a potential radiation accident, he said.

Russian troops seized the Zaporizhzhia power station in early March, and this month began to move heavy weaponry onto the grounds. Since then, dozens of missiles and rockets have hit the area around the plant, a facility that provided about a fifth of Ukraine's electricity before the war.

Ascertaining which side is shelling the plant is difficult: Russian forces controlling the facility have cut internet connections around the plant and confiscated the cellphones of Ukrainian technicians, who still operate it, during their shifts, according to plant workers and Energoatom.

On Thursday morning, the British Ministry of Defense released images of the power plant, which it said showed armored vehicles within 60 meters of one of the reactors.

Mr. Putin, meanwhile, ordered the Russian military to grow its ranks by 137,000 soldiers starting in 2023, in what some analysts said is a sign that

the country is preparing for a longer campaign in Ukraine.

His decree, which takes effect Jan. 1 and was published on an online government portal, said the army must grow its military personnel to 2.04 million from 1.9 million, including expanding the number of troops to 1.15 million from 1.01 million. The decree didn't say how the military should

Moscow and Kyiv blamed each other for the loss of electric service.

grow its ranks.

Elsewhere, Ukrainian officials said they struck the Kakhovskiy bridge, further damaging Moscow's supply lines in the southern Kherson region, where they are trying to isolate Russian troops west of the Dnipro River. Ukrainian forces also fired again at the Antonovsky bridge near Kherson city, regional authorities told Russian state media.

Also on Thursday, the death toll from Wednesday's Russian missile strikes in eastern Ukraine rose to 25, and Moscow said it foiled a new terror plot by a Kyiv supporter at home.

Ukrainian rescue operations continued in the town of Chaplyne a day after missiles hit a train station and a residential area in the deadliest Russian attack on civilians in Ukraine in more than a month. At least two children were among the dead, according to Ukrainian officials. More than 30 people were injured.

The missile strikes took place as Ukraine celebrated its Independence Day, marking 31 years since the country declared independence from the crumbling Soviet Union.

"There are no such bombs that can erase freedom, and there will never be such missiles that can break the will of the people who believe in themselves," Mr. Zelensky said in a video posted online late Wednesday. "Chaplyne is our pain today."

Russian shells also hit other parts of the Dnipropetrovsk region, where Chaplyne is lo-

cated, according to the governor. Several buildings were destroyed in Velykomykhailivka, injuring eight people. In western Ukraine, three people were hurt in a rocket attack on the city of Khmelnytskyi.

Russia's defense ministry said Thursday that the strike at the train station destroyed "200 Ukrainian reserve servicemen and 10 units of military equipment." The ministry said the attack on Khmelnytskyi targeted a weapons-repair station.

Russian authorities also said they prevented a terrorist attack in Kaliningrad, Russia's exclave on the Baltic Sea, the state news agency TASS reported. A Russian citizen was detained on suspicion of planning attacks on installations of Russia's Baltic Fleet, which is stationed there, TASS said.

A video released by Russia's FSB intelligence agency via the RIA state news agency showed a heavily armed commando unit breaking into a camping trailer and arresting the man, who was sleeping inside at the time. The suspect is then seen confessing to his alleged terror plot.

U.S. Urged To Press Inspection Of Power Station

By JOE PARKINSON
AND DREW HINSHAW

President Biden should take urgent action to make the deteriorating situation at the Zaporizhzhia nuclear-power plant an administration priority and demand an immediate inspection by the International Atomic Energy Agency before its occupation causes a transnational radiological disaster, said a private bipartisan letter to the White House from dozens of former senior government officials and nonproliferation experts.

The letter, signed by former U.S. government energy undersecretaries for nuclear security and assistant state secretaries for nonproliferation and arms control, and seen by The Wall Street Journal, increases pressure on Mr. Biden to do more to address Russia's nearly six-month occupation of Europe's largest nuclear plant, which has transformed the 6.7-gigawatt facility into a military base where employees deemed to be loyal to Ukraine have been shot and tortured.

The intervention of 25 nonproliferation experts who served with Democrat and Republican administrations shows the degree of alarm in Washington at the situation at Zaporizhzhia, the first nuclear-power plant to be seized and occupied by an invading military force.

The Biden administration and several European Union leaders have called for an immediate halt to military operations around the plant and for the IAEA, the United Nations' nuclear regulator, to visit "as soon as feasible to inspect the safety systems."

An advance copy of the letter said: "There is no place in the 21st century for the illegal seizure and use of a nuclear facility to terrorize a population. We hope you will take urgent action to help secure the IAEA visit to prevent a potential humanitarian and ecological disaster."

Mr. Biden and Ukrainian President Volodymyr Zelensky on Thursday called for Russia to return full control of the plant to Ukraine, and for the IAEA to be given access to the plant, according to a White House readout of their conversation.

A spokesperson for the White House National Security Council said the U.S. has been in active dialogue with both Ukraine and Russia to urge the cessation of combat activity at the plant and to support Ukrainian efforts to allow an IAEA presence.

International pressure for an immediate IAEA visit has intensified in recent days as the complex has been repeatedly shelled, causing damage to power lines and laboratory and chemical facilities, and prompting staff to temporarily close one of its six reactors.

Kyiv and Moscow blame each other for the strikes,

In a letter to Biden, dozens of experts, ex-officials, ask for 'urgent action.'

trading opposing narratives about a plant that Russia largely has closed off from the world since it was captured in the first days of the war.

News seeps out from plant workers and their families. On Tuesday, Vladislav Mitin, a mechanic at the plant's thermal-automation shop, was killed near a Russian checkpoint, said plant workers, who shared photos of what they said was his car raked with gunfire. Hours later, Ivan Shushko, a Russian-appointed town mayor in the occupied Zaporizhzhia region, was killed by a car bomb, Russian news agencies reported.

Russia is blocking Ukrainian proposals to send an IAEA delegation to the plant via Ukrainian-held territory. Moscow insists any inspectors reach the plant via the Russian-controlled Crimean Peninsula, a proposal Kyiv rejects. Ukraine wants a permanent mission of nuclear and military experts at the plant to protect "the security of Europe."

Citi to Close Russian Consumer Operations

By DAVID BENOIT
AND BEN DUMMETT

Citigroup Inc. will wind down its Russian consumer bank after attempts to sell the unit were stymied by Russia's invasion of Ukraine and subsequent sanctions on the nation's financial system.

The move, earlier reported by The Wall Street Journal, would lead to about \$170 million in costs during the next 18 months, the bank said Thursday. The wind-down would start

this quarter and include closing its commercial-banking operations for local Russian companies.

After the invasion, Citi decided to get out of that commercial-banking operation as well.

Titi Cole, the executive who runs the unit housing businesses Citi is shedding, said the bank had explored multiple strategic options to sell the businesses, but it decided to shut them down "given the many complicating factors in

the environment."

The New York bank first said in April 2021 it would exit Russian consumer banking, part of a broad pullback from international consumer operations. The bank had been in discussions to sell operations there to Russia's VTB. U.S. and European authorities have since sanctioned VTB to weaken Russia financially and undermine Moscow's war in Ukraine.

Executives had still hoped to sell the bank, which has

branches in 10 cities throughout the country. In May, Chief Executive Jane Fraser said the bank was in active dialogue about selling the unit. But in July, she said, "we are considering the full range of possibilities to exit our consumer and commercial banking businesses, including portfolio sales."

Citigroup opened the retail bank in 2002 to serve wealthy citizens. It serves some 500,000 clients in Russia and has about 2,300 employees. The bank said Thursday it

would still seek to sell some consumer-loan portfolios.

Citi's core business is serving multinational companies around the globe, and is more exposed in Russia than other big U.S. banks. It has been cutting that exposure rapidly this year. In July, it said its worst case for losses on all the exposure was about \$2 billion.

Citigroup is still working with large multinational clients in Russia, many of which are seeking to exit from the country themselves.

Finland, Long Self-Reliant, Prepares for Life in NATO

By SHARON WEINBERGER

HELSINKI—In the 1960s, Finnish families regularly stockpiled food at home—called kotivara—as part of a broader philosophy that everyone in the country should be ready for a possible war.

Now, some six months after Russia invaded Ukraine and with Finland on the verge of joining the North Atlantic Treaty Organization after decades of nonalignment, many in the country are looking to revive these Cold War practices.

"My mother was very careful of that, that you always have extra food stuff at home, extra reserve at home," Pekka Haavisto, Finland's foreign minister, said in an interview. "And now actually this type of debate came back: Are you prepared for one week for your family?"

Americans may have stockpiled food during the Covid-19 pandemic in fear of a run on grocery stores, but for Finns, the issue has long been linked to the existential threat of a Russian invasion. Finns often cite the Winter War, a brutal 3½-month battle with Soviet forces that started in the fall of 1939, as the reason for their self-reliance philosophy.

"The Finnish...have always been very security-oriented people," Mr. Haavisto said. "And it's this kind of time of crisis and war in Europe, I think people are even more turning to a security orientation."

The assumption that Finland would be fighting on its own against a larger neighbor is about to change. Finland,



Finland soldiers took part in NATO war-simulation exercises on islands off Sweden in June.

whose 820-mile border with Russia is the European Union's longest, is now well on the road to joining NATO. On Aug. 3, the U.S. Senate voted 95-1 to allow Finland and Sweden to join the alliance.

Finnish officials say the country's decades of experience preparing for a possible war with Russia make it an asset to the alliance. "After the post-Cold War era, when many nations had developed their armed forces more toward international-peace support operations, we didn't do that," said Gen. Timo Pekka Kivinen, the commander of Finnish defense forces. "We have people focusing on homeland defense."

Finland has universal conscription for men, and women

can volunteer for military service. And though Finland has for decades avoided formal alliances, since the mid-1990s, its armed forces have been trying to work seamlessly with those of NATO nations.

Even before the NATO decision, Finland elected to buy American-made F-35 jet fighters. And, in April, the Finnish government said it was adding 2.2 billion euros (about \$2.19 billion) to the defense budget, which would bring the country's spending to more than 2% of gross domestic product, as required of NATO members.

Gen. Kivinen also cites the country's experience in the Arctic environment and its years of operating in contested airspace on the Russian

border as a potentially valuable contribution to NATO. "We are a security provider," Gen. Kivinen said, "meaning that our membership will increase security, so we are not security consumers when we become a member."

The swiftness of Finland's turn to NATO—unthinkable even a few years ago—has surprised many inside and outside the country. A survey conducted by Finland's Advisory Board for Defense Information, a permanent parliamentary committee, described how support for nonalignment collapsed after the Russian invasion of Ukraine.

In a six-month period, support for nonalignment went from 50% down to 20%. Sup-

port for joining NATO, on the other hand, grew from 25% to 68%.

"If somebody would have asked one year ago would Finland be a NATO member after one year or apply for the NATO membership, my answer would have been last summer, that it's very unlikely, or that something very dramatic has to happen to change the opinion," Mr. Haavisto said. "And that dramatic [thing] happened in February," when Russia invaded Ukraine.

Along with joining NATO, Finland's government has made clear that it plans to support Ukraine in its battle to repel Russian forces. Finland has provided a number of rounds of military assistance to Ukraine—though the government hasn't detailed what it has given. Finland also decided this month to join with the U.K.-led training of Ukrainian forces, according to Gen. Kivinen.

Nor does Finland appear eager to push for Kyiv to negotiate with Moscow to end the war on what many in Ukraine might see as unfavorable terms. Mr. Haavisto applauded the recent agreement with Russia to allow for Ukrainian grain exports, saying it shows "at least some light in the end of the tunnel" when it comes to negotiations. "But at the moment, we fully support the Ukrainians' goal to [retake] the land that is territory that belongs to them," he added.

As for Mr. Haavisto, his family has returned to stockpiling food in case of war. "At my home," he said, "there is pasta."

WORLD NEWS

Europe's Rising Gas Bill Hampers Smaller Firms

By Jenny Strasburg

Europe's energy crisis is squeezing the small and midsize firms that form the backbone of the continent's economy...

Katrien Vandenhuevel recently decided to shutter her family's grocery store—nestled in a village outside Antwerp, Belgium—after realizing she needed to sell about 3,000 more loaves of bread every month to cover the higher natural-gas bills...

"We didn't want to go further in debt," says Ms. Vandenhuevel, a 41-year-old former schoolteacher. Local bakeries and regional meat suppliers are losing customers...

Many smaller companies in Europe—from bakeries and masons to makers of clothing and carpets—lack the economies of scale to shoulder the surge in energy prices fueled by the war

in Ukraine and Russia's decision to throttle the flow of natural gas to Europe. Global giants that produce steel, chemicals, fertilizer and other energy-intensive goods have been among the first to feel the sting of higher gas prices...

Companies with under 250 workers make up nearly all EU businesses.

finding it hard to quickly shift production outside the continent, where energy prices are lower. Instead, these companies say they are getting squeezed by suppliers and unable to pass higher costs along to customers...

Price increases will be tougher on Europe's smaller and midsize companies than

on multinationals, says Hauke Burkhardt, Deutsche Bank AG's head of corporate lending, based in Germany.

Bigger companies also benefit from long-term energy contracts they negotiated before energy prices leapt. Some use financial-market derivatives to hedge price-volatility risks...

"Size, purchasing power, efficiency and cost structure," says Heimo Scheuch, chief executive of listed Austrian construction-materials giant Wienerberger AG...

Companies with under 250 employees make up around 99% of European Union businesses and more than half of the bloc's gross domestic product...



High natural-gas prices led Katrien Vandenhuevel to shut her family's grocery store in Belgium.

Commission. They employ around 100 million people, according to commission data.

German insurer Allianz SE expects natural-gas price increases this year to shave around \$150 billion from 2022 earnings before taxes and other expenses for European small and midsize firms in the manufacturing sector...

beverages, and textiles.

"The situation is actually pretty dramatic right now," says Pau Vila, 27 years old, the general manager and fifth generation of a family-run paper business in the Catalonia region of Spain.

The LC Paper 1881 SA factory makes gigantic rolls of tissue that become toilet paper and kitchen towels for hospitals, airports and offices, and also produces retail-packaged toilet paper for supermarkets.

quickly a sale makes no economic sense by the time the order is completed, he says.

Raising prices to cover energy bills can hurt demand, so LC Paper might cut back a work shift to save money, Mr. Vila says. But buyers are shopping by price, and costs are affecting many manufacturers of commodity products...

Beijing's Economic Efforts Are Facing Challenges

By Stella Yifan Xie

HONG KONG—Economists said the \$146 billion in stimulus measures that Chinese policy makers unveiled this week to prop up the battered economy are unlikely to significantly alter the country's growth trajectory.

After unexpectedly lowering two key interest rates in mid-August, Beijing bolstered efforts to shore up growth as the country continues its strict Covid-19 strategy while facing a deep property slump and the most severe drought in decades.

The State Council, the country's cabinet, on Wednesday approved plans to extend 300 billion yuan, equivalent to \$44 billion, in credit to policy banks to support infrastructure projects, which Beijing typically counts on as a key growth driver under downturns.

It also announced help for local governments, as well as for the power and agriculture sectors, which have been hard hit by the extreme heat and drought, including approving 200 billion yuan in new debt for power-generation firms.

However, few analysts and economists expect the stimulus package, which amounts to more than 1 trillion yuan, or \$146 billion, in total, will lift the economy out of the doldrums.

The property market remains mired in a yearlong downturn, while frequent outbreaks of Covid-19 cases continue to hammer consumer confidence, damping impact from the stimulus, they said.

Bruce Pang, chief China economist at Jones Lang LaSalle, said Chinese authorities recognize that insufficient demand is one of the fundamental problems with the economy, but the announced solutions still focus heavily on government spending.

As part of the package, local governments, many already financially strained in large part because of the real-estate slump, were allocated 500 billion yuan of special bonds from previously unused quotas. But such support still falls short of plugging the fiscal gap for local governments, which have to pay for mass Covid-19 testing unfunded by the central government...

Chinese policy makers said they wouldn't "open the floodgates of credit" as they attempt to strike a balance between propping up growth and avoiding worsening the debt burden.

Many Chinese Families Rein In Spending

By Stella Yifan Xie

HONG KONG—A two-decade boom in real estate made many Chinese families feel richer. Now that the market has turned, many are curbing spending as their wealth declines, worsening the country's economic slowdown.

In dozens of cities, average prices for new and secondhand homes have fallen since September, with no sign of a recovery on the horizon. Numerous property developers have defaulted and stopped construction...

Now, many Chinese property owners are curbing spending and saving more as they worry about the possibility of further falls in home values ahead.

Shanghai resident Charlotte Tang said she had been planning to sell her apartment and investing more money in a larger one in a better neighborhood. But she quickly abandoned the idea after enduring a two-month Covid lockdown in Shanghai this spring and witnessing the turmoil in the property market.

More price conscious now, she prefers taking shared rides instead of hailing private cars to cut down on expenses. She also worries the property market could get worse.

"If more people suffer from income loss, the foundation that supports the bubble in the property market will be shaken," said 39-year-old Ms. Tang, who works in the finance industry.

A weaker housing market isn't the only reason people are feeling less confident about the outlook in China. They are also grappling with slowing income gains and rising inflation, while overall economic growth has slowed to its weakest level in two years.

But falling home values have added to the belief in many households that now is a time to batten down the hatches and spend less. The



Apartment buyers in Jiangsu province this month. Home prices are declining in cities across China.

concerns may be worsened by the fact that Chinese families tend to have a larger portion of their wealth—about 70%—in housing than people do in the U.S., where homeownership rates are lower and stock ownership is more common.

After contracting for several months in a row this spring, retail sales grew just 2.7% on-year in China in July and 3.1% in June—a pace of growth that is far below prepandemic levels. From 2000 until the end of 2019, when Chinese property values were mostly rising, retail sales growth averaged about 12% a month.

Sales of home appliances including TV sets, refrigerators and air conditioners fell 11% in the first half of this year from a year earlier.

Meanwhile, Chinese citizens are saving more. In the first half of this year, they socked away a record 10.33 trillion yuan (\$1.53 trillion) in bank deposits, up

from 745 trillion yuan in the year-earlier period.

A monthly gauge of consumer confidence plunged to a record low in May since China's statistics bureau began compiling the data in 1991.

As fears of declining home values deepen, more people will re-evaluate their spending and investment decisions, said Ning Zhu, a professor of finance at the Shanghai Advanced Institute of Finance and author of "China's Guaranteed Bubble."

"The biggest question now isn't whether the bubble will burst, but how to pull off a soft landing [in the property market] and minimize damage to the broader economy," he said. "Once people's expectations change, all bets are off," he said. "It's a profound and worrisome change."

For some people, the problem isn't so much a loss of confidence in home values, but an inability to cash out from

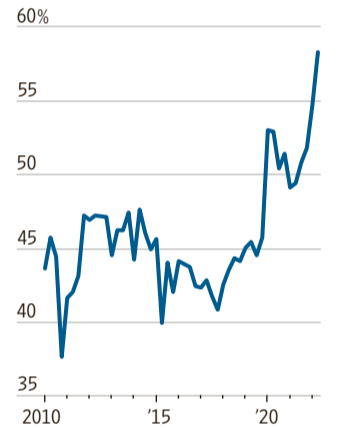
properties they bought when the market was stronger.

In Kaili, a town of 700,000 people in Guizhou province in southwestern China, a resident said he had planned to sell several apartments to raise money to a buy home for his son in Beijing. But local home prices have fallen as much as one fifth since the start of the pandemic, according to his estimates, and he couldn't sell his apartments. He said he used all his savings and borrowed from relatives for a down payment for the Beijing property. He said he has had to cut back on spending as a result.

"Everyone thought [buying] homes in China is a sure bet. I never expected things to change so quickly," he said.

Some economists and scholars have debated how big a role home prices play when it comes to spending patterns. In the U.S., consumers often spend more when their asset

Share of surveyed urban depositors in China who intend to save more in the next quarter



Source: Wind; People's Bank of China

values increase and cut back when prices fall.

In China, a paper published by researchers from Southwestern University of Finance and Economics in Chengdu in 2019 found a 10% gain in housing wealth raised the country's overall consumption by about 3%. But some economists have noted that Chinese consumers sometimes behave differently than Americans.

For families struggling with a weakened housing market, what matters is the real-world effect on their financial plans.

Cui Haibo said he is worried about his mother's retirement because of the housing downturn in northern Anhui province. He said he bought a 600-square-foot flat for his mother in 2009 with the intent of selling it if he needed more money for her living expenses. But while he has made a profit on the unit over the years, its value has fallen considerably from a peak of about 300,000 yuan (\$44,400) at the start of the pandemic.

He now plans to save more to fund his mother's retirement. "In China, it's always the average people who ultimately bear the pains of downturns," Mr. Cui said.

—Grace Zhu in Beijing contributed to this article.

China, U.S. Near Deal On Audits

Continued from Page One

PCAOB declined to comment. This month, Erica Williams, chair of the PCAOB, told the Journal that U.S. accounting inspectors and investigators were prepared to travel to inspect Chinese companies' audit work papers when an agreement was in place.

"We have teams ready, bags packed and ready to go—if we have an agreement that's reached, so that we can actually test out that agreement and make sure that

what we have in the agreement on paper is actually working in practice," Ms. Williams said, adding that she herself is prepared to go if need be.

More than 200 U.S.-listed Chinese companies are facing the prospect of being booted off U.S. stock exchanges starting in early 2024, if their auditors can't be inspected by the PCAOB for three consecutive years.

Around 160 companies—including Alibaba Group Holding Ltd., JD.com Inc. and Baidu Inc.—have so far been identified as noncompliant with the Holding Foreign Companies Accountable Act, which took effect last year.

For years, regulators in China were reluctant to allow such inspections, and argued that unfettered access to companies' audit papers and their

data could threaten the country's national security. Y.J. Fischer, an official with the U.S. Securities and Exchange Commission, recently said such a claim is "questionable at best."

Since the HFCAA took ef-

Over 200 U.S.-listed Chinese companies could be booted off American exchanges.

fect, authorities in China have expressed a desire to find a way to comply with the law.

U.S. securities regulators, meanwhile, have said that they need full access to companies' unredacted audit papers before they will deem China in

compliance.

SEC Chairman Gary Gensler said a framework that allows them to inspect and investigate Chinese auditors is only a step in the process, and "the proof will be in the pudding."

Those inspections can take several months to complete.

Chinese regulators have told some companies in recent weeks that the government will support them being listed in the U.S., as long as the companies comply with domestic regulations on data security and personal information protection, people familiar with the matter said.

The regulators have also indicated that they will allow U.S. accounting regulators to have unrestricted access to companies' audit records in Hong Kong, they said.

As the threat of involuntary

delistings looms, some U.S.-listed Chinese companies, including Alibaba and Yum China Holdings Inc., are planning to convert their secondary listings in Hong Kong to primary listings. That would allow their shares to continue trading in the Asian financial hub if they are kicked off U.S. exchanges.

Five Chinese state-owned companies, including one of China's largest oil and gas producers, PetroChina Co., said this month they intend to delist their American depository shares from the New York Stock Exchange.

They cited low U.S. trading volumes and the administrative burden and costs of maintaining their New York listings.

—Jing Yang, Mark Maurer and Jean Eaglesham contributed to this article.

ARTS IN REVIEW



Steve Carell, right, and Domhnall Gleeson, below right

TELEVISION REVIEW | JOHN ANDERSON

‘The Patient’: A Cure for Murder?

A serial killer kidnaps a psychiatrist to help him subdue his urges in the new FX series

If “The Patient” were a book, what shelf would it go on? Thrillers? Psychology? Holocaust Studies? Judaica? An option would be Self-Help: Sam Fortner (Domhnall Gleeson) is a serial killer who wants to stop murdering people—though in his efforts to improve, he becomes a kidnapper as well.

When the noted psychiatrist Alan Strauss (Steve Carell) comes to during the opening moments of this 10-part dramatic series, he finds himself in an undistinguished suburban California basement room with a bed, a bedpan and a view of a verdant but troublingly mute backyard. He’s also shackled to a metal plate in the floor and can move only to the bed, or to the makeshift office Sam has constructed so Alan can work his therapeutic magic.

As the terrified Alan points out, this is not the ideal atmosphere in which to begin analysis. As Sam

points out, he could hardly come clean in a conventional setting.

Serial killers are legion on television—it’s surprising any of us are still alive—and a new take on the homicidal-maniac genre is welcome, if only in an academic sense: Where can a story, even one created by Joel Fields and Joseph Weisberg (“The Americans”), possibly go that won’t feel recycled? “The Patient” finds a path, along with a pair of actors (three, actually) who deliver emotional, believable and psychologically layered performances. Where Alan’s journey takes him, however, is going to create a love-hate relationship between “Patient” and viewer, and the reasons why will now be laid out, and partially spoiled.

The dynamic between Alan and Sam, as irregular as it is, does strip the therapist-patient encounter to a kind of raw, desperate sparring session. But where Alan goes in his head during his solitary Sam-free



moments is into a realm well beyond the stuff of ordinary thrillers and squarely into an existential Jewish crisis.

As we see in flashbacks, Alan’s wife, Beth (Laura Niemi), is dead. (His widower’s breakfast routine tells us that.) Before she died, their son, Ezra (Andrew Leeds), married an Orthodox woman, breaking their hearts and throwing the family into disarray. Ezra had become part of what Beth called a “religious cult”; Alan, the quintessential secular intellectual, sees the move as fundamentalist backsliding. At the same time, his religion provides him no spiritual solace. Culturally and historically, it tortures him.

When he’s presented, midway through the series, with an opportunity to escape—a narrow opportunity, and one that would require him to summon up the kind of physical courage with which he’s totally unfamiliar—his mind is filled

with images of Auschwitz inmates and we, in turn, are presented with the question of Jewish resistance to the Holocaust. Sam is, after all, Alan’s personal Hitler. What does he do? The intellectual dilemma certainly expands the customary devices of a hostage drama while opening a metaphorical can of worms: If Alan resists, does that mean World War II-era European Jews could/should have done the same? If he doesn’t, is the implication that Jews are incapable of throwing off their oppressors? The provocation is real—whether it serves much else of a purpose is questionable.

It certainly compels one to watch the entire series, as does Mr. Carell’s performance. Anyone who’s seen the actor in “Battle of the Sexes,” or the remarkable “Foxcatcher,” knows what he’s capable of, which in “The Patient” includes making Alan’s combination of terror and rationality utterly convincing. Mr. Gleeson has no easy job—Sam is mad, and whether Alan can prevent any more killings is a real question; the actor’s performance makes us constantly wonder. The wild card in the deck is Linda Emond, who plays Sam’s mother, Candace, about whom very little can be said without further spoilers, except that Ms. Emond is her usual brilliant self and manages to hint at the dark comedy that lies just beneath the surface of “The Patient.” It actually takes some effort to subdue. When Candace tells Sam, “Go to your room,” it might strike one, later, as funny. At the moment, however, no one is laughing.

The Patient
Tuesday, FX on Hulu

THEATER REVIEW | CHARLES ISHERWOOD

Entranced and Unscripted

New York
IF THERE ARE TWO more chilling words in the theatrical lexicon than “audience participation,” I don’t know what they are.

Coming in a distant second: “jukebox musical.”

“Hyprov”—the title suggests one of those much-advertised drugs whose side effects leave you quailing, and usually include potential death—may represent a peak moment, to use a faintly tired expression, or an apotheosis, to use a faintly pretentious one, of the increasingly popular trend of involving the spectators in the show. (Let me reconsider: Coming in that distant second place should be “immersive theater.”)

Subtitled “Improv Under Hypnosis,” the production, created by Asad Mecci (the hypnotist), Colin Mochrie (the improv specialist, and a veteran of the improv-based show “Whose Line Is It Anyway?”) and Jeff Andrews (a producer, marketer and collaborator of Mr. Mochrie’s), will test the tastes of New York audiences for potential humiliation in front of hundreds.

Judging by the performance I caught, that thirst for a moment in the spotlight—public mortification be damned!—is virtually insatiable. When the call came for volunteers to participate in this novel theatrical experiment, a small stampede occurred. (Was on aisle; foot squashed.)

Those who made it past the ramparts—only 20 are allowed—assem-



Asad Mecci and Colin Mochrie with volunteers onstage

bled along a banquet table on a set that recalls the gleaming habitats of the popular television competition shows that have swamped the airwaves in the past 20 years. Honors to the designer Jo Winiarski, who has created a sleek environment that could easily be transposed to a television studio—where the show almost seems destined to arrive.

Mr. Mecci, clad in casual black, in contrast to Mr. Mochrie’s more formal black, proceeds to winnow down the volunteers to a small

handful. Using a voice in a smooth dark register to put the assembled company at its ease (under stage lights, facing hundreds?—never mind), Mr. Mecci, with an auctioneer’s rapid delivery and long experience with hypnosis, reduces all to a state of somnolence. He is assisted by trance-inducing music from the gifted and versatile composer and pop star Rufus Wainwright: Philip Glass-like piano arpeggios, tinkling chimes, humming.

Mr. Mecci quickly eliminates the

less-susceptible, and from there Mr. Mochrie mostly takes the reins. Given the built-in requirements of improvisational theater, each performance will be different. Mr. Mecci and Mr. Mochrie currently have a menu of about a dozen different improvisations to choose from, according to press materials; each performance involves four or five.

The final participants at the show I saw were suspiciously young and attractive, and, in their own ways, disarmingly talented at what is surely not a natural endeavor: performing semiconsciously without a net.

The offerings included a solo dance display from someone who clearly and thankfully was not likely to break a hip; in fact he seemed to have come straight from a yoga studio, and flung his Nike-clad feet into the air as if being filmed for a TikTok video.

The main improv performance was a “radio show,” a clever parody of film noir in which Mr. Mochrie led two of the “hyprovisers,” as they are called, through their paces with a formidably dry humor.

Mr. Mochrie, with a slightly sinister but still audience-engaging presence, played a central role, with a volunteer portraying the rest of the characters, under his suggestion. Her talents would suggest that a career under hypnosis might be a profitable path. The third member of the cast provided the sound effects, or rather the wrong effects (as dictated by Mr. Mochrie), a source of reliably goofy humor. There was also a funny routine about a hybrid animal, with audience members shouting out suggestions; the creature in question

ended up being a giraffe crossed with a hippopotamus.

The participants slid so smoothly into their roles that I began to wonder if they were what is known as plants (people pre-selected to be reliable performers, and not randomly chosen audience members). But then I reflected that a New York theater audience would be likely to include aspiring performers with natural experience in improv, if not under these peculiar conditions.

An improvisational audience-participation extravaganza with hypnotized performers.

“Hyprov,” crisply directed by Stan Zimmerman, a television veteran whose credits range from “The Golden Girls” to “Gilmore Girls,” has toured extensively and been seen at the Edinburgh Fringe Festival. It’s catnip for those who relish the spontaneity and informality that this show and similar ones involve. For those who prefer not to bite their fingernails to the quick at the prospect of people embarrassing themselves in public, it would perhaps be better to steer clear.

Hyprov: Improv Under Hypnosis
Daryl Roth Theatre, 101 E. 15th St., New York, \$55-\$95, 212-239-6200, closes Oct. 30

Mr. Isherwood is the *Journal’s* theater critic.

ARTS IN REVIEW



FILM REVIEW | KYLE SMITH

'Breaking': His Battle Back Home

This fact-based movie stars John Boyega as a desperate Marine veteran who takes hostages at a suburban Atlanta bank

'I'M WORTH NOTHING. I am nothing," says John Boyega in a deeply moving performance as former Marine Brian Brown-Easley, in "Breaking," an intense drama about an episode that took place in 2017. Brown-Easley, a desperate man with no fixed address, is seen taking two hostages inside a suburban Atlanta bank. In the strange futility of his actions he becomes an uneasy symbol of all the troubled young black American men who have had distressing police encounters rooted in trivial disputes.

Sensitively written by Abi Damaris Corbin and Kwame Kwei-Armah and tautly directed by Ms. Corbin, "Breaking" is a kind of Black Lives Matter update of "Dog Day Afternoon." As in that 1975 movie, nearly the entire saga takes place inside a bank where we learn the back story of the pathetic mastermind, the tellers begin to feel sympathy for him, and the big revelation is the unbelievable motive for the crime. But if the hidden substructure of the earlier film was simply that New York in the '70s was a crazy place, this time around the foundational problem is the sensation felt by many black people that they are being ignored, misunderstood, disrespected or shoved to the fringes of society.



John Boyega, above left, Connie Britton, above right, and Michael Kenneth Williams, top, in Abi Damaris Corbin's 'Breaking'



Mr. Boyega, in a tightly controlled performance, plays all of those feelings and more, but most of all he comes across as sad. An Englishman who is best known for his role as the comical Finn in the recent "Star Wars" movies, he does perhaps the finest work of his career in finding the nuances of this complex character. Adopting a low, gravelly voice that enhances the character's odd gravitas, Mr. Boyega imbues Brown-Easley with determination and dignity but also a layer of lunacy and paranoia. He manages to seem savvy and stupid at the same time (a description that might also apply to Al Pacino's performance in "Dog Day"). Even as he threatens to blow up two people, Mr. Boyega makes it easy

to understand why his character's hostages might be more worried about his safety than their own.

When we first meet Brown-Easley, he is a loving dad who promises to get a puppy for his daughter, Kiah (London Covington), who lives with her mom, his ex-Cassandra (Olivia Washington). Threatened with eviction from his motel room and facing homelessness, with no apparent preparation he wanders into a bank in Marietta, Ga., where he scribbles a note: "I have a bomb."

"Breaking" is a most unusual bank-robbery movie: Nobody tries to steal anything. Brown-Easley even refuses an offer of cash from the bank. What he, an Iraq War vet, wants is tied up in a benefits dispute with the Department of

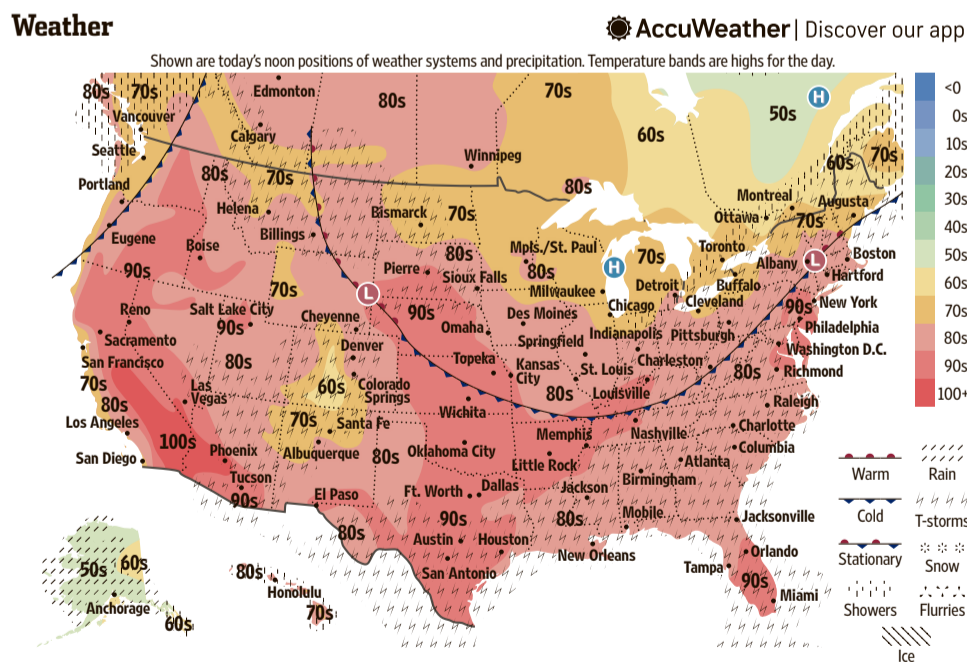
Veterans Affairs. In flashbacks, we watch with alarm how he got to this level of frustration; one encounter with the bureaucracy ends with him handcuffed while face-down on the floor. Ms. Corbin doesn't linger on the moment, nor does Mr. Boyega play his character with a halo, but the cultural reverberations of the image are apparent.

Without making the theme explicit, Ms. Corbin's film sensitively touches on our shared longing to reduce the kinds of nightmare encounters with police that make unwitting celebrities out of some black people. Inside the bank, while the police drag things out in an effort to wear him down, Brown-Easley explains his grievances to a producer (Connie Brit-

ton) at a television station he calls in an attempt to create a media frenzy that, to his disappointment, never quite materializes. He also finds common ground with an experienced police sergeant appealingly portrayed by Michael Kenneth Williams, who played Omar on "The Wire" and died last year. (This was his final film.) The cop, who also served in the Marine Corps, is nominally an antagonist, but as a fellow black man he has a palpable wish to conclude matters with no one getting hurt. Someone might have told Brown-Easley that the bank robber

whose story was chronicled in "Dog Day Afternoon" was paroled from prison less than six years after the crime.

Films about race too often take the easy way out, which tends to yield schematic characters, grandstanding dialogue and thematic stridency; filmmakers seem more interested in emphasizing that they're on the side of the angels than in confronting the messiness of reality. "Breaking" doesn't patronize the audience with such oversimplifications. Brown-Easley is indisputably guilty of a serious crime and society is not to blame for his actions. Yet as he struggles to find a way to remain alive, the film builds a heartbreaking sense that his troubles could and should have been avoided.



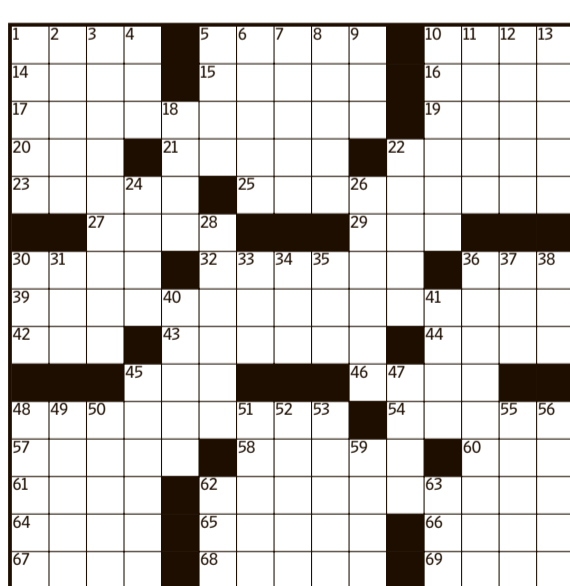
U.S. Forecasts

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	59	54	r	59	52	sh
Atlanta	84	72	t	88	72	t
Austin	93	73	pc	92	73	pc
Baltimore	92	70	t	89	70	c
Boise	96	65	s	85	53	s
Boston	87	69	t	79	67	s
Burlington	76	61	t	75	56	pc
Charlotte	88	70	t	91	70	t
Chicago	78	62	pc	82	69	pc
Cleveland	79	63	t	77	62	pc
Dallas	90	75	s	91	67	pc
Denver	87	61	c	91	63	s
Detroit	81	60	pc	81	63	s
Honolulu	88	77	s	88	75	s
Houston	90	75	t	89	76	t
Indianapolis	83	65	t	84	68	pc
Kansas City	90	71	s	90	71	pc
Las Vegas	98	82	s	102	81	s
Little Rock	93	73	s	90	73	s
Los Angeles	84	65	s	83	64	s
Miami	93	81	t	91	82	t
Milwaukee	75	64	s	79	69	pc
Minneapolis	80	65	pc	82	67	t
Nashville	91	72	t	91	72	s
New Orleans	83	76	t	84	75	t
New York City	88	72	t	87	71	t
Oklahoma City	94	70	s	91	71	pc

International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	72	58	t	71	56	pc
Athens	81	72	t	84	73	t
Baghdad	109	83	pc	111	82	s
Bangkok	90	79	t	91	79	t
Beijing	84	56	pc	80	61	c
Berlin	84	66	t	74	61	t
Brussels	73	55	t	74	52	pc
Buenos Aires	68	62	t	63	42	pc
Dubai	109	87	s	106	88	s
Dublin	65	51	c	66	52	pc
Edinburgh	66	50	c	67	51	pc
Frankfurt	89	67	t	78	61	t
Geneva	83	61	c	81	60	t
Havana	90	73	t	90	73	t
Hong Kong	88	82	t	91	82	t
Jakarta	83	72	t	84	72	pc
Jerusalem	87	65	s	91	66	s
Johannesburg	74	50	s	73	51	s
London	73	60	pc	73	56	pc
Madrid	93	67	pc	92	68	pc
Manila	90	79	t	87	78	t
Melbourne	60	48	c	64	51	pc
Mexico City	74	55	sh	74	58	pc
Milan	90	69	pc	86	70	t
Moscow	88	63	s	88	65	c
Mumbai	86	78	pc	86	78	pc
Paris	79	60	pc	79	58	pc
Rio de Janeiro	78	70	s	81	71	s
Riyadh	106	86	c	106	84	pc
Rome	87	71	s	85	70	s
San Juan	90	79	pc	88	78	sh
Seoul	84	66	pc	80	59	s
Shanghai	84	76	r	81	76	sh
Singapore	86	79	r	87	78	t
Sydney	63	52	pc	64	53	pc
Taipei City	98	84	pc	100	83	t
Tokyo	86	79	t	88	78	c
Toronto	77	57	t	74	59	s
Vancouver	71	59	pc	72	59	pc
Warsaw	87	64	pc	88	64	s
Zurich	82	59	t	79	59	t

The WSJ Daily Crossword | Edited by Mike Shenk



TENSE SITUATION | By Matt Gaffney

The answer to this week's contest crossword is the grid answer that's a secret sixth theme answer.

Across

1 Info often crunched
5 Stabilizing tool
10 Thick cut
14 Say similar things as
15 Prepare to hit
16 Lima location
17 *Ask what others would do
19 Adverb on road signs
20 Kipling novel

21 Person who puts up with you
22 "Same with me"
23 Long look
25 *Get into crisis mode
27 Heinie
29 "While ___ Still Around" (Florida Georgia Line song)
30 Chicago mayor Lightfoot
32 Source of wisdom
36 "This is relaxing!"
39 *Contribute, as a team member does
42 The Jaguars, on scoreboards

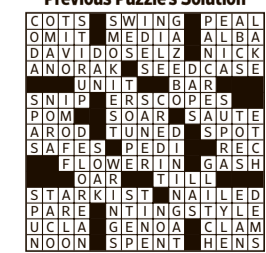
43 One in no hurry
44 Common hair color
45 102, one way
46 Ramirez of "Grey's Anatomy"
48 *Cult classic of 1999
54 Role for Sudeikis
57 Fleshy plants
58 Make ___ of the tongue
60 Some tablets run on it
61 Window coating
62 *Cause great damage (this one is a little loose)
64 Sporting stuff
65 In for ___ awakening

► Email your answer—in the subject line—to crosswordcontest@wsj.com by 11:59 p.m. Eastern Time Sunday, August 28. A solver selected at random will win a WSJ mug. Last week's winner: Michelle C. Hill, St. Louis, MO. Complete contest rules at WSJ.com/Puzzles. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)



- 66 Org. with a rabbit logo
67 Casino calculation
68 Like aggressive people
69 Birth nation of M. Baryshnikov
- Down**
- 1 Newsroom divisions
2 Do something exactly right
3 Movie with Morpheus
4 No problem at all
5 Erykah who sings "On & On"
6 Item for Rosie
7 Pacifist people
8 Desert growths
9 Season for Cézarne
- 10 Sends up
11 ___ hand (assist)
12 Music's Guthrie and Parks
13 Believe a dubious explanation
18 Such a long time
22 Olympic sport since 1968
24 Destroy
26 Members of the Sharks and the Jets
28 Aired of not-so-private comments
- 30 His library is in Austin, Tex.
31 Singing Rita
33 Son of Carl Reiner
34 1996 Olympics city, for short
35 "The Motorcycle Diaries" role
36 Substances in some polishes
37 In the way of
38 "Over here!"
40 Ways to walk
41 City east of Jaipur
45 Word from a toaster
47 Sacred river of poetry
48 1996 Best Picture nominee
49 Fabulist's confession
50 Lose it
51 Amusing David
52 Exhaust
53 Ice skate part
55 Chimney coaters
56 Coveted statuette
59 Chain with beds
62 Angkor ___
63 Springfield entrepreneur

Previous Puzzle's Solution



SPORTS

JASON GAY

Tiger and Rory Make a Prime-Time Golf Bet

The PGA Tour stars are launching a stadium-style event on Monday nights as the sport experiments with new ideas



Bruce Springsteen. Def Leppard. Elton John. Mötley Crüe.

Tiger Woods & Rory McIlroy.

Iconic, durable acts coming to a stadium, perhaps sooner than you think.

This week, Woods and McIlroy announced their intention to launch a prime-time two-hour brand of golf to be played Monday nights starting in 2024 in a custom-built venue.

It'll be part big tech: Woods and McIlroy will hit their drives using virtual reality. Then they'll play a short game on a surface installed on the stadium floor.

That's right: *Putting*. Live and in the flesh.

You once saw Bruce do "Rosanita," you saw Elton do "Tiny Dancer," you took your kids to see Frozen on Ice, WrestleMania and Monster Trucks. Now, pinch yourself, a stadium audience will get the chance to see Rory McIlroy attempt a long birdie from 42 feet.

I'm picturing this new Tiger-Rory stadium, late at night, swaying in unison, phone lights on, screaming "GET IN THE HOLE!"

(And then, "FREE BIRD.")

This sounds like the kind of thing I'm making up, but it's real. Pro golf is starting to get weird. I know "pro golf" and "weird" are two terms that should never be used in a sentence—historically pro golf has been about as weird as a steam-pressed pair of pleated khakis.

But with the sport's governing body, the PGA Tour, under siege from a new competitor—the Saudi-financed LIV Golf—a staid game is finally attempting new tricks.

The Woods/McIlroy Monday Night Golf idea is its own thing—it's called TGL, and other talent will be announced soon—but it's got the partnership blessing of the



Golf stars Rory McIlroy, left, and Tiger Woods announced a new league in partnership with the PGA Tour.

PGA Tour (the logo is in the sizzle reel). Woods and McIlroy have been the two most essential supporters of the PGA Tour in its existential fight against LIV. At this point, they could tell the Tour they want to play in Crocs and shorts, with boa constrictors as belts, and the PGA Tour would say: *Sounds great, fellas! Need a drive to the reptile store?*

The PGA Tour, meanwhile, is of-

fering its own jazz hands: more big-money events for its top players as a way of showcasing and rewarding talent and staving off the worrisome exodus to its flush competitor.

Any and all proposals appear to be on the table. If you have an idea that will prevent a PGA Tour professional from jumping allegiances to Phil Mickelson and Darth Norman, I'm sure PGA Tour

commish Jay Monahan would love to hear from you.

You: *The Waste Management Open...but this time, underwater, with crocodiles and piranhas.*

Monahan: *I'm listening.*

As always, ask: Who is this for? Right now, this glow-up feels mostly for top players, who feel underappreciated (read: undercompensated) by the traditional earning approach of eating what

you kill. These new ventures are another way of bear hugging the biggest names—and staving off the threat of LIV.

But do fans want it? Are you looking at your television set and saying to yourself: *What I really need right now is another golf tournament I don't know the name of—so I can fall asleep.* Mammoth prize money hasn't exactly turned the FedEx Cup into the talk of the town. Do you walk past the teenagers in the local quick-mart and overhear them gossiping loudly about the FedEx Cup?

Or have you heard the teens talking about LIV teams like the Fireballs and the Crushers? For all the noise about LIV's poaching, the actual golf in its streaming, team-play matches have yet to capture much fuss. The Journal's Andrew Beaton found tickets for a recent LIV event at Bedminster selling for \$1. LIV still feels more like a CNBC fascination than an ESPN one.

Eventually, LIV will get a media deal, and the battle will be joined. But the question remains: Is there such a thing as too much golf? After a while, is it just going to look like one, giant tournament, with a lot of sponsored hats? Is this really all about the modern scramble for media content...and sports gambling?

I don't want to rain on innovation. I don't want to sound like a fuddy-duddy. I like new stuff. I'm curious about the Woods/McIlroy stadium idea, which blends VR tech with some Topgolf-style atmospherics. It might work, who knows. Monday nights are funny. People will watch the Chicago Bears.

All I know is that it's getting weird out there. If you've ever had an idea to improve pro golf, now is the time to let the world know. Crocodiles and piranhas, Tiger and Rory on Mondays...why not?

ROSS MINNARD/GETTY IMAGES



Novak Djokovic won't be playing in the 2022 U.S. Open.

Djokovic Withdraws Due to Vaccination Policy

By JOSHUA ROBINSON

NOVAK DJOKOVIC spent his summer closely monitoring news about restrictions related to the U.S. border. His hope was that the country might relax certain rules about admitting non-citizens unvaccinated against Covid-19 in time for him to play at the U.S. Open.

But on Thursday, Djokovic's time ran out. Three days before play is due to start, he said that he would not be flying to New York. Though the 21-time Grand Slam champion skipping the U.S. Open will change the complexion of the tournament, Djokovic's withdrawal hardly came as a surprise. Even he had been pessimistic about his chances.

"Sadly, I will not be able to travel to NY this time for US Open," he wrote on social media. "Thank you #NoleFam for your messages of love and support. Good luck to my fellow players! I'll keep in good shape and positive spirit and wait for an opportunity to compete again. See you soon tennis world!"

Djokovic's announcement came less than two hours before the unveiling of the draw, in which he would have been the fifth seed.

Elsewhere in the draw, men's top seed and defending champion Daniil Medvedev will meet the 24-year-old American Stefan Kozlov, while the women's No. 1 Iga Swiatek is set to face No. 57 Jasmine Paolini of Italy. Six-time U.S. Open champion Serena Williams, meanwhile, will begin the final major of her career against Danka Kovinic of Montenegro, who is ranked No. 80 in the world.

"Novak is a great champion and it is very unfortunate that he will be unable to compete at the 2022 U.S. Open, as he is unable to enter the country due to the federal government's vaccination policy for non-U.S. citizens," U.S. Open tournament director Stacey Allaster said. "We look forward to welcoming Novak back at the 2023 US Open."

The irony surrounding Djokovic being denied access in 2022 is that he was allowed to compete in 2021, before the travel rules were in place. The unvaccinated Djokovic reached the final, where he lost to Medvedev, missing his shot at a calendar-year Grand Slam.

This year, Djokovic was again in scintillating form on his way to a seventh Wimbledon title in July. But the second he lifted the trophy, his momentum ground to a halt. Djokovic suddenly had no idea what would come next.

Not only did the U.S. rules on vaccination theoretically bar him from the season's fourth major, they also kept him out of the American hard-court swing.

"I think it's a joke if he's not allowed to participate here," ESPN analyst John McEnroe said on Wednesday, a day before the draw. "The bottom line is...it doesn't look good."

Djokovic didn't appear to be in Grand Slam preparation mode in recent days.

While his rivals were competing in the U.S., including the all-time major tournament record-holder Rafael Nadal, Djokovic was making appearances back in the Balkans. Last week, he attended a basketball match between Slovenia and Serbia in Ljubljana.

Tennis Players Can Now Be Coached From the Stands in the U.S. Open

By JIM CHAIRUSMI

During the 2018 U.S. Open women's final, Serena Williams became enraged when chair umpire Carlos Ramos issued her a warning for allegedly receiving hand signals from her coach, which was against the rules.

"I have never cheated in my life," Williams said as she confronted Ramos repeatedly throughout her match against Naomi Osaka. Williams was docked a point, and later a game, after she smashed her racket and called Ramos a "thief" on her way to losing to Osaka.

As Williams prepares for her retirement from tennis sometime after next week's U.S. Open, the tournament has made a change that would have prevented the notorious incident in 2018 from ever happening.

For the first time at a Grand Slam tournament, coaching from the stands will be allowed when the Open begins play on Monday.

The new rule stipulates that coaches can instruct players from a designated seating area as long as they don't interrupt play.

Verbal communication is allowed only when the player is on the same end of the court and must be limited "to a few words or short phrases."

The loosening of the off-court coaching rule in Queens comes after the ATP Tour said it would test it on a trial basis through the year-end ATP Finals in November.

"Various coaching rules have been trialed across the sport in recent years, including on-court coaching and coaching via headsets," the ATP said in a statement. "[This] announcement brings alignment for the second half of the season across the ATP Tour, U.S. Open and WTA Tour, where an off-court coaching trial is already in place."

The WTA had a similar trial for non-Grand Slam events in 2020 and currently allows on-court coaching during breaks in the action.

Stefanos Tsitsipas, the No. 4 men's seed in the U.S. Open, has been embroiled in several off-court coaching controversies in recent years and has been a big proponent of a rule change.

"We're probably one of the only global sports that doesn't use coaching during the play. Make it legal. It's about time the sport takes a big step forward," he wrote on Twitter last year.

During a semifinal match at the Australian Open in January, Daniil

Medvedev complained to chair umpire Jaume Campistol that Tsitsipas was receiving coaching advice during play.

"His father can coach every point?" Medvedev asked Campistol.

Later in the match, Tsitsipas, from Greece, was given a code violation after tournament officials placed another umpire, Eva Asderaki-Moore, in the tunnel below Tsitsipas's player's box. When Asderaki-Moore, who speaks Greek, heard Apostolos Tsitsipas give instructions to his son, she radioed Campistol on a walkie-talkie.

The sport's no-coaching rule came into focus when Williams's argument with Ramos overshadowed

'Make your own decisions,' Chrissie Evert said. 'I never had a coach who gave me a signal.'

Osaka's victory during the 2018 U.S. Open final.

After that match, Williams's then-coach Patrick Mouratoglou told ESPN that he had tried to signal Williams but he didn't think she saw him. He added that "every player" is coached during matches but he had never been called for a coaching violation.

But the change hasn't been welcomed by tennis traditionalists who think part of the game is a player's ability to fight through matches on their own.

Taylor Fritz, who is the highest-seeded American man at No. 10, called the relaxed coaching rules

"dumb" after he was asked about it last week at the Western & Southern Open in Cincinnati.

"Tennis is an individual sport. Why are we making it not an individual sport?" Fritz said. "Tennis is as much mental as it is physical, and a big part of it is you need to be figuring it out on the court for yourself."

Chris Evert, an 18-time Grand Slam singles champion and current analyst for ESPN, said part of being a champion and winning a match is problem solving.

"Make your own decisions," Evert said. "I never had a coach who gave me a signal. I wish they would have now."

Evert said a coach should prepare a player before and after a match, but a player needs to make adjustments on their own during a match.

The U.S. Open has tested off-court coaching during qualifying matches, said Brendan McIntyre, a spokesman for the USTA.

McIntyre said after the ATP Tour announced its trial, the Grand Slam board approved a move to have off-court coaching across all U.S. Open events, including qualifying, juniors, wheelchair and the men's and women's main draws.

The ATP said it would evaluate the trial following the end of the season to determine whether off-court coaching would be allowed going forward.

John McEnroe, a seven-time Grand Slam singles champion and ESPN analyst, said he doesn't like the rule change but if it is good for the sport, he is OK with it. "I guess I'm old school. I liked it when you had to go out there and there was no coaching," McEnroe said.



Apostolos Tsitsipas, second row, second from left, and Patrick Mouratoglou, front row, left, in the player's box during the 2019 Australian Open.

LYNN BO BOVA/SHUTTERSTOCK

OPINION

Biden's Bluto Moment



POTOMAC WATCH
By Kimberley A. Strassel

Think of it as the president's Bluto moment.

In case the White House missed it, Democrats had recently been getting it together. After an 18-month food fight over the Biden agenda, the party finally united to pass the Inflation Reduction Act. It suckered spend-happy Republicans into passing a semiconductor bill that vulnerable Democrats could brag about back home. The left has successfully fanned fears on abortion, putting GOP candidates on the back foot. And Donald Trump is in the headlines—right where they want him.

Then along comes Blutrasky, and seven years of college down the drain. It would be hard to fashion a program that carries more political risk for less political reward. In the name of paying off that powerful voting bloc known as “overeducated and underemployed deadbeats,” Mr. Biden is dumping on his own inflation message, dividing his party, and insulting any American who has ever worked, saved or paid a bill.

Inflation remains voters' biggest worry, and they understand Washington's role in

feeding it. Only recently they watched General Motors and Ford hike the prices of electric vehicles by \$6,000 to \$8,500—roughly pacing the \$7,500 tax credit the Biden “inflation reduction” law bestows. Cause, effect. Millions of American parents read Mr. Biden's Wednesday loan announcement as news that they will be paying \$10,000 more for tuition next year (and the year after that, and after that) as colleges reap the loan windfall.

It won't stop with college inflation, even Democratic economists warn. Every \$20,000 of loan forgiveness is \$20,000 the favored college forgiven can blow on urban loft refits or Hawaiian vacations. “Pouring roughly half [a] trillion dollars of gasoline on the inflationary fire that is already burning is reckless,” Jason Furman, the Obama administration's top economist, tweeted. Americans already doubted Mr. Biden's new climate and health law would do much to lower prices, but they'll draw a direct line from the loan bailout to further price hikes. A CNBC poll says nearly 60% of Americans fear this handout will make inflation worse.

The plan rips a new fissure in the Democratic Party, as nonsuicidal members run for cover. Maine Rep. Jared Golden called loan forgiveness “out of touch.” New Hampshire Rep. Chris Pappas said this is “no way to make policy.” Nevada Sen. Catherine Cortez Masto and Colorado Sen. Michael Bennet noted

that the plan doesn't address the underlying problem of rising tuition. Ohio Rep. Tim Ryan, running for the Senate, said the forgiveness “sends the wrong message to the millions of Ohioans without a degree working just as hard to make ends meet.”

What unites these Democrats? Each is in a competitive race, and they clearly already see the potential to alienate large cross-sections of the American electorate.

His student-loan forgiveness plan will feed inflation and hurt him politically.

Sure, loan forgiveness may benefit up to 40 million people, and energize Gen Zers and some millennials to vote for the Democrats they were going to support anyway. What about the other 220 million voting-age Americans who are being asked to float the upper crust's seminars on gender identity and social justice?

Democrats desperately need suburban voters this fall. Those would be the same suburban parents who are already furious over school closures and woke education, who scrimped and saved to pay through the nose for college, and who now look like chumps as they prepare to pay more. The CNBC poll finds that 65% of those 35 to 64—prime college-parent

age—feel loans should be forgiven for no one or only for those in need (the Biden plan favors top earners). That share is even higher—78%—for those over 65.

Party leaders have fretted for years over how to handle Democrats' cratering support among the working class. This is the answer? The loan handout is a thumb in the eye to every American who went to trade school, got an apprenticeship, took out private loans to start a small business, or simply went to work—and now must not only grind out a living and keep up with inflation but cover the poor financial decisions of the college elite.

The media is hastening to explain that a lot of loan forgiveness will flow to minorities, while failing to note how small is the minority of those minorities that actually rack up student debt. According to the U.S. census, only 18% of Hispanics hold bachelor's or higher degrees. As political scientist Ruy Teixeira wrote recently, the significant recent drop in Hispanic support for Democrats is being “driven by working class voters without a college degree, who make up the overwhelming majority of the Hispanic population.” This will likely hasten their exit from Democratic rolls.

While the “Animal House” Deltas were ultimately expelled, it didn't harm their futures. Mr. Biden may not be so lucky in his own college shenanigans.

Write to kim@wsj.com.

BOOKSHELF | By Edward Kosner

Czech and Double Czech

The Liar

By Benjamin Cunningham
(PublicAffairs, 268 pages, \$29)

John le Carré's marvelous novels—“Tinker, Tailor, Soldier, Spy” and the rest—evoke a secret world of Cold War espionage with wily spymasters, intrepid and exhausted operatives, squalid betrayals and moral ambiguities. But there was another, real nest of spies in those days in the captive nations of the Soviet Union's febrile Eastern European empire. Bureaucratic and often inept, these low-rent spooks and their handlers, vassals of Moscow, spied on one another as much as on their adversaries in the West.

Now we have a new, nonfictional glimpse into this netherworld of ideological warriors and turncoats. Benjamin Cunningham's “The Liar: How a Double Agent in the CIA Became the Cold War's Last Honest Man” is an engrossing if convoluted tale of a prickly, narcissistic Czech spy dispatched to penetrate Langley who, in the end, turned out to be a valuable American trade piece



for one of the Soviet Union's most famed political prisoners. It's classic *un-le Carré*.

Mr. Cunningham, a former correspondent for the Economist long based in Prague, tells the story of how Karel Koecher (b. 1934) and his sexy wife, Hana (10 years his junior), parlayed ambition, language skills and steely nerve into a long run as spy and helpmeet in the U.S. before being discredited, in 1976, by a scheming KGB general. If “The Liar” abjectly fails to establish Mr. Koecher as

a paragon of Cold War honesty and ends with some dubious ruminations about Russia's role in the great East-West struggle, it still delivers intriguing documentation about spies and spycraft in that fraught era. The author concludes that the old Czech state-security service—Státní bezpečnost, or StB—“looks a lot like a hyper-empowered mutation of the DMV.”

The book's armature is a trove of communist-era StB records, including interrogations of Mr. Koecher and reports from the series of handlers who evaluated his material and his character. (Mr. Koecher had soured on the Russians after the 1968 invasion of his homeland that ended the so-called Prague Spring, but he kept that to himself.)

Before his downfall, Mr. Koecher managed to ingratiate himself with important American figures like Zbigniew Brzezinski, the Polish-born Columbia professor who specialized in Eastern European affairs. Brzezinski ultimately became President Jimmy Carter's national security adviser, but by then, perhaps at Brzezinski's recommendation, the CIA had hired Mr. Koecher as a contract worker.

From the start, Mr. Koecher was at once brilliant and hard to take—cocksure and certain that he was destined for great things. He excelled at school and studied at the lycée in Prague, where he added French to his command of Czech, Russian and English. He made money as a tour guide, but also staged a sophomoric dissident stunt that earned him his first mention in the StB files. Even so, with some lobbying by a chum in the apparat, he was invited to join up. He passed muster and, by then married to 20-year-old Hana, was dispatched to the U.S. in 1965 to penetrate the CIA by building his credentials as an academic specialist in foreign affairs.

He found a spot at Brzezinski's international-studies institute at Columbia and began working on his Ph.D. while freelancing in New York at Radio Free Europe, the U.S. agency that broadcast to the Soviet bloc. The StB files show that he was constantly complaining to his handlers that he needed more money—even after Hana found lucrative work in New York's diamond district.

The tale of a captured Soviet spy who, in the end, turned out to be a valuable U.S. trade piece for one of Moscow's most famed political prisoners.

At first, Mr. Koecher was essentially a sleeper agent. No model spy, he refused to inform on his colleagues at Radio Free Europe. But, through his American contacts, he inveigled his way into CIA headquarters, where, from 1973 to '75, he monitored agency phone taps of Soviet embassies and trade missions around the world. From this sanctum of American intelligence, he was able to tip off his masters in Prague and Moscow to which facilities were being bugged and to U.S. efforts to turn Soviet agents.

In 1975 he got a new job at a CIA think tank that allowed him to work remotely. So he and Hana moved from Langley to New York and bought a small apartment on the Upper East Side. All the while, the couple led not just a double life as spies but a triple one—as spouse-swapping swingers at sex parties in D.C. and New York.

The following year, Gen. Oleg Kalugin of the KGB accused Mr. Koecher of being a double agent for the Americans. Drummed out of the service, he and Hana, now U.S. citizens, stayed in New York and ran their own diamond business. In 1982 the StB reactivated the Koechers to gather intelligence on the new Reagan administration, but two years later the FBI collared them for espionage. In February 1986, the couple were traded by America for the imprisoned Jewish dissident Anatoly (Natan) Shcharansky. They settled in greater Prague, where they continue to live today. When the author interviewed Mr. Koecher six years ago, he found the old spy, then 82 and three decades into his retirement, reasonably mellow.

In the interview, which serves as the book's epilogue, Mr. Koecher argues that the American stance in the Cold War was mistaken or disingenuous—that Moscow's actions were fundamentally defensive and the U.S. was never their real target. What's more, he said in 2016, “it's the Russians who [today] are defending the basic Western values . . . Family values.” Mr. Cunningham counters that the Soviets were revisionist aggressive in the old days, but he seems sympathetic to revisionist interpretations of the great twilight struggle.

Reading all this barely six months after the bloody, unprovoked Russian invasion of Ukraine can give the reader a bad case of cognitive dissonance.

Mr. Kosner is the former editor of Newsweek, New York, Esquire and the New York Daily News.

Coming in BOOKS this weekend

Jay Gould: Rascal King of America's Gilded Age • Napoleon's Russian nemesis • ‘Effective altruism’: Time, money and what we owe the future • The journals of Anne Truitt • The life of John Donne • Sam Sacks on fiction • & more

How the Rushdie Fatwa Changed the World

HOUSES OF WORSHIP
By Reuel Marc Gerecht

Apart from Iran's Islamic revolution, for which Ayatollah Ruhollah Khomeini could claim only partial credit, his most momentous achievement was the February 1989 fatwa against author Salman Rushdie. Pronounced in response to Mr. Rushdie's novel “The Satanic Verses,” Khomeini's edict was the first time a Muslim militant had the audacity to apply an Islamic punishment deep inside the West. Khomeini applied jujitsu to the West's claim that it stood for “universal values,” obliging it to take note of Muslim sensibilities about the sacred and the profane. Muslim reaction to Khomeini's decree varied, but it elicited considerable sympathy among Sunni as well as Shiite believers.

Mr. Rushdie's recondite book was an odd choice for such ire. Islamic scholars and jurists had long debated Surah 53, the segment of the Quran on which “The Satanic Verses” is based. It concerns Muhammad's efforts to convert the powerful pagans of Mecca to Islam. The canonical interpretation held that the devil intruded into the prophet's inspirations, producing what appeared to be a temporary and tactically astute toleration of paganism. Possibly excepting the slaughter of the male members of the Jewish Banu Qurayza tribe, no action has caused more heartburn among Islamic commentators.

Mr. Rushdie built his provocative fantasy on well-trodden

ground. Unfortunately for him, his Muslim background, coupled with Khomeini's need for a new cause after Iran's defeat a year earlier in its war with Iraq, catapulted the author into a tumultuous intra-Muslim struggle. If John Wansbrough—author of a 1977 book arguing that the Quran couldn't have been the work of one man in the early seventh century—had written Mr. Rushdie's book, neither Khomeini nor the clerics in Britain and India who first expressed their dismay about his writing would have cared. The same is true of Wansbrough's students Michael Cook and Patricia Crone, who suggested that early Islam might have been a Jewish messianic movement.

In 1989 Iran's supreme leader divided the world into three parts—the West and East, both led by infidels, and the Muslim-led but Western-harassed Third World. Infidels are by definition misguided and prone to ignorant, invidious ideas. Muslims historically didn't concern themselves with European aspersions on the faith or its prophet. Even after the Europeans started to defeat Ottoman and Mughal armies, Muslims remained mostly self-assured and oblivious to Christian criticism. But that changed as Muslim elites began to Westernize. For many faithful Muslims, Mr. Rushdie, an Indian Muslim by birth, was the quintessential example of this new, thoroughly secularized global elite. He was hopelessly fallen and had committed a capital offense.

The ayatollah, who had an

acute sensitivity to the zealotry of Western ways into his homeland, tapped into a deep vein of Muslim pride and anger with his fatwa. It became a significant eruption of what the historian Bernard Lewis described as “the revolt of Islam.” And it revealed a crippling weakness of secularized Muslims in most Muslim societies—namely, that they had a devilish and dangerous time gainsaying traditional beliefs even when they believed them to be absurd, harsh or antiquated.

Khomeini's decree stoked Muslim anger and paralyzed the West's response.

The Westernizing, sometimes liberal evolution of Muslim societies has always been an ebb-and-flow affair. Khomeini's edict against Mr. Rushdie reduced the running room for Westernized elites, including Muslim rulers and dissidents. Profane intellectual exploration and civilizational self-criticism—elemental parts of the West's not-so-secret sauce—became much more dangerous in the post-1989 Muslim world. Completely Westernized artists who bathe in provocation, such as Mr. Rushdie, were made more vulnerable.

Khomeini's success against Mr. Rushdie, which nearly cost the author his life on Aug. 12 in Chautauqua, N.Y., induced

an increasingly paralyzing concern among Westerners about invidious inquiry. Fear and guilt about Europe's imperial sins and America's Cold War heavy-handedness—which contributed to *tier-mondisme* (Third Worldism) in France and multiculturalism in the U.S.—made it difficult to have honest conversations about the West and Islam. Today, it's hard to imagine a young Wansbrough, Cook or Crone getting tenure at a prestigious university.

Mr. Rushdie had been living with little to no security for nearly 20 years, even though radical Islam, at least on the Sunni side, wasn't yet a spent force in the West's large immigrant communities. Hadi Matar, the Lebanese-American Shiite who stabbed Mr. Rushdie, might have had contact with the Islamic Revolutionary Guard Corps, the muscle behind Iran's theocracy. It wouldn't be surprising to see the guards abet such a hit. They have plotted in recent weeks against former U.S. officials and dissident Iranians abroad, including John Bolton and Masih Alinejad.

Mr. Rushdie, now an American and easily the West's pre-eminent tribune for free speech, deserves a vigorous defense. How we extol and protect him, and punish those who have harmed him, reverberates far beyond our shores.

Mr. Gerecht, a former Iranian-targets officer in the Central Intelligence Agency, is a senior fellow at the Foundation for Defense of Democracies.

The Hidden Drama of a College Drop-Off

By Matthew Hennessey

My oldest child, Clara, went off to college. “Don't fall apart when she leaves,” was my mantra this summer: “She'll be back at Thanksgiving.” On the day, I managed to hold it together. But underneath I was roiling.

Being a parent requires some acting skill. Kids can be both silly and dangerous. You often give stern lectures when you feel like laughing. Teenagers get emotional about predictably dumb stuff. You have to project sympathy even as you roll your eyes.

There's a theatrical element in the life of a family. Children shouldn't hear their parents arguing, which all couples do sometimes, so you've got to bottle it up. It's show business. You smile when you're low.

Luckily, I had work to distract me as Clara pulled

away. Her four younger siblings were calling out for berries from the breakfast table. Time for self-pity is limited when the lights are up and the audience is in its seats.

I'd had 18 years to prepare. Still, it was hard to say goodbye to my daughter Clara.

They say you have a child for only 18 years. That's not completely true. While every kid is different, I've always felt our work with Clara was essentially done by the time she was 14. She was herself by then. It was obvious.

Is her character the product of nature or the result of nurture? Who knows? My sense is that we could easily

have screwed things up. Decisions were made. We tried to shield Clara from the world's swirling madness. She was home-schooled until the eighth grade. Then we sent her to a small classical high school 30 miles away from our home. She spent a lot of her free time with nuns.

Clara's education looks less radical today than it did before the pandemic, but we live in New York state. Our choices earned us plenty of funny looks over the years. American culture makes a big show of encouraging you to take risks and chart your own path. It doesn't always mean what it says.

Now she's learning Greek and reading Russian literature on the manicured lawns of a historic Southern university. I'm pleased it all worked out, though I don't know how much credit my wife and I should take. First Clara

learned from us. She read what we put in front of her and laughed at the things we found funny. Later this reversed itself. We learned from her. She told us about what she'd been studying, and we adopted her sense of humor.

It's funny how that happens in a family. Eventually, I suppose, the parent-child dynamic flips entirely. In a few decades she may be rolling her eyes as she takes care of us. I'm sure I'll do something silly and dangerous or predictably dumb in my geezerhood.

The day Clara left was bright and sunny, like her future. I'm going to miss her, but you won't catch me crying. Not on the outside, anyway. The show must go on.

Mr. Hennessey is the Journal's deputy editorial features editor.

OPINION

REVIEW & OUTLOOK

Colleges Love Loan Forgiveness

President Biden on Wednesday lamented soaring college costs to justify his sweeping student loan cancellation. Students, he feels your pain. Yet he fails to recognize that the root causes of high costs are federal-loan and student-aid subsidies.

Academia has profited from subsidies as tuition costs keep climbing.

Like other Great Society programs, federal student loans and grants were initially aimed at helping low-income Americans. They have since become another all-you-can-eat entitlement. Its costs grow on autopilot as lawmakers boost subsidies in the name of making higher education more affordable, but in reality doing the opposite.

Undergraduates were allowed to borrow a total of \$7,500 in 1973. But Congress over the years has lifted the lifetime federal loan limit, which is now \$31,000 for students who are dependents and \$57,500 for others. Congress in 1980 established low-interest Plus loans for parents, which were expanded to graduate students in 2006. These have no dollar cap.

Colleges have responded all too rationally by raising prices and using the free-flowing spigot to increase professors' salaries, hire more administrators and build Club Med amenities. There's a dean for everything these days. Since 1980 the average annual cost to attend four-year public and nonprofit colleges has increased by nine-fold to \$22,690 and \$51,690, respectively.

Tuition growth in recent years has moderated as demographic factors have reduced college enrollment and increased competition. Many small liberal arts schools have closed or merged. But others have adapted by adding expensive graduate programs.

The average debt for a master's degree recipient is \$71,287; for a doctoral grad it's \$159,625. Yet the median salary for a Ph.D. is a mere \$55,000 in the humanities and \$67,250 in social sciences. Many teach college classes for low pay while highly compensated tenured professors do research, much of which doesn't add to the sum of human knowledge.

Colleges have no financial incentive to ensure that their programs impart skills demanded by employers or provide a decent living. What does it matter to them if an anthropology graduate winds up working as a barista? Colleges are paid on the front end, and government is now writing off the cost on the back end.

Mr. Biden says his half-a-trillion-dollar loan cancellation is necessary to address unsustain-

able student debt. But the Obama repayment plans already limit monthly payments to 10% of discretionary income and forgive the remaining balances after 20 years. Borrowers who earn little can pay little or nothing. Mr. Biden's plan will encourage students to take out more loans and colleges to keep raising tuition.

* * *

The best way to reduce costs is to change the financial incentives for colleges. Former Education Secretary Bill Bennett once suggested that schools be required to take an equity stake of 10% to 20% in student loans. Missouri Sen. Josh Hawley introduced legislation in 2019 that would require colleges to pay half of the loans for borrowers who default.

House Republicans have proposed limiting federal graduate debt to \$100,000, but this is too high. A better idea: Abolish graduate-school government loans. Private lenders say the feds have squeezed them from the market. There's no reason for Uncle Sam to subsidize advanced degrees; private markets can price credit risk.

This may mean a student pursuing a master's in film won't be able to borrow as much or will have to pay higher interest rates. But this would have the salutary effect of compelling colleges to reduce prices. Students in medical and other graduate programs that typically lead to higher earnings won't have trouble getting private financing.

Mr. Biden said Wednesday that his Administration is "holding colleges accountable for jacking up costs without delivering value to students." He isn't. He's only targeting for-profit colleges. His proposed gainful-employment rule would cut off federal student aid to some 40% of for-profit programs whose graduates don't meet certain earnings or debt-to-income measures. But he's giving a pass to nonprofit and public colleges that are no saints.

Why not apply the rule to all colleges? Because Ivory Tower progressives vote for Democrats and don't want to be responsible for student outcomes.

Public and nonprofit colleges are like any other business, except they can profit from taxpayer subsidies without accountability. Mr. Biden's loan write-offs show this system has failed to reduce student costs while enriching an academic elite, and soaking taxpayers. It's time for reforms that hold them accountable.

Japan Revives Nuclear Power

Energy common sense is in short supply these days, so all the more reason to cheer Japan for rethinking its flight from nuclear power. Prime Minister Fumio Kishida on Wednesday unveiled plans to return nuclear energy to a central place in the country's electric grid.

Tokyo will aim to bring seven reactors back into service, for a total of 17, and will invest in developing and installing next-generation reactors. Nuclear plants generated about a third of the country's electricity 20 years ago, according to the International Atomic Energy Agency, but that has fallen to 7.2%. Most of the country's 33 operational reactors have been offline for years undergoing safety checks.

Mr. Kishida is trying to reverse the political overreaction against nuclear power after the 2011 earthquake and tsunami that triggered a disaster at the Fukushima nuclear plant. That crisis exposed close ties among utilities, nuclear construction firms and regulators—a ménage known as the "nuclear village"—that may have compromised safety.

This explains the current round of inspections, and the burden will be on Mr. Kishida to show voters the government has learned its regulatory lessons. Japanese might also want reassurance that this won't become a subsidy bonanza as nuclear can sometimes be.

As hard as the politics will be, however, Japan has little choice. Japan must import almost all of its coal, oil and natural gas, and the Russian invasion of Ukraine has sent global prices skyrocketing while setting off competition for supply. Japan's electric grid has barely avoided blackouts this year. The economic costs of chronic energy shortages are starting to loom larger politically than the drawbacks of a nuclear restart.

Perhaps Japan's decision will get through to Germany, which also started phasing out nuclear after Fukushima and is now mired in a debate about keeping its three remaining reactors online. This should be an easy call as natural gas shortages loom this winter. Advanced economies need reliable base load power, and at least Tokyo understands this.

Transgender Patients vs. Religious Doctors

The Little Sisters of the Poor were a cause célèbre during President Obama's tenure, and they're still in court defending religious exceptions to ObamaCare's contraceptive mandate. Progressives don't merely want to win the country's culture wars. They want to impose a Carthaginian peace.

The latest evidence is a case involving the Franciscan Alliance that was heard a few weeks ago by the Fifth Circuit Court of Appeals. The alliance is a Catholic hospital system, mostly in Indiana, founded by the Sisters of St. Francis of Perpetual Adoration. As the alliance argues in its brief, in 2016 the government interpreted ObamaCare's nondiscrimination provisions "to require doctors and hospitals nationwide to perform and insure gender-transition procedures and abortions or else be liable for 'sex' discrimination."

Specifically, the feds read the law to require that services be offered on an equal basis. "If a gynecologist performs a hysterectomy for a woman with uterine cancer," the alliance's brief says, "she must do the same for a woman who wants to remove a healthy uterus to live as a man."

The alliance could not comply as a matter of conscience and medical judgment. Neither could members of the Christian Medical and Dental Associations. They sued, citing the Religious Freedom Restoration Act (RFRA) and with help from the Becket Fund for Religious Liberty, which also represented the Little Sisters.

A district court ruled in their favor. After an initial trip to the Fifth Circuit, they also won a permanent injunction. Yet instead of taking the loss, the Biden Administration is now appealing. The government argues that the alliance faces a merely "hypothetical" threat of enforcement, and it argues that RFRA claims must be evalu-

ated case by case. But if religious doctors can't raise a RFRA shield pre-emptively, they'll practice under a constant government threat.

A better question is why the Biden Administration decided to appeal. The government argues that it hasn't tried to enforce the rule against "any religious entity." Yet this month during oral argument at the Fifth Circuit, a judge asked if the feds "could promise that plaintiffs would not face prosecution or an enforcement action for refusing to offer gender reassignment surgeries or abortion."

The response from the government's lawyer? "The answer is no," since any enforcement decision would depend on "a concrete factual context." To repeat that, the Biden Administration reserves a right to punish religious doctors and hospitals for sex discrimination if they refuse to do abortions or transgender surgeries. Private plaintiffs also might sue. The alliance cites a case brought in federal court after "a Catholic employer's insurance plan declined to pay for a mastectomy and chest-reconstruction surgery on a 13-year-old girl."

This cultural clash isn't going away, and the country is in for more trouble if progressives can't rediscover the principle of pluralism. The government's appeal shows a bloody-mindedness that is difficult to fathom. A second pending case, similar but in the Eighth Circuit, involves the Religious Sisters of Mercy, who run a nonprofit clinic in Michigan.

The government spent years trying to shove birth control into the health plans of the Little Sisters, so perhaps no one should be surprised that it's fighting exemptions for the Franciscan Alliance and the Sisters of Mercy. But seriously, why not leave the nuns alone? We'd love to hear the Catholic President Biden's answer.

LETTERS TO THE EDITOR

A Pandemic Performance Review for Dr. Fauci

Regarding your editorial "Dr. Fauci and the Rule of Experts" (Aug. 23): Anthony Fauci should apologize for his poor and vacillating judgments and for the deadly lockdowns that prevented many from getting critical healthcare. Add to this the children who missed school and may never catch up, the businesses that will never return and the mental illnesses caused by lack of social interaction.

When the pandemic first hit, Dr. Fauci advised President Donald Trump that it posed little threat to the country, an egregious error. He then frequently praised the head of the World Health Organization, who acted as a shill for China. He demanded that people be required to wear masks and be vaccinated long after doubts about their effectiveness emerged. Then he was seen without a mask at a baseball game.

Perhaps worst of all, he covered up the source of the virus. It almost certainly originated in a lab in Wuhan that was doing gain-of-function research, sponsored by the U.S., without proper safety measures. The list of unethical behavior is long and congressional hearings are warranted.

ROBERT M. SUSSMAN
Paradise Valley, Ariz.

Dr. Fauci was one of the few people we could trust as we made our way through the pandemic's complicated and uncharted course. Working

with evolving scientific information, he did his best to counter all the misinformation being passed around by politicians advancing their personal ambitions. America still sees more than 400 Covid deaths a day, most of them unnecessary, because citizens were misled by elected leaders.

Dr. Fauci's years of public service have probably contributed to a culture of life more than most. He deserves a standing ovation and a sincere thank you from us all.

ELLEN SMITH
Flagstaff, Ill.

We shouldn't forget that Dr. Fauci was working for a man, Mr. Trump, who could not or would not apprehend complex information about the emerging pandemic, often made wildly inaccurate statements and would take any morsel of inaccurate science and spin it into a national policy. Dr. Fauci and his colleagues went into protective mode frequently, which necessarily limited public debate.

Mr. Trump gets credit for Operation Warp Speed. But, as you note, it was using the mRNA platform that was started decades ago by Dr. Fauci and many others. With a more thoughtful president, managing the pandemic could have been different, with Dr. Fauci better able to engage scientific complexity to the advantage of all.

DONNA GENTILE O'DONNELL, PH.D.
Philadelphia

If You Want Peace, Prepare Industry for War

Elbridge Colby and Alexander Gray are exactly right that our defense supply chain needs strengthening ("America's Industrial Base Isn't Ready for War With China," op-ed, Aug. 19). Emerging threats require a major increase in defense spending if we are going to retain deterrence.

These new defense dollars must be well-dispersed and targeted. Contrary to popular caricature, our defense industrial base is made up of producers both large and small. My state of Mississippi, for example, is home to an array of defense enterprises employing anywhere from a few dozen to thousands of workers. Many smaller producers provide niche components for vital systems.

Seemann Composites in Gulfport, Miss., is a good example. This family-owned business is the only U.S. firm that can produce resin-infused bow domes (nose cones) for Navy submarines. Taylor Machine offers industrial and logistical support to our military. U.S. Marine, Inc., another Mississippi company, is one of the few suppliers for highly-maneuverable craft for special operators—critical for contested environments.

There are thousands of companies across the country like these. We will need all of them and more to prevent a costly war in the Pacific. Congress should signal demand now so that these suppliers can invest in their workforce and boost capacity for the long haul.

SEN. ROGER WICKER (R., MISS.)
Tupelo, Miss.

Messrs. Colby and Gray bring the looming problems of a potential conflict between the U.S. and China into sharp relief. As President Bill Clinton found out when he ordered that all U.S. Army personnel should wear the black berets of the elite Army Rangers, China was the only source the Army had for the procurement. While that episode led to a raft of bills relating to military uniforms, it did nothing to ensure the long-term viability of the U.S. military industrial base, as the authors outline.

I fear the new foreign-policy mantra of House Speaker Nancy Pelosi and others is: Speak loudly and off-shore your sticks.

JIM WOOD
Jensen Beach, Fla.

Learning How to Take Care of Life After Death

Regarding Michael Stanley's "Brain Death' Marks the True End of a Person's Life" (op-ed, Aug. 23): One of the greatest lessons I learned in pediatric critical care was from Dr. Mark Rogers at Johns Hopkins Hospital. In 1986 we gathered for teaching rounds at the bedside of a two-year-old who had just met the criteria for brain death. We told Dr. Rogers that we had met with the parents, who turned down organ transplantation.

Our plan was to remove the boy from life support right away. The child was legally dead and prolonging life support was futile, we explained, a waste of resources. Our learning was about to begin.

Dr. Rogers asked questions that made us all better doctors. Where were the grandparents? We learned that they were arriving later that night. Why not allow the family to be together at the bedside and say goodbye? Wouldn't it be better to wait?

We regrouped, and the parents were beyond thankful. Dr. Rogers taught us not only to take care of the critically ill child, but to extend the same level of care to the family.

ROBERT SPEAR, M.D.
Coronado, Calif.

Teachers Against Themselves

Your editorial "Minneapolis Discriminates by Race" (Aug. 18) discusses a new collective-bargaining agreement that discriminates against nonminority teachers by allowing race to play a major role—over seniority—in selecting candidates for layoff. I read elsewhere that most of these teachers aren't minorities. This puzzles me: Why would they vote to ratify an agreement that grossly discriminates against themselves?

WILLIAM B. ALLEN
Longboat Key, Fla.

What Mayor Suarez Leaves Out About the City of Miami

Francis Suarez's Miami is not the one I live in ("Miami Takes On the Socialist Model," op-ed, Aug. 22). Miami has high property taxes, home prices and rents. It has expensive hurricane insurance, if you can even get it, and there are frequent drive-by shootings.

Mr. Suarez plans to move our homeless to Virginia Key, where they will be far from food stores, soup kitchens, public transportation and social services. Our governor wants to make Florida an "open carry" state, and I don't mean liquor. The good news is that Florida has no state income tax and when you file for bankruptcy, they can't take your domicile.

MARGARET M. SARAFIOGLU
Miami

Cellphone Use Can Be Deadly

Regarding "Traffic Deaths Soar in First Quarter" (U.S. News, Aug. 18): Researchers miss an important cause of crashes: cellphones. One only has to look at weaving cars or motorists driving well below the speed limit on our highways to observe this. Many of these drivers are using their phones. Hands-free use isn't the answer. Just get off the phone and drive.

PAUL JONES
Lincolnton, N.C.

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Pepper ... And Salt

THE WALL STREET JOURNAL



OPINION

The Peculiar Challenges of Crypto Regulation

By Jay Clayton

America's financial markets are remarkably successful. The U.S. has less than 5% of the world's population, yet over half of global investment capital is generated in American markets. The U.S. dollar has long been the reserve currency. With all this, one would think that regulating crypto wouldn't be difficult.

Yet almost no one is satisfied with the current state of regulation. Efforts by regulators, legislators and market participants have met resistance from one another. Consensus remains elusive—and will remain so until the reasons for the regulatory challenge are understood.

Opposing views are dug in, and sometimes they reflect disagreements with other longstanding policies.

Regulators, entrepreneurs and investors alike need to consider five points:

- *Regulation of America's public markets is broad and rigorous, while private-market access is highly restricted.* The public capital markets are so extensively regulated that companies with less than \$1 billion in value find the costs of being publicly traded prohibitive. Deep pools of private capital have emerged to fund innovation and growth in small and medium-size companies, though regulations mostly limit these pools to institutional and high-net-worth investors.

Crypto ventures, with their

global, retail funding models, have exposed the burden the U.S. places on retail investing. Regulators have made the policy choice that growth companies will have to look to private markets, and small investors will have limited means to invest in growth companies. Many of the calls for clarity in the regulation of crypto are actually complaints about this longstanding policy. The law is clear. The question is whether the policy should change.

- *The Uber strategy worked for taxis, but it won't work for crypto.* Many in the entrepreneurial community view regulation not as an obligation but as a burden to be overcome with innovation. They have been emboldened by the success of Uber and similar companies whose early products skirted regulation. The savings and enhancements offered to consumers were so compelling, and the existing rules so arcane, that enforcement was limited, and regulations eventually bent to innovation and consumer choice.

But as recent market events have shown, the fundamentals of regulation—transparency, limited leverage, liquidity and accountability—remain necessary. This is where the Uber analogy fails. Automobile safety and driver accountability, the core of taxi regulation, weren't compromised. Where crypto can achieve regulatory objectives with greater operational efficiency, it should be embraced.

- *The word "crypto" refers to a spectrum of products under multiple regulatory bodies.* Crypto financial products range from stocks and mutual funds to margin loans and bank deposits. Other crypto products, including NFTs (non-fungible tokens), are akin to art and other collectibles. Some crypto combines characteristics of securities and banking prod-



DAVID KLEIN

ucts. That leaves crypto regulated by multiple agencies with overlapping authority. A fund that invests in bitcoin is subject to regulation by the Securities and Exchange Commission, the Commodity Futures Trading Commission and state regulators. If the fund is offered by a large bank, the Federal Reserve and the Federal Deposit Insurance Corp. may have a say. Proactive cooperation among regulators, an often cumbersome endeavor, is essential.

- *Crypto emerged globally and at the retail level, which is a challenge for U.S. regulators.* Financial regulation is largely domestic and institution-focused. Retail-investor protection is largely accomplished through oversight of the institutions that serve retail customers.

Many crypto assets, including bitcoin, followed an unprecedented developmental path. They emerged globally, not domestically, and largely at the retail, not the institutional, level. The decentralized nature of crypto has meant there is often no

easily identifiable sponsoring institution, and even when known, the relevant issuer or platform may be overseas and beyond the reach of U.S. regulators. The familiar tools of American regulators, including licensing, mandatory disclosures and marketwide secondary-trading rules, aren't readily available.

- *Opposing views are entrenched.* Many market participants believe crypto is synonymous with fraud. There is evidence supporting this, including the initial-coin-offering craze and the recent \$15 billion collapse of the Terra stablecoin. Some experienced investors believe regulators should have shut down many crypto products years ago.

Meanwhile, crypto bulls see massive investment opportunities, operational efficiencies and regulatory enhancements. They cite frictions in the global financial system, the rise of bitcoin as an alternative asset, the operational capabilities of stablecoins, and the large amount of talent and hundreds of billions in

investment capital in crypto innovation and Web3 products as signs of a transformation of global financial infrastructure. They believe regulators should embrace the benefits of crypto by relaxing and augmenting existing regulations.

Each group fears that yielding to the other would cost billions in either losses to innocent victims or missed opportunities for investors. In this environment, consensus is elusive. As a result, even well-measured government action is met with criticism, creating a bias against action—which is precisely the opposite of what each camp demands.

To move forward, the U.S. needs, first, to embrace the efficiencies provided by tokenizing such well-understood services as payments and custody of assets in digital form. The presidential working group, led by the Treasury, should move forward on stablecoin rules, identifying the characteristics that make stablecoins a means of payment (akin to money transfer) and not a security or commodity. The SEC should issue requirements for the custody of tokenized assets.

America must also go after those who are flouting its laws, as the SEC did with initial coin offerings. Starting there, we will soon know more. The opposing camps will have little to challenge, and the next step will be easier.

What the U.S. should not do is fail to act. Other nations, including China, have entered the race to modernize the global financial infrastructure. Winning that race is essential to the dollar's reserve status and the continuing global influence of America's capital-markets policy.

Mr. Clayton served as SEC chairman, 2017-20.

How the Ukraine War Is Transforming Germany



POLITICAL ECONOMICS
By Joseph C. Sternberg

German Chancellor Olaf Scholz promised in February to overhaul his country in response to Russia's invasion of Ukraine. Six months after this *Zeitenwende*—turning point—it's going better than many expected even if worse than some hoped.

Mr. Scholz announced three transformations in his startling speech to lawmakers on Feb. 27, three days after Vladimir Putin's Ukraine invasion started. First, Berlin would reinvest in its military to meet the North Atlantic Treaty Organization's goal of spending 2% of gross domestic product on defense, and specifically would use it to upgrade equipment such as fighter jets. Second, Germany would treat energy policy as a national-security matter and wean itself off Russian natural gas. Third, Berlin no longer would pursue mindless diplomacy for diplomacy's sake, especially with the world's autocrats.

As substantial as those pledges were, enacting them would require much larger shifts in German public, business and political culture. Building voter support for such radical changes necessitates a wholesale reappraisal of

Germany's interests and its role in the world. Surprisingly, Germany has begun to undertake it.

The most important development is something that hasn't occurred. Skyrocketing energy prices as a result of Russian energy blackmail and the prospect of a cold, dark winter aren't inducing Germans to ask if the fuss over Ukraine is worth the misery. Some 70% of respondents to a poll last month for public broadcaster ZDF said Germany should continue supporting Ukraine. This support could wane when winter hits, but credit Mr. Putin for making this less likely.

The catalyzing moment was the release in early April of stomach-turning photographs depicting Russian atrocities in the town of Bucha. The arrival of war on European soil, followed by graphic evidence of the conflict's brutality, appears to have stirred German voters to make new cost-benefit calculations about their role in the world.

As part of that, Germany seems to be seriously re-evaluating how it weighs its commercial interests. Energy dependence on Russia isn't the half of it. Fuel aside, Germany's commercial relationship with Russia isn't substantial. Imposing sanctions on Moscow still hurt Germany economically, but at a mere €26.6 billion last year, German exports to Russia

equaled its shipments to Sweden.

The bigger question involves China, which accounts for €104 billion in annual exports and €142 billion of imports. Here it's starting to look as if the Ukraine invasion has flipped a conceptual switch in Germany about bargaining with autocrats.

For decades, Germany viewed trade as a diplomatic tool under the rubric *Wandel durch Handel*—"change through trade." Increasingly, however, there's an awareness that

Chancellor Olaf Scholz promised a 'turning point' six months ago and—surprise!—it's happening.

trade can become a strategic vulnerability if companies and politicians are careless. There is no appetite to withdraw immediately from China, nor should there be. But Germans are beginning to understand that they have to prepare now to walk away, rather than be surprised later, in case events demand it—such as a Chinese invasion of Taiwan.

As for the politics, a conspicuous feature of Mr. Scholz's turning point is how absent the chancellor has

been. He wasn't elected last year to be a wartime leader, and he hasn't grown into one. His consensus-driven lead-from-behind style has left a vacuum where a chancellor should be. He's missing from major policy debates, especially on energy and the future of the country's controversial remaining nuclear power plants, leaving Berlin without a helmsman.

Then again, so strong is the cultural and economic wind sweeping Germany that a political transformation is under way even without leadership. The two most popular politicians in Mr. Scholz's unwieldy coalition government also happen to be the most hawkish on Russia, China and other foreign matters—Foreign Minister Annalena Baerbock and Economic Affairs and Climate Action Minister Robert Habeck, both of the Green Party. Mr. Habeck's enduring approval rating is a remarkable feat given that to him falls the wretched task of explaining to voters how a shortage of Russian energy will immerse everyone this winter.

It helps that voters have been treated to a series of enlightening scandals involving Russian influence in Germany's politics. This includes renewed palaver over former Chancellor Gerhard Schröder's business ties to the Kremlin and a funding scandal concerning alleged links

between the Russian owners of the Nord Stream 2 natural-gas pipeline and the government of the northeastern state of Mecklenburg-West Pomerania. New policy questions are up for debate, too, such as whether Germany should frack its own shale gas at long last.

Meanwhile, the opposition Christian Democratic Union has decided there's political profit in ditching the legacy of former Chancellor Angela Merkel, who was responsible for many of the disastrous economic, energy and foreign policies that are now falling apart. Under its new leader, Friedrich Merz, the CDU has reverted to its traditional hawkishness. Mr. Merz was particularly aggressive in insisting that Mr. Scholz's stepped-up military budget be spent on military equipment rather than soft-power follies such as foreign aid. Voters are responding favorably. The CDU now frequently leads Mr. Scholz's Social Democrats in opinion polls, and by expanding margins.

Mr. Scholz almost certainly didn't anticipate the forces he set in motion on Feb. 27—many of which may now be irreversible, and some of which endanger his political future. No matter. He promised a turning point, and that's what Germany is getting, even if it will take years to know exactly what form the turn has finally taken.

Do Laws Against Workplace Harassment Violate Free Speech?

By Eugene Kontorovich

One of the dirty secrets of American constitutional law is the tension between antidiscrimination laws and free expression. It blew into public view last week, when federal district judge Mark Walker struck down a Florida law dealing with hostile work environments on the grounds that it impermissibly infringed on the First Amendment. According to Judge Walker, an employer's liberty is violated by not being able to make racially derogatory, essentialist and stereotyping comments. The First Amendment demands a "marketplace of ideas," he ruled in *Honeyfund v. DeSantis*. So employees who object when the boss peddles disparaging comments about their race should argue rather than sue.

The Florida ruling could have been a bold conceptual challenge to employment-discrimination laws, albeit one that goes against a towering edifice of Supreme Court precedent, according to which combating racism and sexism is important enough to justify some speech restrictions in workplaces. But Judge Walker's opinion doesn't deserve credit even for such a quixotic stand. It protects from liability only racial insults that are "widely accepted" in elite academic and corporate settings.

The law in question, the Stop WOKE Act, prohibits employers from subjecting their employees to programs like "diversity, equity and inclusion" training that deems one race "morally superior" or attribute inherent and unshakable characteristics to individuals based solely on their race—such as white privilege or

collective racial guilt. In short, the law targets classic indicators of bigoted speech, attributing traits, primarily negative, to individuals because of their race.

As a legal matter, discrimination against whites is already verboten, as it is against any other group. But it is undeniable that, as a cultural matter, bigotry against some groups bears far less stigma than bigotry against others. A set of theories and philosophies has gained prominence that claim stigmatizing members of presumptively dominant groups (especially whites, but increasingly also Jews and Asians) is not only acceptable but virtuous.

Regardless of success such theories have enjoyed in the academy, such speech—especially when endorsed by someone in a position of power, such as an employer—can be unpleasant enough to create a hostile work environment under Title VII of the Civil Rights Act of 1964. The only need for the Florida law is to make clear what should go without saying: Racially hostile speech in the workplace is no less prohibited when made by an inclusion officer with an advanced degree than when made by loading-dock foreman Archie Bunker.

Even Judge Walker concedes that "a diversity and inclusion training could be so offensive, and so hostile to White employees, that it could create a hostile work environment," which is "already illegal." So to overturn a law that says just that, he resorted to splitting hairs. Under federal law, an employer can be liable under the hostile-workplace theory for racist comments or jokes made by a few employees without his approval—with

the catch that such comments must be "severe and pervasive." The Stop WOKE Act, however, has no explicit pervasiveness requirement. Judge Walker speculates, absent any evidence, that even the "slightest endorsement" of white-privilege theories in the workplace could lead to liability under the Florida law.

There's little difference between the Civil Rights Act of 1964 and Florida's Stop WOKE Act.

This is disingenuous. Title VII also contains no textual limitation to "pervasive" conduct. On its face, the hostile work environment theory—itself a judicial gloss on Title VII—could sweep in any comment on race. But the Supreme Court added the pervasiveness limitation to avoid forcing an unreasonable and constitutionally tenuous construction on the statute. Judge Walker did the opposite. He adopted the broadest and most inane reading of Florida's statute, without any indication that the state would interpret it that way, to cast constitutional doubt on it. Rather than find the law void for vagueness, he found it vague for voidness (to borrow an expression from the lawyer and teacher Barry Alberts).

The Florida law makes reasonably clear what it seeks to protect employees from, with Gov. Ron DeSantis's office pointing to several examples of major corporate diversity training

about inherent white privilege. This isn't about banning water-cooler conversations on the 1619 Project or outlawing cruel jokes by fellow employees. It's about training and other kinds of indoctrination material pushed on employees in an employer-sanctioned setting. There is often overwhelming pressure for employees to accede to the views preached in such sessions. Such conduct, endorsed and even encouraged by a company, can satisfy a pervasiveness requirement more easily than the casual banter of co-workers.

Florida's law tries to capture in statutory language the array of bigoted practices that are central to these programs. Throughout the first seven paragraphs of the law, it limits its reach to theories that impute characteristics not only to a race but to individuals as members of a race. The final section, which focuses on the idea that "merit" and "hard work" are fundamentally racist constructs, lacks such a limitation. That paragraph raises constitutional concerns, but lawmakers could fulfill their stop-woke mission without that broad language.

There is no justification for Judge Walker's complete ban on enforcement of the law. The Florida Legislature isn't required to be silent in the debate over what constitutes racially hostile speech and conduct, or to cede the determination of what constitutes discrimination to academic theorists and bestselling authors like Ibram X. Kendi.

Mr. Kontorovich is a professor of law at George Mason University Scalia Law School.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

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WORLD NEWS

U.S. Gunships Strike Militia in Syria

Latest retaliatory move targets group backed by Iran that fired rockets at base

By JARED MALSIN

The U.S. military used helicopter gunships to kill what it said were members of an Iran-backed militia that had fired rockets at a base used by American forces in Syria, in the second retaliatory strike in two days.

Clashes with Iranian-backed paramilitaries in Syria are

likely to heighten tensions with Tehran at a crucial point for negotiations between the U.S. and Iran over reviving the international agreement that puts limits on Tehran's nuclear ambitions in exchange for sanctions relief.

The rocket attacks began on Wednesday at around 7:20 p.m. local time, with some landing inside the perimeter of one base called Mission Support Site Conoco, and others in the vicinity of Mission Support Site Green Village, according to U.S. Central Command, or Centcom.

In response, U.S. forces

used AH-64 Apache attack helicopters, AC-130 gunships and M777 artillery to kill four suspected members of the militias, Centcom said.

Three vehicles and equipment were also destroyed, the military said.

Seven rocket-launchers were also destroyed in the retaliatory strikes, Centcom said.

"The response was proportional and deliberate. The United States does not seek conflict with Iran, but we will continue to take the measures necessary to protect and defend our people," Centcom

said on Thursday.

One U.S. soldier at the Conoco base was treated for a minor injury. Two others were evaluated for minor injuries, the military said.

It was the second time in two days that the military said it launched strikes in response to attacks on U.S. bases in Syria.

The U.S. military said it struck ammunition and logistics bunkers late Tuesday in northeast Syria used by groups that are affiliated with Iran's Islamic Revolutionary Guard Corps in retaliation for attacks on U.S.

bases on Aug. 15.

President Biden approved the strikes, in which jet fighters dropped nine guided bombs on as many bunkers, U.S. officials said.

Iran denied any connection to the sites hit by the U.S. military in those airstrikes.

Asked about the latest attacks, Iran's Foreign Ministry referred to its statement on Tuesday's strikes that denied links to the targeted sites.

The strikes are the latest in a slow-burning conflict between the U.S. military and Iranian-backed militant groups in Syria and Iraq that have

sworn to drive American forces from the region.

A U.S. airstrike that killed a senior Iranian general in January 2020 triggered an escalation of the conflict.

The U.S. has more than 900 soldiers stationed in Syria as a part of a mission to support local forces battling the remnants of Islamic State.

The presence of U.S. forces also deters encroachment by Iran, the Syrian regime in Damascus, as well as Russia and Turkey, providing the linchpin of a self-governing statelet led by Kurdish groups within Syria.

Taiwan Hones Fight Against Disinformation

By JOYU WANG

TAIPEI—In response to House Speaker Nancy Pelosi's visit to Taiwan, China launched missiles, carried out military drills and sent jet fighters across the Taiwan Strait.

But the island's government said that even before Mrs. Pelosi's plane touched down, it was defending its people against a more-subtle assault from Beijing, one designed to sow fear through the use of disinformation.

Taiwan's methods for defenses against such attacks are increasingly gaining attention from Western government officials and internet researchers. Former U.S. Defense Secretary Mark Esper discussed Taiwan's strategy on disinformation with the island's digital minister during a visit in July.

"It seems to be very effective, and we're trying to bring back lessons learned," he said after returning.

Taiwan has ranked as the world's biggest target for foreign disinformation for nine years in a row, according to V-Dem, a Swedish institute that produces annual reports on global disinformation. Taiwanese officials and information



Charles Yeh, founder of fact-checking group MyGoPen, says, "Taiwan has the power now to resist" Beijing's efforts to sow fear. His team reviews state-TV footage, flagging falsehoods to various platforms.

researchers say the source of the overwhelming majority of those attacks is China, which claims Taiwan as part of its territory and has spent decades trying to persuade Taiwanese people to peacefully submit to Beijing's rule.

Taiwan's military said it identified more than 270 examples of false or misleading content this month that were

part of a Chinese disinformation campaign designed to hurt morale on the island and undermine the Taiwanese government's credibility.

China's Taiwan Affairs Office didn't respond to a request to comment.

Taiwan's first line of defense against such attacks is a coterie of nonprofit fact-checking groups, which use tools de-

veloped by tech companies and tight communication with Taiwan government agencies to find and debunk what they identify as disinformation before it spreads too widely.

The day after Mrs. Pelosi wrapped up her visit to Taiwan on Aug. 3, several users of Line Corp., a messaging-app service that has 21 million active users in Taiwan, flagged a

rumor spreading on the platform that China planned to evacuate its nationals in Taiwan by Aug. 8, a potential sign of an impending invasion. The claim was based on what appeared to be a screenshot of a Chinese state television broadcast with a line of text announcing the evacuation.

A custom-built fact-checking chatbot on the Line platform sent alerts about the rumor to MyGoPen, a fact-checking group.

MyGoPen's founder, Charles Yeh, said he mobilized his seven-member team to review Chinese state-television footage. The team concluded the story was fake and sent a report to the local offices of Line, Google and Facebook, which took steps to keep it from spreading on their platforms.

Taiwan's Mainland Affairs Office, the government body in charge of dealing with China, put out a statement debunking the rumor and requested help from police in tracking down its origins. The following day, police said they had traced the screenshot to a woman in mainland China they accused of trying to sow public panic. "Taiwan has the power now to resist," Mr. Yeh said.

Taipei To Increase Defense Spending

By JOYU WANG

TAIPEI—Taiwan unveiled plans to boost military spending by its largest margin in 15 years in response to escalating tensions with China that come amid deteriorating ties between Beijing and Washington.

On Thursday, Taiwan's cabinet proposed a record baseline military budget of \$13.7 billion for next year. That would amount to an increase of nearly 13% over this year's defense budget—the largest year-to-year jump since at least 2007.

The cabinet also proposed allocating an additional \$3.6 billion in special expenditures to buy jet fighters and fund more missiles, naval ships and other weapon systems.

The budget proposal is expected to be approved by the Taiwanese legislature.

"It's like combating the pandemic," Taiwanese statistics department head Chu Tzer-ming said Thursday, responding to a question about the proposed defense budget. "Pandemic prevention is about protecting lives. This is about protecting the country."

Taiwan's announcement came a day after China announced plans to conduct a fresh round of live-fire military drills off the coast of Fujian, the southeastern province closest to Taiwan.

Liu Pengyu, a Chinese Embassy spokesman in Washington, said he saw the budget proposal as a sign that the Taiwanese government has "adopted a separatist stance."

WORLD WATCH



Thousands of Rohingya refugees gathered Thursday in Bangladesh's Cox's Bazar district to mark the fifth anniversary of the start of their exodus from Myanmar.

PAKISTAN

Climate Change Is Blamed for Floods

Pakistan's top climate official blamed climate change for the country's deadliest flooding in more than a decade, as intense monsoon rains washed away villages and crops, killing more than 900 people since late June.

The Pakistan Meteorological Department has said the country saw its wettest July since 1961.

Climate Change Minister Sherry Rehman called this year's rainfall a "monster monsoon" and said Thursday that the country was experiencing "a humanitarian disaster driven by climate change." Twice as much rainfall as normal in this year's monsoon season has turned rivers into lakes, submerging towns, farms and roads.

Climate scientists broadly agree that temperatures are rising, and that this is increasing at-

mospheric humidity, which makes heavier or more frequent downpours more likely. However scientists say it is difficult to pinpoint the cause of any specific extreme weather event, or to definitively attribute it to climate change.

Pakistan, which is in the throes of an economic crisis that has chipped away at its reserves, has appealed for international help to help those displaced by the rains. An assessment of needs is being prepared with the United Nations, said Ms. Rehman.

"Thousands are without shelter, many are without food. And people are stranded," Ms. Rehman said. "We need all the help we can get."

In the monsoon deluge, 913 people have died, and a further 1,296 have been injured since mid-June, the country's climate change ministry said, making this year's the deadliest flooding since 2010.

—Saeed Shah

ANGOLA

President Lourenço Set for Another Term

Angola's ruling party, already in power for nearly five decades, was set to narrowly win this week's general election, the country's electoral commission said Thursday, handing President João Lourenço another five-year term.

With 97% of ballots counted, the Popular Movement for the Liberation of Angola, or MPLA, was at 51% of the vote in Wednesday's elections, the commission said, the party's slimmest margin since Angola held its first national elections in 1992. The opposition National Union for the Total Independence of Angola, or Unita, won 44%, the commission said, with the remainder of the votes going to smaller parties.

The near-final results would leave the MPLA with 124 out of the 220 seats in Angola, enough

to elect Mr. Lourenço for a second term, while Unita would have 90 seats.

As early results were released throughout the day Thursday, Unita officials contested the electoral commission's numbers and said its parallel count pointed to an opposition victory. "Don't let them steal our hope," the party's leader, Adalberto Costa Júnior, who had joined forces for the election with two other popular opposition groups, posted on Facebook.

—Gabriele Steinhauser

BANGLADESH

Rohingya Mark the 5th Year as Refugees

Hundreds of thousands of ethnic minority Rohingya refugees marked the fifth anniversary of their exodus from Myanmar to Bangladesh on Thursday, as the U.S., the European Union and other Western nations

pledged to support the pursuit of justice in international courts.

At a sprawling camp in Bangladesh's Cox's Bazar district, thousands of refugees gathered to commemorate what they term Genocide Remembrance Day, with speakers demanding safety from persecution inside Myanmar so they can return to the country.

On Thursday, the United Kingdom announced a further round of sanctions targeting businesses linked to Myanmar's military, which rules the country.

More than one million Rohingya refugees have fled to Bangladesh from Myanmar over several decades, including about 740,000 who crossed the border starting in August 2017 when the Myanmar military launched a "clearance operation" against them following attacks by a rebel group.

In March, the U.S. said the oppression of Rohingya in Myanmar amounts to genocide.

—Associated Press

France Eyes Taxing The Use of Private Jets

By NICK KOSTOV

PARIS—France is exploring ways to rein in private-jet flights amid a growing backlash over the wealthy's use of high-emitting planes to travel the distance of a car or train journey.

Clement Beaune, France's transport minister, said President Emmanuel Macron gave him the green light to come up with a plan for further regulating and possibly taxing the use of private jets as the French government ramps up its push to fight climate change. France has suffered record-setting heat in recent weeks, as well as raging wildfires and drought.

Public anger over the use of private jets has mushroomed, with billionaires and celebrities ranging from Elon Musk to Kylie Jenner criticized for their frequent use of the planes. Several social-media accounts have been created to track private jet flights and publicly identify their users.

Mr. Beaune has floated the idea of carbon quotas that would require individuals or companies that go above a certain threshold of greenhouse-gas emissions to pay. He said he would make concrete proposals to President Macron in the coming weeks.

Robert Baltus, chief operations officer at the European Business Aviation Association, said Mr. Beaune's plans are an empty media announcement that would have only a minimal impact on emissions.

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Friday, August 26, 2022 | B1

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Yields Climb on Economic Hopes

By SAM GOLDFARB

U.S. government-bond yields have rebounded this month, reflecting increased optimism among investors about the near-term economic outlook.

Yields, which rise when bond prices fall, remain below their peaks set in June, when investors were most concerned about runaway inflation. But they are also now well above their recent lows, when analysts were debating whether the U.S. was already

in, or entering, a recession.

Investors mostly don't think the U.S. is in a recession. Many still believe one is inevitable, as the Federal Reserve raises interest rates to bring down inflation. But many are betting that it will take longer to get there, thanks to a run of mostly solid economic data and comments from Fed officials suggesting that they might start taking a more cautious approach to tightening monetary policy.

Chairman Jerome Powell is due to speak Friday at the

Federal Reserve Bank of Kansas City's annual retreat in Jackson Hole, Wyo.

Not long ago, the narrative in the market was that the Fed was "sort of marching the U.S. economy over a cliff," said Steve Englander, head of global G-10 FX research and North America macro strategy at Standard Chartered in New York. More recently, the feeling has been that "it may take a while yet for the economy to cry uncle."

The yield on the 10-year U.S. Treasury note settled

Thursday at 3.023%, down from 3.105% Wednesday but up from 2.605% on Aug. 1, according to Tradeweb. U.S. stocks indexes logged their second straight day of gains after three sessions of declines.

Yields on U.S. Treasuries largely reflect investors' expectations for short-term interest rates set by the Fed. They, in turn, set a floor on borrowing costs across the economy and—because Treasuries are nearly guaranteed to be paid back at maturity—es-

tablish a benchmark return against which other assets are measured.

Starting with a surprisingly strong jobs report in early August, good economic news has been bad for bonds in recent weeks because it has forced investors to extend the period in which they expect the Fed to raise rates. Just as important, investors have pushed off the date when they think the central bank will start cutting rates.

Notably, Treasuries haven't Please turn to page B11

Crypto ATM Firm Set to List Publicly

By AMRITH RAMKUMAR

Bitcoin Depot has reached a deal with a special-purpose acquisition company that values the cryptocurrency ATM firm at roughly \$885 million and would take it public, company officials said.

The deal comes during market downturns for cryptocurrencies and SPACs and is expected to test investor appetite for bitcoin automated teller machines, which some skeptics associate with crimes and high fees.

Atlanta-based Bitcoin Depot is combining with the SPAC GSR II Meteora Acquisition Corp. in a deal announced Thursday.

Founded in 2016, Bitcoin Depot said it is the largest provider of bitcoin ATMs in North America, with more than 7,000 kiosks in the U.S. and Canada at stores such as Circle K.

Bitcoin ATMs aren't like the conventional machines consumers find at traditional banks that let users withdraw or deposit cash. Instead, they are kiosks where consumers can use cash to buy bitcoin or other digital currencies, often by scanning a QR code.

Proponents say bitcoin ATMs allow more people to access cryptocurrencies because users don't need to link a credit card or bank account to their digital wallet and can quickly transact at stores or gasoline stations. Bitcoin ATMs can complete transactions in minutes, whereas exchanges that many traders use to swap cryptocurrencies sometimes take days to fulfill orders. There are nearly 40,000 bitcoin ATMs around the world, up from about 6,000 at the end of 2019, according to Coin ATM Radar. Most of them are in the U.S.

Despite the cryptocurrency bear market that has sent bitcoin prices about 70% below their November peak, Bitcoin Depot says it has continued growing.

The company had record sales and earnings before interest, taxes, depreciation and amortization in the second quarter, highlighting greater usage of cryptocurrency, such as for payments for physical items and sending money overseas, Chief Executive Brandon Mintz said.

Please turn to page B10

Clothing Retailers Suffer as Inflation Pressures Consumers

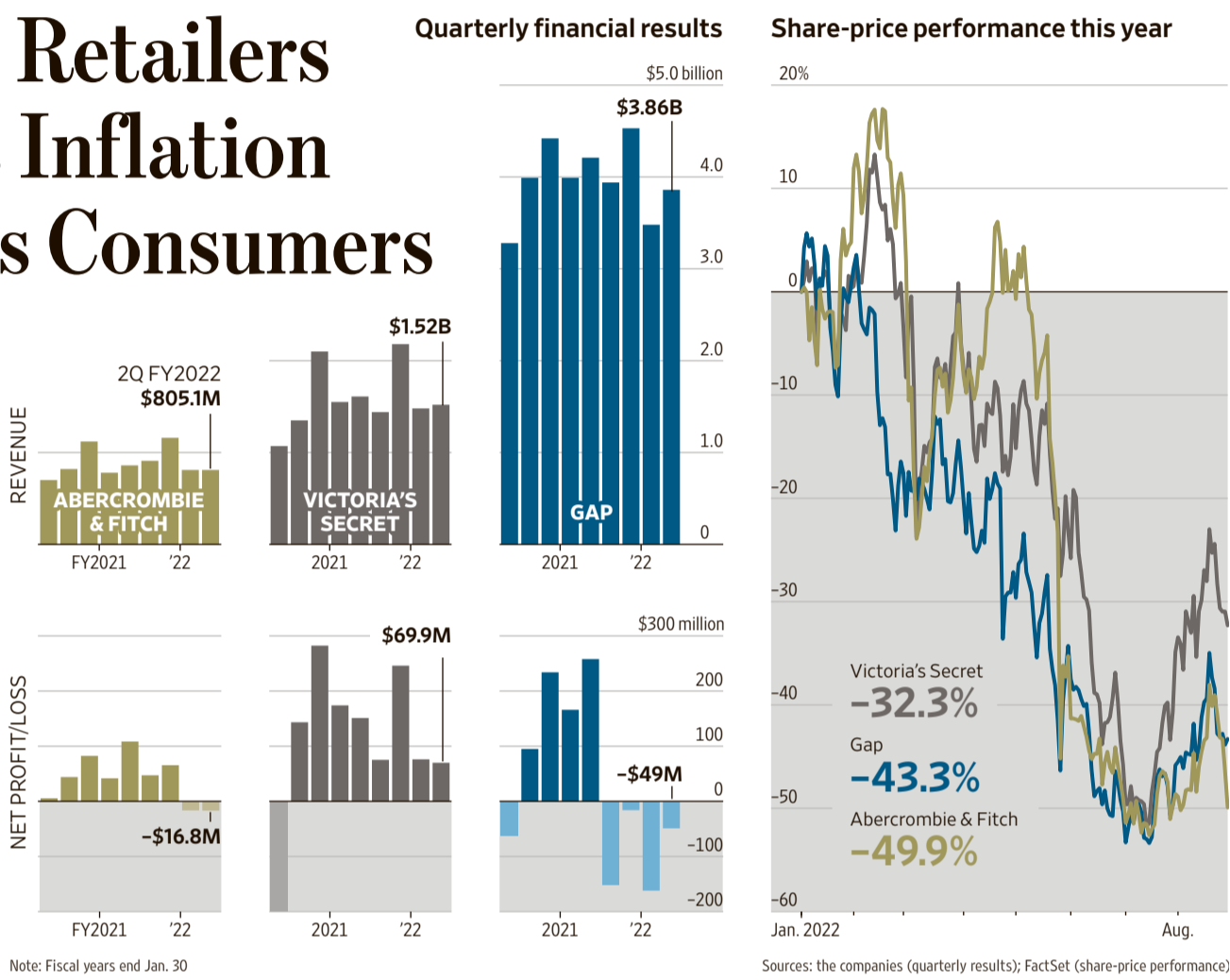
By KATHRYN HARDISON AND DEAN SEAL

Apparel chains Gap Inc., Victoria's Secret & Co. and Abercrombie & Fitch Co. reported declining quarterly sales as consumers shift their spending away from clothing and other discretionary items.

The results, following lackluster earnings reports from many department stores and big-box chains, were weaker than investors had expected. Victoria's Secret and Abercrombie both lowered their sales targets for the year, while Gap withdrew its guidance as its interim chief executive aims to stem losses.

Victoria's Secret closed 2% lower on Thursday, while Abercrombie fell more than 6%. Gap closed up 1% and gained 5% in after-hours trading.

Retail spending has softened Please turn to page B2



Monkeypox Pill Puts Drugmaker on the Map

By JOSEPH WALKER

In the aftermath of 9/11, SIGA Technologies Inc. started work on a drug it hoped would never be used. Now, Tpoxx is playing a surprising role as one of the few available treatments thought to be effective against monkeypox.

SIGA's employees spent nearly two decades developing Tpoxx to treat smallpox in case of a bioterrorism attack. Monkeypox is a related virus

that is mainly infecting men in the U.S. and other countries who have sex with men.

Like Bavarian Nordic AS, the only maker of a vaccine licensed for monkeypox, SIGA is largely alone on one front of the response to an epidemic that has caused more than 13,500 cases in the U.S.

The company said it is juggling calls from governments around the world, leading to \$60 million in Tpoxx orders from places including Europe

and Canada. SIGA's market value has more than doubled this year to \$1.3 billion. SIGA Chief Executive Officer Phil Gomez compared the experience to being a reserve player on a team that has made it to the championships.

"All of a sudden you have to be ready to get on the court," he said.

U.S. officials have made Tpoxx available for monkeypox patients with severe symptoms, drawing on its stockpile of 1.7

million treatment courses that it acquired in the event of a smallpox outbreak. The Biden administration said it would make available 50,000 treatment courses to local health departments this week in addition to 20,000 courses sent previously.

SIGA relies on partners including Catalent Inc. to make the pills. Tpoxx was approved in the U.S. to treat smallpox in 2018.

Under special protocols cre-

ated by the Centers for Disease Control and Prevention, Tpoxx can be used to treat patients with severe disease, which can include bleeding and painful sores on the genitals. Doctors and support staff have to submit paperwork on each patient they treat and conduct follow-up visits.

Tpoxx never underwent human testing because smallpox was eradicated decades ago. Instead, the drug was tested in Please turn to page B5

Pension Funds Unload Their Office Buildings

By HEATHER GILLERS

Major U.S. and Canadian pension funds are cutting back investments in office buildings, betting that prices will likely fall as the five-day office workweek becomes a thing of the past.

Retirement funds are still buying real estate, partly to reduce the impact of inflation, but those investments are more focused on warehouses, lab space, housing, airports and film studios.

The shift is part of a transition away from traditional holdings in offices and shopping centers as the Covid-19 pandemic has accelerated the rise of e-commerce and remote work.

Michael Turner, president of Oxford Properties, the real-estate arm of the \$90 billion Ontario Municipal Employees Retirement System, said that within the next decade he expects office space to fall to roughly 20% of the firm's Please turn to page B10

Tougher Rules Didn't Cover Ford Trucks

By RYAN FELTON AND NORA ECKERT

Federal regulators excluded heavy-duty trucks like the pickup at the center of a recent \$1.7 billion verdict against Ford Motor Co. from tougher roof-strength requirements adopted decades ago, then later reversed the decision to include future models.

The rules, which were expanded more than 30 years ago to include lighter trucks, were intended to better protect occupants in a rollover crash.

Vehicle manufacturers, including Ford, had lobbied before the rule change that the stiffer standards shouldn't apply to their heavier trucks, government filings show, saying the safety benefits were still uncertain for these types of vehicles.

The regulator, the National Highway Traffic Safety Administration, at the time decided not to include the heavier trucks in the regulations. In 2009, following an order by Congress, NHTSA extended the tougher roof-safety rules to trucks with a higher gross weight.

On Friday, a jury in Georgia determined punitive damages should be imposed on Ford for selling 5.2 million Super Duty trucks from model years



Ford says the roof of the 2002 F-250 pickup truck was reasonably safe as designed. A 2007 model.

1999-2016 with what the plaintiffs alleged were defective roofs prone to collapse in a rollover accident.

The case was brought by the children of a Georgia couple, Melvin and Voncile Hill, who were killed while driving a 2002 Ford F-250 pickup truck. The pickup truck blew out a tire and rolled over, crushing the two occupants inside, according to court documents filed by the plaintiffs.

Ford, which says it plans to appeal, said that the roof of the 2002 F-250 pickup truck was reasonably safe as de-

signed, met industry standards and wasn't covered by the federal roof-crush requirements that were adopted in the early 1990s, court documents show. The Dearborn, Mich., auto maker has also said that the tire on this particular truck had an incorrect load-carrying capacity, which caused it to catastrophically fail, and the victims had improperly used their seat belts, according to court filings.

Often in cases involving high-dollar punitive damages, the final amount is scaled back in the appeals process.

The case highlights how auto regulations that evolve over time can become a point of contention years later when safety concerns emerge about older vehicles. The federal roof-crush requirement has been invoked by plaintiffs in the Georgia lawsuit, as well as similar cases involving Ford trucks and fatal rollover crashes, records show.

A pretrial order in the Hills' case said that Ford has identified 162 lawsuits and 83 similar incidents of roof crush, involving heavy-duty trucks sold Please turn to page B2

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Texas Blacklists Firms For Alleged Energy Bans

By RICHARD VANDERFORD

Texas blacklisted **BlackRock Inc.**, **BNP Paribas**, **UBS Group AG** and other financial companies for allegedly boycotting the fossil-fuel industry, a move that could lead state pensions and other public entities to sell their shareholdings in those companies.

Texas Comptroller Glenn Hegar on Wednesday published a list of 10 financial companies and nearly 350 investment funds, an exercise mandated under a state law meant to punish Wall Street banks that purportedly burnished their green image by turning away from oil and gas.

The law, which took effect in September 2021, requires Mr. Hegar to name financial institu-

Texas also identified funds that could be subject to a state-mandated sale.

tions and funds that in his judgment refuse to do business with energy companies, and potentially divest from them. Governmental entities are required, with some exceptions, to divest from them if they stay on the list past certain legally mandated deadlines.

In addition to banks and fund managers, Texas identified specific funds that could be subject to a state-mandated sale, including funds controlled by investment powerhouses Fidelity Investments and Vanguard Group.

Texas is among several conservative-leaning states that are seeking to use the public purse to push against the environmental, social and governance, or ESG, movement.

"The ESG movement has produced an opaque and perverse system in which some financial companies no longer make decisions in the best interest of their shareholders or their clients, but instead use their financial clout to push a social and political agenda shrouded in secrecy," Mr. Hegar said.

The Investment Company In-

stitute, an investment industry association, said the move would hurt the financial prospects of the state's pension recipients by limiting funds' investment options.

BlackRock said the comptroller's opinion wasn't "fact-based," noting it has invested over \$100 billion in Texas energy companies. UBS said it provided the comptroller with "extensive information" showing it doesn't boycott energy companies even under a broad interpretation of Texas law.

Fidelity Investments declined to comment. BNP Paribas and Vanguard Group didn't respond to a request for comment.

Under the law, listed companies and funds first get a warning. If they continue to participate in what Texas deems a boycott of energy companies, state-controlled entities could be forced to sell their shares. The law allows for those divestments to take place over time and provides some carve-outs so the state doesn't lose money.

A separate provision of the law forces financial companies that do business with state entities to certify they don't boycott energy companies. A financial company's inclusion on this list won't block existing contracts including those to manage a pension fund's investment.

Texas maintains several blacklists of entities marked for scrutiny under state divestment law. Apart from banks and funds that boycott energy companies, it has also targeted companies with ties to Iran, Sudan and foreign terrorists, along with companies that boycott Israel.

The state's public pension plans are some of the largest in the U.S. Teacher Retirement System of Texas, which provides retirement benefits for the state's public school, college and university employees, held about \$201 billion in assets as of the end of August 2021.

TRS holds about \$28.2 billion of BlackRock shares, according to S&P Global Market Intelligence, a data provider. That figure is dwarfed by the asset manager's market capitalization of approximately \$105 billion.

NHTSA's publicly available records show no investigative action or safety recalls related to incidents of collapsed roofs involving model year 1999-2016 Super Duty trucks.

The agency declined to comment on its earlier decisions around the roof-crush requirements. NHTSA said, under the Biden administration, it has secured additional resources to work through a backlog of proposed auto-safety rules more expeditiously.

The plaintiffs' lawyers argued that Ford was able to comply with the regulations because manufacturers fought to keep minimum requirements from applying to heavy-duty trucks. The lawyers also alleged that despite this, Ford knew its roofs were dangerous



Dollar Tree, which owns the Dollar Tree and Family Dollar chains, said consumers are spending on more need-based purchases such as food.

Higher Prices Lift Dollar Stores

By SARAH NASSAUER

Dollar General Corp. and Dollar Tree Inc. reported higher quarterly sales as the discount chains raised prices and attracted thrifty shoppers looking for groceries or other essentials.

Executives at both companies said Thursday they see evidence that shoppers are cash strapped, which helps sales at the discounters.

Shoppers are more often using credit cards, not cash, said Dollar Tree Chief Executive Mike Witynski on a call with analysts. They are buying more powdered detergent, which is cheaper than liquid detergent, and skipping fabric softener or detergent entirely. "The customer is pressured," he said.

Dollar General said comparable sales, those from stores and digital channels operating at least 12 months, rose 4.6% in the quarter ended July 29 compared with the same period last

year. More shoppers visited its stores and spent more on consumables such as food but less on apparel, seasonal goods and home products. Apparel sales dropped 21.4% in the quarter.

At Dollar Tree, which owns the Dollar Tree and Family Dollar chains, comparable sales rose 4.9% in the quarter ended July 30. The company said consumers are shifting spending to more need-based purchases such as food.

Fewer shoppers visited each chain during the quarter, but they typically spent more per trip, Dollar Tree executives said. Late last year, the company raised prices at its Dollar Tree chain for many goods to \$1.25 from \$1.

The dollar-chain competitors reported diverging profit estimates as Dollar Tree works to improve performance at Family Dollar, the chain it purchased in 2015 and has struggled to improve since.

Dollar Tree narrowed its net sales expectations for the year and reduced its profit outlook, in large part because it lowered prices at Family Dollar to improve sales, the company said.

That investment, along with shoppers spending less on items that often carry higher profit margins, contributed to the forecast change, the company said. The company expects earnings-per-share to fall in a range of \$7.10 to \$7.40 for the full year, down from a previous estimate of \$7.80 to \$8.20.

Dollar Tree's shares fell 10% to \$149 in Thursday trading, while Dollar General's stock fell slightly to nearly \$246.08.

Dollar Tree is attracting more shoppers from households with annual incomes of more than \$80,000, said Mr. Witynski on a call with analysts.

Dollar General raised its sales expectations for the year and maintained its profit outlook. It expects comparable sales to rise

4% to 4.5%, up from a previous estimate of 3% to 3.5%.

"I've never felt better about our positioning," said Dollar General CEO Todd Vasos on a call with analysts.

The company is preparing for a management transition, with Mr. Vasos stepping down as CEO. He will be succeeded by one of his lieutenants, Jeff Owen, on Nov. 1.

On Thursday, Dollar General said net sales rose 9% to \$9.4 billion in the most recent quarter. Net income rose 6.4% to \$678 million. Earnings per share were \$2.98 during the quarter, beating analysts' expectations of \$2.94, according to FactSet.

Dollar Tree said net sales rose 6.7% to \$6.77 billion during the most recent quarter. Net income rose 27.4% to \$359.9 million. Earnings-per-share rose 30% to \$1.60, in line with analysts' estimates, according to FactSet.

Shoppers Shift From Apparel

Continued from page B1
ened this year as higher fuel and food prices sap household budgets and people set aside more money for dining out and entertainment. The shift has left many chains with excess inventories heading into the holidays and moving to markdown prices.

Gap late Thursday said its second-quarter sales fell 8% and it swung to a loss of \$49 million, compared with a profit of \$258 million a year ago.

The company, which oversees the Gap, Old Navy, Banana Republic and Athleta brands, said its lower-income consumer retreated during the period because of rising fuel costs and other inflationary pressures. Gap reported that sales trends improved in July and into August, but that it needed to continue working to reduce inventory to match consumer demand and reduce operating costs.

Old Navy took the largest hit during the period, with net sales down 13% from a year ago, because of size and assortment imbalances, ongoing inventory delays and slowing demand. Net sales were up 9% for Banana Republic as higher-income consumers shrugged off fears of inflation and continued to buy new clothes for going out and in-person



Gap said its second-quarter sales fell 8% and it swung to a loss of \$49 million.

events.

The San Francisco-based company in July replaced Sonia Syngal as CEO after she spent a little more than two years at the helm. Bob Martin, its executive chairman and a former Walmart Inc. executive, is interim CEO while the company searches for a permanent successor. He said the company is targeting unproductive inventory and reducing operating costs as Gap focuses on profitability.

Victoria's Secret said quarterly revenue fell 6% and net income dropped more than 50% to \$69.9 million. It warned that full-year sales would decline, after previously projecting sales would be flat or increase. The lingerie seller, which owns the Pink brand, had been hoping that a new

branding campaign would reignite sales.

"We expected to face significant headwinds in the second quarter," CEO Martin Waters said Thursday on a call with analysts. "We were not wrong."

Victoria's Secret executives said that sales worsened in July and that revenue is expected to be down at a high-single digit rate in the third quarter, as inflation and other financial pressures weigh on consumers. "Sometimes the broader macro trends, specifically at the store level or at mall level, are difficult to fight uphill," finance chief Tim Johnson said.

Abercrombie, which owns the Hollister chain, also warned it expects full-year net sales to decline from 2021.

Previously, the company had predicted 2022 sales would be flat or increase. In the second quarter, sales fell 7% to \$805.1 million and the company swung to a loss for the three months ended July 30.

CEO Fran Horowitz said the company experienced a brand divergence during the quarter, where Abercrombie posted its highest second-quarter sales since 2015 while Hollister sales slid 15%.

Ms. Horowitz said Hollister's weakness stems from its customer base skewing more to lower-income shoppers, who are more affected by inflation, than Abercrombie's. But not all of the challenges are due to broader economic issues. "There's part of it, of course, that we own," she said on the company's earnings call.

Ford Truck Wasn't Covered

Continued from page B1
through the 1999-2016 model years.

NHTSA, the U.S. auto industry's main safety regulator, said this week that the 2002 F-250 pickup truck was built to meet the roof-crush requirements at the time for vehicles with its gross weight. Because it met the regulations, the agency said, it didn't test this particular model for roof-crush performance.

and waited years to switch to a stronger roof design that it had developed internally in 2004.

Originally, NHTSA had proposed in 1989 to expand the roof-strength regulations that were on passenger cars to a wider range of models and body styles to improve safety in rollover crashes by requiring auto manufacturers to design roofs able to withstand the pressure of one-and-a-half times the weight of the vehicle. The initial proposal was to apply the new standards to vehicles with a gross weight of up to 10,000 pounds. The gross weight includes the vehicle plus estimated weight for passengers and cargo.

The 2002 F-250 Super Duty has a gross weight of about 8,800 pounds.

At the time, Ford and crosstown rival General Motors Co. advocated for a lower gross-weight threshold—8,500 pounds—which was below that of many heavy-duty trucks on the market, according to regulatory filings.

Ford said it supported the tougher requirements for its lighter vehicles, including trucks and vans, saying those models already met or exceeded the proposed roof-safety regulations, according to a 1989 letter submitted to NHTSA as part of the rule-making process.

The auto maker argued that for heavier vans and trucks—those with a gross weight of over 8,500 pounds—there was insufficient evidence to determine that the stiffer requirements would enhance the

safety of these vehicles. Ford said in the letter it didn't have confidence that it could consistently meet the proposed standards without a redesign of existing heavy-duty trucks.

GM also backed the proposed requirements for lower gross-weight vehicles. It disagreed with NHTSA's analysis of the safety need for applying it to the heavier pickup trucks, according to NHTSA's public filings. GM argued that proper seat belts and restraints were the most effective way to mitigate injuries in rollover accidents, the filings show.

Ford and GM declined to comment on the companies' actions at the time of the rule-making process.

Other trade groups representing vehicle manufacturers

pressed for an even lower threshold, and ultimately NHTSA set the limit at 6,000 pounds, meaning any vehicle with a gross weight of greater than that would effectively be exempt. NHTSA said it needed additional time to assess the feasibility for applying the rule to heavy-duty trucks.

In 2009, facing pressure from consumer advocacy groups and Congress, NHTSA revised the roof-strength rules and reverted to the earlier proposal, applying the tougher standards to heavy-duty trucks with a gross weight of up to 10,000 pounds.

Manufacturers had to begin phasing in stronger roofs beginning in 2012 and had until 2017 to fully comply with the updated mandate, the agency said.

BUSINESS NEWS

Pressure Eases on Boeing Monitors

Fewer employees who work on behalf of FAA report interference from management

By Andrew Tangel

Boeing Co. said fewer employees who represent air-safety regulators are reporting interference with their jobs, though some still say they encounter obstacles.

The plane maker said a recent internal survey found about 14% of its employees who act on behalf of the Federal Aviation Administration perceived interference in their work on aircraft development and safety matters. In 2019, Boeing said, a similar survey found about 40% of the company's employees who represent the FAA reported encountering "undue pressure" in performing their jobs.

"We consider this to show some progress," said Tom Galantowicz, a Boeing vice president for product and services safety. "But we also know that there's work ahead of us and more improvement to go."

The FAA allows employees of U.S. aerospace companies to perform various tasks on the agency's behalf. Federal lawmakers flagged threats to such Boeing employees' indepen-



The FAA allows employees of U.S. aerospace companies, including Boeing, to perform various tasks on the agency's behalf.

dence as a problem in the wake of two 737 MAX crashes in 2018 and 2019 that took 346 lives.

The Boeing survey was conducted anonymously. Among its 26 questions, it asked employees to provide written descriptions of what they perceive as interference and whether they experienced pressure to meet business goals at the expense of quality or safety. The company declined to release many of the survey's results.

A Boeing spokesman said responses described perceived

interference by management and other sources.

Mr. Galantowicz said company executives, through different employee-reporting channels, have heard of perceived interference and that Boeing is using surveys to address emerging problems.

"We're looking for people to just highlight to us where they start to see risks, so that we can go address something before it crosses the line to an issue that actually needs corrective action," he said.

The FAA said it was encouraged that Boeing is taking

steps to "identify and further protect the ability of key team members to raise safety and quality concerns without fear of interference or pressure."

Last year, the FAA sampled a small group of Boeing employees who represent regulators and found that 35% reported problems, including pressure and hurdles to communicating openly with the air-safety agency.

Boeing said its most recent survey found that about half of respondents reported seeing improvements related to perceived interference over

the past 12 months. Three years ago, about 19% reported improvements related to undue pressure.

Concerns about retaliation also fell, according to Boeing. The company said this year's survey showed about 24% of respondents expressed some concern around retaliation for reporting interference. In 2019, about 37% reported concerns about retaliation.

The Boeing-sponsored survey was conducted by Integrity Lab, a consulting firm founded by Harvard Business School professor Eugene

Soltes. It was conducted in May, covered employees' experiences over the prior 12 months and drew responses from 71% of the approximately 1,000 employees in Boeing's Organization Designation Authorization group, or ODA.

After the 737 MAX crashes, federal lawmakers strengthened protections for ODA members to bolster their independence from Boeing management. These Boeing employees often perform routine safety approvals for the FAA, but can also play major roles in decisions related to aircraft safety and development.

Recently, the FAA relied on them to act as an additional layer of scrutiny for various manufacturing defects with Boeing's 787 Dreamliner. Boeing recently resumed deliveries of the jets after spending much of two years trying to resolve the problems.

Mr. Galantowicz said Boeing plans to conduct similar surveys every two years, or possibly more frequently.

Boeing has also made various internal changes since the 737 MAX crashes. It reorganized its engineering department and created new positions, including a liaison for employees who work on behalf of the FAA. The position's creation was the result of a legal settlement with shareholders.

Twitter Ordered to Give Musk Data Subset Requested

By Erin Mulvaney

A Delaware judge called Elon Musk's request for years of data about Twitter Inc.'s spam and fake accounts "absurdly broad" but ordered the social-media company to provide a subset of the information in the continuing legal battle over the billionaire's soured \$44 billion takeover.

Chancellor Kathaleen McCormick said in a decision

Thursday that the request by Mr. Musk's legal team to compel the company to produce "trillions upon trillions of data points" for more than 200 million users was overly burdensome and "no one in their right mind has ever tried to undertake such an effort."

The judge ordered Twitter to produce a narrower section of the data requested, including a historical snapshot of accounts that were reviewed by the com-

pany to determine the number of spam and fake accounts on its platform, an issue central to the dispute over Mr. Musk's effort to terminate the merger agreement and substantiate his counterclaim of fraud.

The judge ruled after a hearing Wednesday in Wilmington, Del.

Mr. Musk's attorney Alex Spiro said in a statement, "We look forward to reviewing the data Twitter has been hiding

for many months."

Twitter declined to comment on the judge's decision.

Mr. Musk is seeking among other things to verify Twitter's disclosures to the Securities and Exchange Commission regarding estimates that less than 5% of monetizable daily active users, or MDAUs, are fake or spam accounts.

Twitter must produce 9,000 accounts reviewed in connection with its fourth-quarter

2021 audit, the judge wrote, as well as documents sufficient to show how those accounts were selected for review. She said Mr. Musk has agreed to treat the data as highly confidential.

The social-media platform indicated in the hearing that it could produce such documents in less than two weeks "with considerable effort." The judge said Twitter "must strive to meet that timeline."

Chancellor McCormick said

Twitter already agreed to produce 10 broad categories of documents addressing Mr. Musk's requests for information on MDAUs. She ordered Twitter to produce a small additional set of data, namely documents reflecting discussion of any other key metric identified by Mr. Musk's team.

The judge also ordered Twitter to produce some documents from the board and management.

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T-Mobile, SpaceX Plan To Partner

Arrangement would allow wireless carrier to use satellites to provide connections

By THOMAS GRUYA AND MICAH MAIDENBERG

SpaceX and T-Mobile US Inc. said they plan to work together to use the rocket company's satellites to provide connections to T-Mobile cellphones across the U.S., even in remote areas with no current wireless service.

The companies said Thursday that the new service will use Starlink satellites that SpaceX plans to launch and provide connections to U.S. consumers using wireless spectrum controlled by T-Mobile. The companies plan to start with a test of text-messaging services in select markets before the end of 2023.

The partnership's goal is to provide voice and data services anywhere, regardless of cell towers, allowing areas not yet reached by wireless networks

to get service. That would include places where cellular signals can't reach, such as the middle of a national park or a large body of water.

"It means no dead zones anywhere in the world for your cellphones," SpaceX founder Elon Musk said at an event at SpaceX's facility in Texas. He said the satellite signal would reach phones in people's pockets or inside a car and could provide basic messaging connections in places hit by a natural disaster.

Mr. Musk said the bandwidth would be limited and the new satellite service won't supplant existing ground-based cellular services. "This is meant to provide basic coverage to areas that are completely dead," he said.

T-Mobile Chief Executive Mike Sievert expects most current smartphones to work with the new service and that the satellite service would be included free on its most popular monthly plans.

Remote areas can be expensive to reach with land-based wireless networks and contain



TIM SHORR/FLORENZA (TOP)/ASSOCIATED PRESS

T-Mobile said the goal of adding a layer of satellite service is to provide coverage almost anywhere a customer can see the sky.

few paying subscribers to justify the cost. Existing satellite phone services generally require handsets with large antennas and monthly plans that charge per message or minute.

The new service will use Starlink satellites as cellular towers and transmit directly back to devices on the ground. T-Mobile will set aside a slice of its midband spectrum for these connections. It will use the airwave frequencies so they can also be used on its ground-based network.

The project faces regulatory

hurdles. The Federal Communications Commission would need to sign off on SpaceX using the T-Mobile spectrum, a spokeswoman for the carrier said. She added that SpaceX would need to secure an additional permission from the agency. "We look forward to making our case and hearing their reaction," the T-Mobile spokeswoman said. Representatives from the FCC couldn't be reached.

Mr. Musk said the service would use second-generation Starlink satellites that will be

outfitted with large antennas that cover swaths of land that have no service. SpaceX has a pending application before the FCC to launch around 30,000 of the second-generation satellites over time.

Some competing satellite operators have raised concerns about the size of that fleet or have said they oppose it. The National Aeronautics and Space Administration, an important SpaceX customer, has also registered worries that the satellites could cause more collisions in orbit.

In a filing last week with the FCC, SpaceX asked the commission to approve the application for the second-generation fleet. A spokesman for SpaceX didn't respond to a request for comment.

Mr. Musk said each Starlink satellite would cover a large area on the ground and could provide about 2 to 4 megabits per second of bandwidth to be shared across that zone. He estimated that bandwidth could support about 1,000 to 2,000 voice calls at the same time within that zone.

Outlook Cools for Cloud Companies' Sales Growth

By AARON TILLEY

Cloud businesses are reporting slowing sales growth, as economic worries weigh on the once-booming sector.

After years of rising pandemic-fueled demand, some cloud companies cut their revenue-growth outlook in quarterly results this week, citing pressure on customers to rein in spending and wider concerns of a slowing economy.

On Wednesday, Salesforce Inc., one of the largest vendors of cloud business software, reduced its full-year outlook. The sales-software vendor said it expected annual sales of between \$30.9 billion to \$31 billion, from previously projected revenue of between \$31.7 billion and \$31.8 billion.

Customers are taking longer to sign deals as they become more careful with their spending, said Bret Taylor, co-chief executive of Salesforce. "Conversations have meaningfully shifted not just to growth, which was the main priority in 2021, but also to cost savings and efficiency," he said. "Every single company right now is focused on bottom-line performance and cost savings."



DAVID PAUL MORRIS/REUTERS

Salesforce on Wednesday said it expected annual sales of between \$30.9 billion to \$31 billion.

Salesforce's shares fell more than 3% Thursday following the earnings report.

After accelerated growth during the Covid-19 pandemic as workplaces were pushed to adopt more digital tools, a more conservative business environment is putting a damper on the industry.

Global spending on technology, which includes cloud services, is expected to rise about 3% this year, well below the 10% annual growth in 2021 and the nearly 7% gain the year before, according to Gartner Inc. "People will renew their existing software contracts, but they're going to buy less new software," in this environment, said John DiFucci, software analyst at Guggenheim Securities LLC.

While cloud companies haven't been hit as hard as some tech companies that depend on

advertising and consumer demand, the growing concerns about a possible recession have affected how they see the future. Overall global cloud sales are expected to reach \$830.5 billion this year, up 17.5% from the prior year, but slowing from last year's growth of 18.3%, according to International Data Corp. Growth is projected to slow further next year, with 16.3% growth, IDC said.

Zoom Video Communications Inc., whose business boomed during the pandemic as people shifted to the videoconferencing application to stay connected, on Monday reported second-quarter sales of \$1.1 billion, missing analysts' estimates of \$1.16 billion. The company lowered its outlook for the year, with company executives pointing to the effects of the strong U.S. dollar and slowing demand for Zoom's online subscription business.

Zoom expects this online business to decline by a range of 7% to 8% this fiscal year, which ends in January. Last quarter, the company had projected that revenue would remain stable for the fiscal year. The company's attempts to

attract more subscriptions "were not enough to overcome the macro dynamics in the quarter," Zoom Chief Financial Officer Kelly Steckelberg said on a call with analysts.

Last month, ServiceNow Inc., which sells cloud software to help information-technology departments keep track of their work, lowered its annual sub-

scription-revenue outlook to about \$6.92 billion from a previous projection of \$7.03 billion. The company said it would take a sales hit of \$220 million because of a strong dollar. ServiceNow said economic worries are leading to order delays and customers are paring down the number of cloud services they use. "It's all about reprioritization," said ServiceNow Chief Executive Bill McDermott, in a call with analysts.

17.5%

Percentage increase in global cloud sales this year

PlayStation 5 Prices to Increase as Much as 20% in Certain Markets



Sony Group Corp. is raising the price of its PlayStation 5 games console across all major markets outside of the U.S. by as much as 20%.

The Japanese electronics and entertainment company said the price of PlayStation 5 will increase in select markets across Europe, the Middle East, Africa, Asia-Pacific, Latin America and Canada. The price increase was necessary due to the current global economic environment and inflationary pressures weighing on the entertainment sector, the company said. Prices

in the U.S. wouldn't be affected, it added.

Japanese gamers will see the biggest price increases, with a roughly 20% jump, taking prices to ¥60,478, the equivalent of \$442. In Europe, a €50 price increase will take the console's price up 10% to €549.99, or \$548. Sony's cheaper, discless version of the console will get the same price rise, the company said.

Following a surge in demand for consoles and games during the pandemic, Sony's sales slumped this year. Sales of Play-

Station games fell 26% in the second quarter from a year ago, according to the company's earnings released last month. Sony introduced the PlayStation 5 in 2020. In the fiscal year ended March 2022, Sony said it sold 11.5 million units of the machine, falling short of the previous target of 14.8 million.

In May, Sony's chief financial officer, Hiroki Totoki, said the company aimed to sell 18 million units of its PlayStation 5 in the current fiscal year, which ends in March 2023, down from a previous projection of 22.6 million.

Demand is greater than what Sony can supply, he said.

Among other problems, Mr. Totoki cited Covid-19 restrictions in China, including a lockdown in Shanghai, that made it hard for companies there to make and ship parts for games consoles.

The company and its rivals, including Nintendo Co. and Microsoft Corp., have been plagued by the global semiconductor shortage and global supply chain issues, leaving customers scrambling to get their hands on a limited number of machines. —Gareth Vipers

Criminals, Launderers Found to Target NFTs

By MENGQI SUN

Nonfungible tokens, or NFTs, are increasingly sought by criminals looking to either steal them or use them to launder illicit gains, a report from blockchain analytics firm Elliptic said on Wednesday.

More than \$100 million worth of these blockchain-based assets were reported stolen in scams over the past year, according to the study. Over 4,600 NFTs were stolen in July, the most in any month since Elliptic began tracking the data in 2017, the report said.

Since that year, over \$8 million in proceeds from illicit activities has been laundered through platforms that facilitate the creation, buying and selling of NFTs, the report said.

Another \$328 million that went through the platforms came from so-called obfuscation services, such as mixers that enable users to exchange cryptocurrencies with relative anonymity, and may also include illegally made money, the report said.

Tornado Cash, for instance, a mixer platform that was sanctioned by the U.S. Treasury Department earlier this month, was the source of about \$137 million of cryptocurrencies processed by NFT marketplaces, according to the report. Before it was blacklisted, Tornado Cash was also "the laundering tool of choice"

for 52% of NFT scam proceeds, the report said.

Platforms that use NFTs face a growing threat of attack from sanctioned entities and state-sponsored groups, the report said. In particular, it pointed to the \$540 million heist in March by North Korea's Lazarus Group from on-line game Axie Infinity's Ronin Bridge, a platform that allows players to turn holdings of the digital asset Ethereum into

Platforms that use NFTs face a growing threat of attack from sanctioned entities.

videogame tokens, according to the report.

The report recommended proactive risk management to fend off criminal actors and highlighted the need to screen for sanctioned entities and keep them from using NFT platforms. In recent years, NFTs have become popular in art, music, gaming, sports and entertainment.

Regulators continue to look into the risks of cryptocurrency, including NFTs, and how to regulate the market. In February, U.S. Treasury officials noted that the rapid growth of NFTs could present new venues for laundering money.

BUSINESS NEWS

Battle for Charging-Station Ads Gears Up

Largest U.S. operator ChargePoint rolls out nationwide network for advertising display

By PATRICK COFFEE

The next battleground in the fight for U.S. marketers' advertising dollars may be charging stations used by the growing number of Americans who own electric or hybrid plug-in vehicles.

ChargePoint Holdings Inc., the largest operator of EV-charging stations in the U.S. by number of stations, will create a nationwide advertising network in partnership with digital display company Ara Labs Inc. and Destination Media Inc., which does business as GSTV and produces video ads at gas stations and other retailers. ChargePoint operates 28,753 charging stations out of a total 50,063 in the U.S., according to Energy Department data.

The first ChargePoint ad displays will be live before the end of the year, and the company plans to install approximately 1,000 screens across 10 key markets in the year following the launch, said Sean McCaffrey, president and chief executive of GSTV. These displays will run ads in and around original, three- to five-minute videos with news, weather and pop-culture content, Mr. McCaffrey said. Advertising will be optional for businesses that buy and install ChargePoint chargers.

The pitch from EV-station makers to marketers focuses on helping them target upper-income consumers immediately before they enter a given retail location, where many charging stations are located.

"We're at the places where you're already going [and] spending your time and resources," said Brandt Hastings, chief commercial officer at



A mock-up of ChargePoint's advertising-powered EV-charging stations, which are expected to roll out later this year.

Volta Inc., a maker of ad-powered EV-charging stations.

Ads on Volta displays have "ensured that we are reaching a premium audience of EV and non-EV drivers at point-of-purchase for retail, grocery, entertainment and many more," said Stephanie Tarbet, vice president of communication, brands and government affairs at tire maker Michelin North America Inc.

The number of stations that include display ads remains small at the moment, but analysts believe it will grow in coming years as EV businesses look for new revenue sources and federal and state governments deploy billions of dollars to subsidize renewable fuel providers under the Infrastructure Investment and Jobs Act and the Inflation Reduction Act.

"In the next five to seven years in the U.S., there are going to be lots of runs at different business models to try to

make the charging service profitable," said Nick Nigro, founder of tech consulting firm Atlas Public Policy. Advertising "could add some much-needed revenue to a business that doesn't easily break even just selling electrons."

ChargePoint's revenue for the quarter ended April 30 grew 102% year over year to \$81.6 million, with a net loss of \$89.3 million. The company is expected to report earnings for its fiscal second quarter next week. Volta reported \$15.3 million in revenue for the second quarter, with nearly 75% of that total coming from ad sales, but also lost \$374 million.

Kevin Fournier, director of marketing and advertising at tire retail chain Discount Tire, said he has begun preliminary talks with GSTV about the new product.

"We want to make sure that our current customer base knows that we can service

electric vehicles as well as their everyday vehicles across the board," said Mr. Fournier, whose company has advertised on GSTV displays for several years along with brands such as PepsiCo Inc.

Volta, which launched a media network in late 2021 after going public via a merger with blank-check firm Tortoise Acquisition Corp. II, will be ChargePoint's most immediate competitor for ad dollars. Volta has always based its business model around ad sales, and a spokesman said its network currently includes 5,400 screens and 2,920 individual charging ports across 28 U.S. states and territories.

Charging stations are a natural fit for automotive, packaged goods and entertainment brands, said Volta's Mr. Hastings, citing recent campaigns from Coca-Cola Co., Netflix Inc. and FedEx Corp. that ran on Volta screens.

Volta also encourages marketers to use its eight- or 15-second video ads to focus on sustainability messages, said Mr. Hastings.

A Michelin campaign that ran earlier this year led to a 70% increase in consumer awareness of the company's EV-specific tires, according to Ms. Tarbet.

The industry's growth relies on deals with large retailers. Earlier this year, ChargePoint announced that it would install roughly 60 direct-current "fast chargers" at Starbucks locations, and Volta signed contracts to build stations in partnership with supermarket conglomerate Kroger Co. and the city of Hoboken, N.J.

Mr. McCaffrey, of GSTV, said a key question for the shopping malls, movie theaters and fast-food chains that ChargePoint and GSTV plan to pitch is, "How do I begin to offer EV as an amenity to my consumers in a

way that becomes affordable and scalable?"

ChargePoint and Volta's business models differ in several ways. Both say they can target consumers by geography, demographics and behavioral data, but GSTV says its units won't directly collect any consumer data, while Volta draws first-party data from its mobile app and combines that with retail partners' customer-loyalty databases. Sensors at Volta stations can target consumers by the model of vehicle they drive.

Both firms primarily make and install Level 2 stations, which let owners charge their vehicles while parked for extended periods, though they also operate a small number of far faster direct-current stations. Tesla Inc. dominates the latter market with 14,840 individual ports out of a total of 25,324 in the U.S., per Energy Department data, and plans to open its charging network to other auto makers in order to apply for public grants.

The biggest challenge ahead for these businesses may be building enough stations to keep up with demand. The Inflation Reduction Act, which provides twice the amount of public funding made available to EV-charging companies over the past 12 years, will create a "sugar high" as they rush to expand beyond major urban areas, said Mr. Nigro of Atlas Public Policy.

At this time, it is unclear how many more charging-station operators will create supplemental ad businesses.

Tesla Chief Executive Elon Musk has long decried advertising, but Mr. Nigro called the company's charging-station network "the best form of advertisement that any [EV] manufacturer did in the 2010s" for giving consumers more confidence in the practicality of owning an electric vehicle. Tesla didn't respond to requests to comment.

Maersk Drops Sale of Its Container-Making Unit



The shipping line had sought the sale to focus more directly on its core business.

By PAUL BERGER

Danish container shipping line A.P. Moller-Maersk AS and China International Marine Containers (Group) Co. are dropping plans for the Chinese firm to take over Maersk's refrigerated container-making unit after U.S. regulators questioned the competitive impact of the combination.

Justice Department officials said Thursday that Maersk's proposed sale of Maersk Container Industry would have consolidated control of 90% of the world's supply of the cold-storage boxes in Chinese state-controlled hands.

Assistant Attorney General Jonathan Kanter, of the Justice Department's Antitrust Division, said the sale announced in September could have raised prices and lowered quality for the boxes that are used for transporting goods such as food and medicine around the world.

The companies said in a statement they were dropping the planned sale because of "significant regulatory challenges."

Maersk Chief Financial Officer Patrick Jany said the shipping company, which had sought the sale to focus on business more directly related to shipping, will reassess how best to ensure the long-term development of its container-making unit, which employs about 2,300 workers in China and Denmark.

The Biden administration has taken a hard line on anticompetitive behavior in the maritime sector as shipping costs soared during the Covid-19 pandemic because volumes of containerized goods have overwhelmed vessel capacity.

Shipping containers were in short supply during the health crisis as boxes got stuck aboard ships waiting to dock at congested ports or stacked

up at port and rail yards.

Supply-chain congestion remains a problem, but it has eased in some parts of the world as changes in consumer spending reduced demand for imports. Average container prices in China have declined by more than 50% compared with the same time last year, according to Container xChange, an online marketplace for buying and leasing boxes.

China International Marine Containers has been stymied in recent years by U.S. anti-dumping tariffs.

The Chinese firm is the world's largest maker of chassis, the steel trailers used by truckers to haul containers between ports, rail yards and warehouses.

The tariffs effectively stopped the flow of Chinese-made chassis into the U.S. and led CIMC to move its chassis-making operations to Thailand.

Novartis to Spin Off Sandoz Drugs Unit

By MAURO ORRU

Novartis AG is planning to spin off its generics-and-biosimilars division Sandoz and list it as a stand-alone company in Switzerland, a move Novartis said will enable it to focus on innovative medicines.

The Swiss pharmaceutical company said Thursday that Sandoz would be based in Switzerland and listed on the SIX Swiss Exchange, with an American depositary receipt program in the U.S.

Novartis said in October it was considering the sale or spinoff of the business, a move that would focus the once-sprawling healthcare conglomerate solely on prescription drugs. Over the past decade, it shed units that sold animal medicines, vaccines, drugstore staples, contact lenses and tools for eye surgery.

Since taking the helm in early 2018, Novartis Chief Executive Vas Narasimhan has doubled down on so-called innovative medicines and cutting-edge technologies such as gene ther-

apies and radiopharmaceuticals, which are drugs that carry radioactive particles to tumors for close-range radiotherapy.

Sandoz, like many generic drugmakers, has struggled with falling prices in the U.S. in recent years. Generic drugs are lower-cost versions of prescription medicines for which patents have expired. While their prices are usually far below those of the branded drugs that they imitate, increased competition has driven those prices even lower in recent years.

In response to greater competition, Novartis has pivoted Sandoz toward higher-value generics, such as biosimilars, which are near-replicas of biologic drugs made using living cells. The unit, which has accounted at times for around a fifth of total sales for Novartis, has in the past proven a drag on the company's growth.

Sandoz has a strong presence in Europe as well as the U.S. It generated \$9.6 billion in sales last year. Novartis expects to complete the process in the second half of 2023.

Monkeypox Puts SIGA On Map

Continued from page B1

animals against viruses from the same genus as smallpox, including in monkeys with monkeypox. The data showed that monkeys given a lethal dose of monkeypox were saved when given Tpxox, said SIGA Chief Scientific Officer Dennis Hruby.

SIGA, headquartered in New York City, was founded in 1995 to develop a strep-throat vaccine using technology created by founding scientists Vincent Fischetti at Rockefeller University in New York and Dr. Hruby.

Most of SIGA's employees work at the R&D facilities in Corvallis, Ore., near Oregon State University, where Dr. Hruby previously served as chairman of the microbiology department.

By 2001, SIGA shares were faltering, and the company was largely relying on grants from the National Institutes of Health, Dr. Hruby said. After Sept. 11, the federal govern-

ment made billions of dollars in funding available for biodefense research. SIGA shifted its focus to drugs and vaccines that could be used in the event of a bioterrorism attack. SIGA was awarded more than \$1 billion in government contracts to develop a smallpox drug and manufacture it for the U.S. stockpile.

SIGA acquired the rights to Tpxox in 2004. The drug appeared to be effective against smallpox in lab testing, but animal studies looked less promising, said Dr. Hruby. The company bet that it might bring the drug to market if it could figure out dosing, he said.

"We were developing a drug for a disease that doesn't exist," said Dr. Hruby. "It took a long time to figure out."

SIGA's phones began ringing soon after the monkeypox virus was detected in the U.K. in May. Doctors outside the U.S. asked how to obtain Tpxox. U.S. doctors had questions about administering the drug, which typically requires six pills daily over two weeks.

Tpxox appears to be safe, and the animal data supports its use as an antiviral against monkeypox, doctors said. Doctors reported in the Journal of the American Medical Association on Monday that among 25

patients treated with Tpxox from early June to mid-August, 40% had their lesions healed after one week and 92% had their lesions healed and were without pain within three weeks. The study's authors said large-scale studies are needed to determine whether patients recover because of the drug or the natural course of disease.

Because the drug hasn't been proven to work in humans, the CDC requires that doctors collect and submit data from patients and have at least two follow-up visits with patients who have been prescribed the drug, even if they are feeling better.

RELEVANT NOTICE NO. 012 SEINFRA INTERNATIONAL BIDDING NO. 001/2022

The State of Minas Gerais, through the State Secretariat of Infrastructure and Mobility, announces that the Special Bidding Commission, under the terms of current legislation, constituted by art. 1 of SEINFRA/DER JOINT RESOLUTION NO. 005, of May 14, 2021, decides to change the deadline provided for events 15, 16 e 17 of item 11.1 of SEINFRA INTERNATIONAL BIDDING NO. 001/2022. The schedule with the new deadline, according to the new wording of item 11.1 of the Public Notice, is available on the website www.infraestruturamg.gov.br - Fernando S. Marcatto - Secretary of State for Infrastructure and Mobility.



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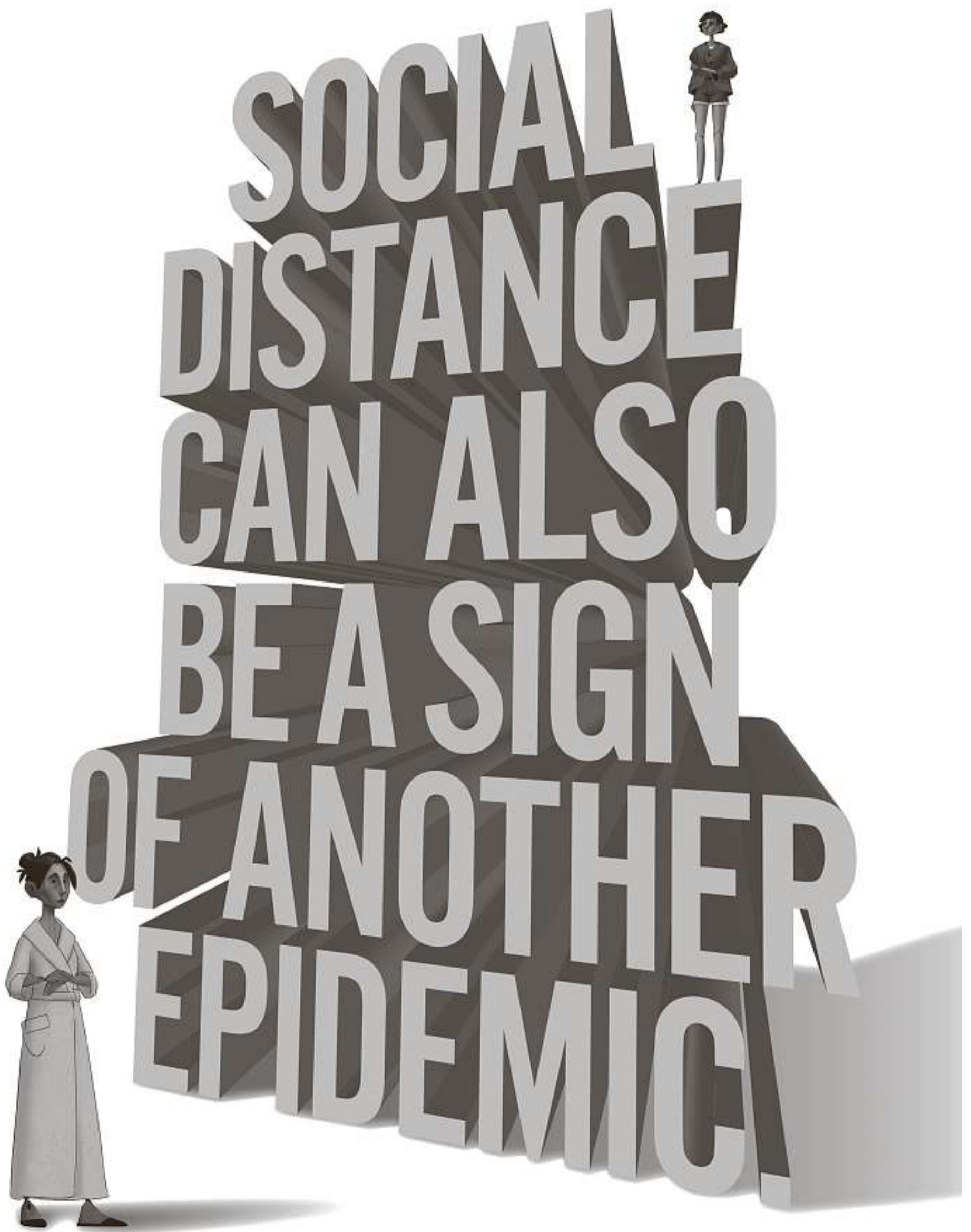
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Physical distance can keep you safe and healthy. But if an emotional distance forms between you and those closest to you, it may be due to drug or alcohol use. Partnership to End Addiction works with you to establish the connections that can help save lives and end addiction.

Get support to help your child at [DrugFree.org](https://www.drugfree.org)

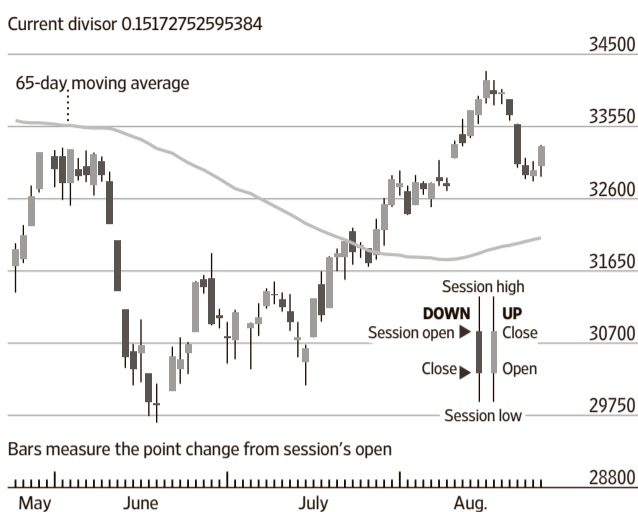


MARKETS DIGEST

EQUITIES

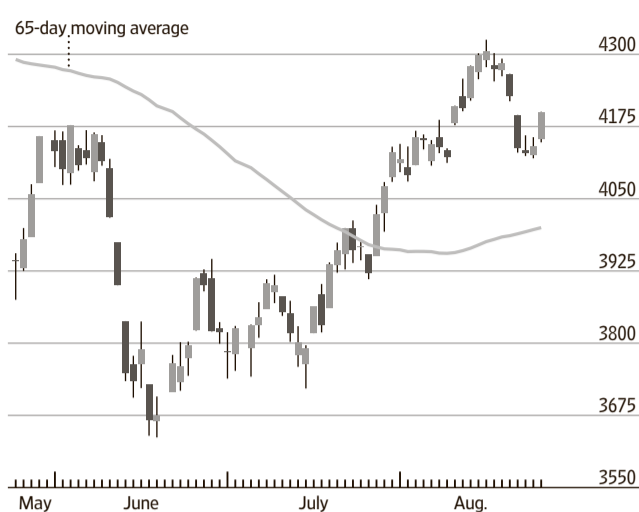
Dow Jones Industrial Average

33291.78 ▲ 322.55, or 0.98%
High, low, open and close for each trading day of the past three months.



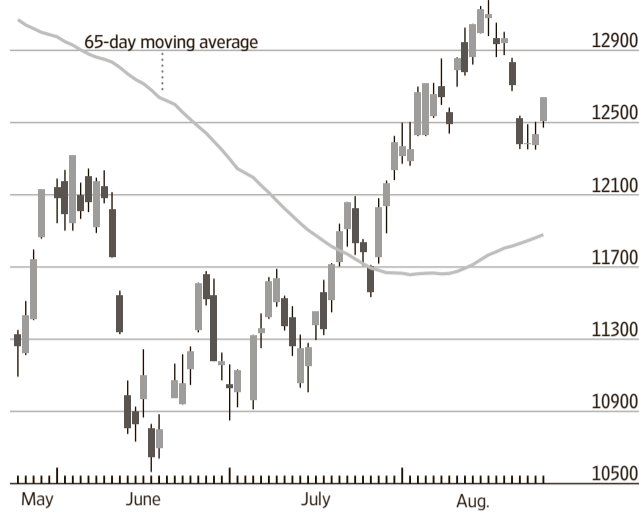
S&P 500 Index

4199.12 ▲ 58.35, or 1.41%
High, low, open and close for each trading day of the past three months.



Nasdaq Composite Index

12639.27 ▲ 207.74, or 1.67%
High, low, open and close for each trading day of the past three months.



Major U.S. Stock-Market Indexes

Table listing various stock market indexes including Dow Jones, Nasdaq Stock Market, S&P 500, and Russell 2000 with their latest values and percentage changes.

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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...

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Most Active Stocks

Table of most active stocks, listing companies like Kiora Pharmaceuticals, Bright Minds Biosciences, and ProShares UltraPro QQQ.

Volume Movers

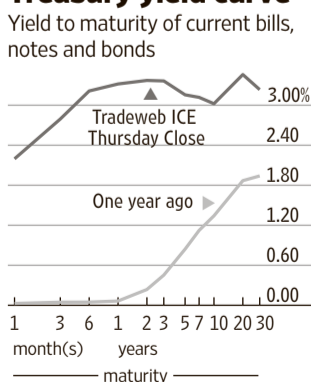
Table of volume movers, listing companies like Cabana Target Drawdown 16, Waverley Cap 1 CIA, and Pulmatrix.

CREDIT MARKETS

Consumer Rates and Returns to Investor

Table showing U.S. consumer rates (Federal funds, Prime rate, etc.) and selected rates for 5-year CDs from various banks.

Treasury yield curve



Forex Race



Corporate Borrowing Rates and Yields

Table of corporate borrowing rates and yields for various bond indices like U.S. Treasury, Aggregate, and High-Yield 100.

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Table of U.S.-dollar foreign-exchange rates for various countries and currencies.

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COMMODITIES

wsj.com/market-data/commodities

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Table of Interest Rate Futures, Currency Futures, and Japanese Yen. Includes Ultra Treasury Bonds, Treasury Bonds, 5Yr. Treasury Notes, 2Yr. Treasury Notes, Canadian Dollar, and Japanese Yen.

Table of Index Futures including Mini DJ Industrial Average, Mini S&P 500, Mini S&P Midcap, Mini Nasdaq 100, and Mini Russell 2000.

Cash Prices | wsj.com/market-data/commodities

Thursday, August 25, 2022

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.

Table of Cash Prices for various commodities including Iron Ore, Shredded Scrap, Steel, Battery/EV metals, Fibers and Textiles, Grains and Feeds, Fats and Oils, and various other metals.

KEY TO CODES: A=ask; B=bid; BP=country elevator bids to producers; C=contracted; 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=Seoland Publishing; R=SNL Energy; S=Platts-TSI; T=Cotlook Limited; U=USDA; V=Benchmark Mineral Intelligence; W=weekly; Y=International Coffee Organization; Z=not quoted. *Data as of 8/24

Exchange-Traded Portfolios | WSJ.com/ETFResearch

Table of Exchange-Traded Portfolios (ETFs) showing largest 100 exchange-traded funds, latest session. Includes columns for Symbol, Closing Price, Chg, YTD, and YTD (%)

Table of Exchange-Traded Portfolios (ETFs) showing various sector and commodity funds. Includes columns for Symbol, Closing Price, Chg, YTD, and YTD (%)

Bonds | wsj.com/market-data/bonds/benchmarks

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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

Table of Tracking Bond Benchmarks showing return on investment and spreads for various bond categories like Broad Market, U.S. Corporate Indexes, High Yield Bonds, and U.S. Agency.

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Table of Mortgage-Backed Bloomberg Fixed Income Indices showing return on investment and spreads.

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Table of Corporate Debt showing investment-grade spreads that tightened the most, including Mercedez-Benz Finance North America, Goldman Sachs, etc.

...And spreads that widened the most

Table of Corporate Debt showing spreads that widened the most, including Lloyds Banking, Barclays, Bank of Montreal, etc.

Borrowing Benchmarks | wsj.com/market-data/bonds/benchmarks

August 25, 2022

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 of Borrowing Benchmarks including Inflation, U.S. consumer price index, International rates, Prime rates, Policy Rates, Overnight repurchase, U.S. government rates, Discount, Federal funds, and Treasury bill auction.

High-yield issues with the biggest price increases...

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...And with the biggest price decreases

Table of High-yield issues with the biggest price decreases, including Occidental Petroleum, Sprint, FirstEnergy, etc.

Notes on data:

U.S. prime rate is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks, and is effective July 28, 2022. Other prime rates aren't directly comparable; lending practices vary widely by location; Discount rate is effective July 28, 2022. Secured Overnight Financing Rate is as of August 24, 2022. DTCC GCF Repo Index is Depository Trust & Clearing Corp.'s weighted average for overnight trades in applicable CUSIPs. Value traded is in billions of U.S. dollars. Federal funds rates are Tullett Prebon rates as of 5:30 p.m. ET. Sources: Federal Reserve; Bureau of Labor Statistics; DTCC; FactSet; Tullett Prebon Information, Ltd.

Notes on data:

*Estimated spread over two-year, three-year, five-year, 10-year or 30-year hot-run Treasury; 100 basis points=one percentage pt.; change in spread shown is for Z-spread. Note: Data are for the most active issue of bonds with maturities of two years or more. Source: MarketAxess

MARKETS

Stocks Rally as Traders Await Powell Talk

Growth-oriented Nasdaq gains 1.7%, as GDP declines less than projected

By JOE WALLACE AND VICKY GE HUANG

Stocks rose as investors reviewed a batch of economic data and awaited the annual gathering of central bankers in Jackson Hole, Wyo.

Stocks have risen in two straight sessions as money managers await Federal Reserve Chairman Jerome Powell's speech in Wyoming on Friday.

Another item on the list of investors' concerns is a major slowdown in China's economy. Investors are placing bets on how Mr. Powell's tone will come off and whether it indicates big rate increases are still to come.

The S&P 500 gained 58.35

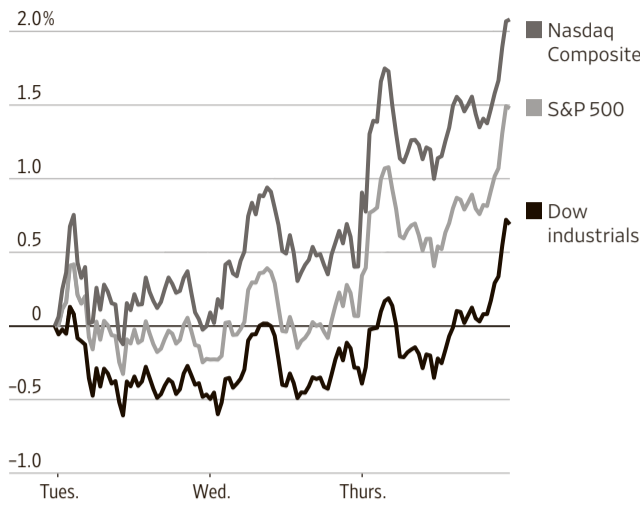
points, or 1.4%, to 4199.12, while the technology-focused Nasdaq Composite Index added 207.74 points, or 1.7%, to 12639.27.

Government bond yields slipped, with the yield on 10-year Treasuries moving to 3.023% from 3.105% Wednesday.

Stimulus measures laid out by Beijing have led to some hope that the slowdown in the world's second-largest economy will begin to abate.

Some analysts say stocks are likely to encounter more volatility after Mr. Powell's address. "I'm very skeptical of whether this better tone, and this softer dollar, can hold after the Fed speech," said Jane Foley, senior foreign-exchange strategist at Rabobank.

Index performance



Source: FactSet

going to be quite hawkish."

Mr. Powell's comments will set up the debate between Fed officials for their next policy meeting Sept. 20-21, which is likely to focus on whether to raise rates by half a percentage point or 0.75 point.

On top of the rate increases, the central bank is likely to accelerate the shrinking of its balance sheet around the September meeting, which could weigh on the economy more than in-

vestors had expected, said Jason Pride, chief investment officer of private wealth at Glenmede.

"It actually takes longer than that for the economic impact of excess inflation, Fed rate hikes and monetary policy shifts to be felt within the economy and by corporations in terms of how they react and how they guide estimates on the street," he said.

This summer trading may be

leading to exaggerated moves, analysts said. According to Dow Jones Market Data, just 9.29 billion shares in stocks listed on the New York Stock Exchange, the Nasdaq and two smaller exchanges changed hands Thursday, lower than the average daily volume of 11.97 billion shares.

Electric-vehicle maker Tesla fell \$1.03, or 0.3%, to \$296.07 after a 3-for-1 split of the company's shares took effect late Wednesday. Peloton Interactive fell \$2.47, or 18%, to \$11.01 after the pandemic darling posted a quarterly loss of \$1.2 billion. Snowflake surged \$36.79, or 23%, to \$196.28 after the cloud-software company beat revenue forecasts.

In overseas markets, Hong Kong's Hang Seng Index rose 3.6%. Shares of U.S.-listed Chinese stocks gained broadly after The Wall Street Journal reported that an imminent audit deal between the U.S. and Chinese regulators would allow American accounting regulators to travel to Hong Kong to inspect the audit records of Chinese companies listed in New York. The American Depository shares of Alibaba Group gained \$7.37, or 8%, to \$99.89, while JD.com added \$5.47, or 9.2%, to

\$64.91. Early Friday, the Hang Seng was up 0.7%, Japan's Nikkei 225 was up 0.9% and the Shanghai Composite and South Korea's Kospi were up 0.5%. S&P futures fell less than 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.

FOUR-WEEK BILLS

Table with 2 columns: Bid type and Amount. Includes Applications, Accepted bids, noncompetitively, foreign noncompetitively, Auction price (rate), Coupon equivalent, Bids at clearing yield accepted, Cusip number.

EIGHT-WEEK BILLS

Table with 2 columns: Bid type and Amount. Includes Applications, Accepted bids, noncompetitively, foreign noncompetitively, Auction price (rate), Coupon equivalent, Bids at clearing yield accepted, Cusip number.

SEVEN-YEAR NOTES

Table with 2 columns: Bid type and Amount. Includes Applications, Accepted bids, noncompetitively, foreign noncompetitively, Auction price (rate), Interest rate, Bids at clearing yield accepted, Cusip number.

Treasury Yields Climb

Continued from page B1

really been helped by signs that year-over-year inflation might have peaked. The same is true for the slight shift in tone from Fed officials, who have recently acknowledged the risk of raising rates higher than is necessary.

In general, investors still

see inflation as a threat given continued evidence of rapidly increasing wages, which are seen by many as a determining factor for consumer prices over the longer term.

As a result, the good news on headline inflation and caution from Fed officials have, for investors, only lowered the chances that the central bank will raise rates so aggressively in the short term that they would have to start cutting them immediately.

Reflecting that assessment, yields on longer-term Treasuries have climbed faster than those on shorter-term notes in recent weeks—a departure from the

trend for most of the year.

Since Aug. 9, the 10-year yield has narrowed its gap to the two-year note yield to minus 0.28 percentage point from minus 0.49 percentage point.

So far, U.S. stocks have held up reasonably well amid the latest jump in bond yields.

As was evident earlier in the year, rising yields can pose a particular threat to stocks of fast-growing companies that are valued largely for their more-distant earnings potential—those uncertain cash flows being worth less when investors can lock in a 3% return by buying a 10-year Treasury note.

As of Thursday, the growth-

stock heavy Nasdaq Composite Index was up 2.2% from Aug. 1, when the 10-year yield fell to its recent low. It has, however, fallen 3.5% since Aug. 16, the day before the 10-year yield surged above 2.9%.

Investors at this point have differing views about where bond yields go from here—even in some cases where they share a comparable economic outlook.

Margaret Steinbach, a fixed-income investment director at Capital Group, said her firm's core and core-plus bond funds have recently been positioned both for a general increase in yields

and for a move higher in longer-term yields relative to shorter-term yields.

That bet, she said, is based on a belief that inflation is likely to stay elevated for longer than many investors think but that the Fed could raise rates "in fits and starts" as it shifts to a more data-dependent policy approach.

John Flahive, head of fixed-income investments at BNY Mellon Wealth Management, similarly said that—contrary to what has been priced into futures markets—he doesn't expect the Fed to cut rates in 2023 as inflation remains threatening.

He expects longer-term yields to drop even more below short-term yields—farther accentuating what is known on Wall Street as an inverted yield curve—as the Fed raises short-term rates from their current range of 2.25% to 2.50% to between 3.75% and 4%.

"I think inevitably central banks have to, and will continue to, fight inflation," he said.

But, he added, that approach would only increase investors' concerns about a recession, so that "the higher short-term interest rates go, he more inverted the curve gets."



The move toward reducing output comes as the U.S. and Iran inch closer to reviving a nuclear deal.

OPEC President Open to Cut In Output to Stabilize Market

By BENOIT FAUCON

Momentum is building among oil producers to cut crude production to stabilize the market, with OPEC's president the latest to back Saudi Arabia's suggestion that the alliance might pump less—comments that pushed the price of a barrel back over \$100 earlier this week.

The growing consensus among members of the Organization of the Petroleum Exporting Countries and its Russian-led allies, known as OPEC+, threatens to keep energy prices elevated despite Biden administration efforts to get the members to pump more.

Sanctions on Russian oil imposed over the invasion of Ukraine have created a supply shortage and buoyed prices to their highest levels in over a decade, creating record profits for producers after the pandemic suppressed demand.

On Thursday, Brent crude for October delivery lost \$1.88, or 1.9%, to \$99.34 a barrel.

The move toward reducing output comes as the U.S. and Iran inch closer to reviving a nuclear deal that would bring Iranian oil back onto the market, an outcome Washington hoped would depress the cost of energy.

OPEC's rotating president told The Wall Street Journal that the Saudi energy minis-

ter's proposal to consider a reduction in light of market volatility was "in line with our views and objectives."

While the OPEC presidency doesn't have decision-making power, the holder of the position often voices consensus emerging in the organization.

"We think the return of Iranian barrels would be a qualifying event for a collective strategy shift," among OPEC members, said Helima Croft, the chief commodities strategist at Canadian broker RBC

OPEC next meets on Sept. 5, but there is no plan to discuss production cuts.

Capital Markets. She added that if an OPEC production cut reduced the oil-price benefits from the Iran agreement, that could erode the political gains for the Biden administration from the deal.

Earlier this week, Saudi Energy Minister Prince Abdulaziz bin Salman said oil producers could respond to volatile oil prices, "including [by] cutting production at any time and in different forms."

On Thursday, OPEC President Bruno Jean-Richard Itoua said he could back such action

because "economic conditions created by the pandemic in recent years that have led to a slowdown in global economic activity have not yet been entirely stemmed."

Mr. Itoua, also the Republic of Congo's oil minister, joins a growing chorus of countries backing the Saudi position, including Iraq and Kuwait—two of OPEC's biggest producers—and Algeria and Venezuela. Equatorial Guinea, which is set to replace the Republic of Congo as the organization's president next year, also says it agrees that production cuts should be considered.

The statements by Saudi Arabia, OPEC's biggest oil exporter, pushed international oil prices past \$100 a barrel this week for the first time in more than three weeks.

It was the latest indication that President Biden's high-profile visit to Jeddah in July didn't help toward lower prices at U.S. gasoline stations and was the opposite of what the White House hoped to achieve from the president's trip to the kingdom.

OPEC is next set to meet on Sept. 5, but there is no plan at this stage to discuss production cuts at the gathering. Several OPEC members have told the Journal that they might back a reduction in output, particularly if a global recession materializes.

Travel Retailer's Trading Debut In Hong Kong Is Delayed

By DAVE SEBASTIAN

China Tourism Group Duty Free Corp. made a delayed trading debut in Hong Kong on Thursday, after the state-controlled travel retailer raised \$2.1 billion in the city's biggest stock sale this year.

Heavy rain and strong winds caused by a typhoon led Hong Kong's stock-exchange operator to open the market at 1 p.m. local time, resulting in a shortened trading day. It also postponed CTG Duty Free's on-site listing ceremony to Friday morning.

The company's shares opened 24% below their initial public offering price and quickly bounced back to trade near it for most of the afternoon. They ended exactly where they were priced last week, at 158 Hong Kong dollars apiece, equivalent to \$20.14.

CTG Duty Free is already listed in Shanghai. The company earlier wanted to raise \$7 billion to \$10 billion in its Hong Kong listing, but abandoned that plan in late 2021. Volatile market conditions this year forced it to downsize its fundraising ambitions.

The latest IPO drew strong support from long-term investors, sovereign-wealth funds and major hedge funds, said Zili Guo, co-head of Asia equity capital markets at UBS Group AG, one of the joint sponsors of the offering.

"Global investors are still interested in quality assets from China and they are still willing to write big checks," he said.

The retail portion of the CTG Duty Free offering, however, was barely covered—a sign of weak demand from individual investors that in years past had flocked to Hong Kong IPOs when the market was hot.

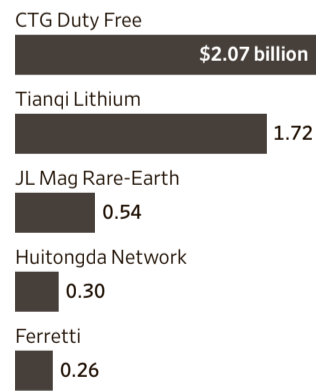
Individual investors placed orders representing only about 1.06 times the small portion of the offering that was reserved for them. Nearly two years ago, when China's top bottled-water company, Nongfu Spring Co., went public in Hong Kong, the retail portion of its deal was more than 1,000 times subscribed. Just \$7.2 billion has been

raised so far this year in Hong Kong, compared with \$35.1 billion in the same period last year, according to Dealogic. The global trend has been similar. Russia's invasion of Ukraine, high inflation and rising interest rates in the U.S. have all contributed to a slump in global IPO volumes.

CTG Duty Free, established in 1984, operates 193 stores that are mostly situated in airports, cruise ships and city downtown areas. It has big duty-free operations in a seaside resort city on Hainan island, where a recent Covid-19 outbreak led to a lockdown this month.

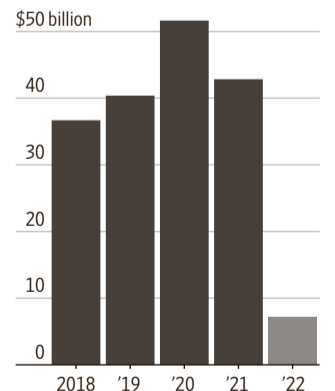
Asset manager Abrdn, the Canada Pension Plan Investment Board and Singaporean sovereign-wealth fund GIC

Largest Hong Kong IPOs this year, by funds raised*



*Includes primary and secondary listings. Data for largest Hong Kong IPOs and funds raised in 2022 are through Aug. 25. Source: Dealogic

Funds raised in Hong Kong IPOs*



CTG operates stores in airports, cruise ships and downtown areas.