



WSJ

THE WALL STREET JOURNAL WEEKEND

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DOW JONES | News Corp ***** SATURDAY/SUNDAY, SEPTEMBER 24 - 25, 2022 - VOL. CCLXXX NO. 72 WSJ.com ***** \$6.00

What's News

World-Wide

Russian officials opened polling stations in a staged vote to annex the territory Russia controls in Ukraine, a move that Ukrainian and Western officials have derided as a sham by the Kremlin designed to deter further aid to Kyiv. **A8**

◆ **World Bank President Malpass** said he wasn't resigning from his position amid calls from climate advocates for him to step down over his views on climate change. **A2**

◆ **The Biden administration** is exploring an arrangement to expedite Australia's acquisition of nuclear-powered submarines by producing the first few subs in the U.S. **A11**

◆ **House Minority Leader McCarthy** laid out his vision for the Republicans if they win control of the House in midterms, presenting a range of objectives. **A4**

◆ **Some U.S. pharmacies** are offering the new Covid-19 booster shot only from Pfizer and BioNTech after a manufacturing-quality problem caused a shortage of Moderna's new shot. **A6**

◆ **Prosecutors have recommended** against charging Republican Rep. Gaetz of Florida in connection with a federal sex-trafficking investigation, people familiar with the matter said. **A4**

Business & Finance

◆ **Financial markets** flashed new warning signals with the Dow closing at a 2022 low and U.S. oil prices plunging 5.7%, as data from Europe and Asia hardened Wall Street's view that a deeper worldwide economic slowdown is likely inevitable. **A1, B1, B11**

◆ **The U.K. unveiled** the country's biggest tax cuts since the early 1970s, a bold move aimed at kick-starting growth, but one that unnerved investors and sparked a selloff of the pound. **A1**

◆ **Ford has delayed** deliveries of certain vehicles because it didn't have the blue oval badges that go on them, in another example of how supply-chain challenges have hit auto makers. **A1**

◆ **Netflix is changing** how it compensates some of the comics it features, a move that could trim its costs and shift some financial burden and control of specials to the artists. **B1**

◆ **A federal judge ruled** that U.S. Sugar can proceed with its planned purchase of rival Imperial Sugar, rejecting a Justice Department antitrust challenge to the deal. **B3**

◆ **Apple Music is set** to be the new sponsor of the NFL's Super Bowl halftime show, replacing PepsiCo. **B3**

NOONAN

It's a Mistake To Shrug Off Putin's Threats **A15**

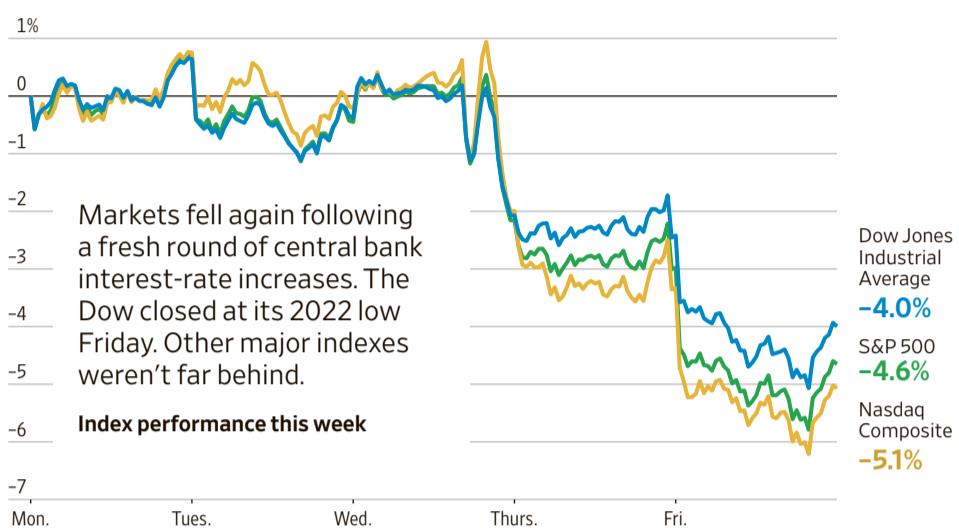
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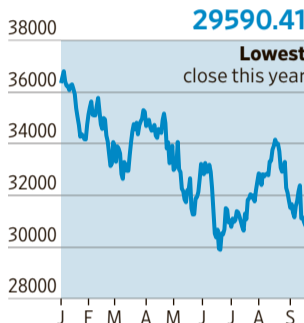
Stocks Slump as Economies Reel



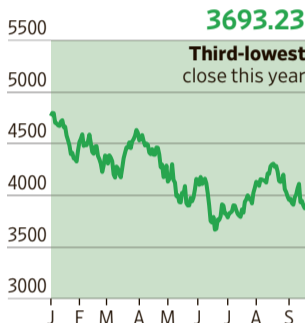
Markets fell again following a fresh round of central bank interest-rate increases. The Dow closed at its 2022 low Friday. Other major indexes weren't far behind.

Dow Jones Industrial Average **-4.0%**
S&P 500 **-4.6%**
Nasdaq Composite **-5.1%**

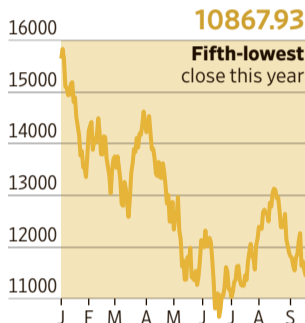
Dow Jones Industrial Average



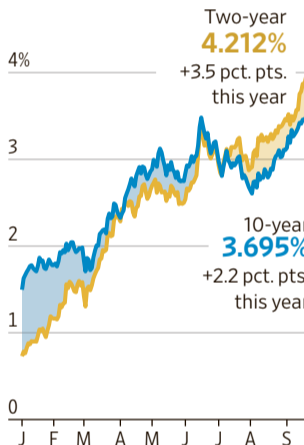
S&P 500



Nasdaq Composite



U.S. Treasury yields



Crude-oil futures price*



WSJ Dollar Index



Sources: FactSet (indexes, oil, WSJ Dollar Index); Dow Jones Market Data (Treasury yields)

Dow closes at 2022 low and oil prices plunge as new readings warn of global slowdowns

By TOM FAIRLESS AND JASON DOUGLAS

Financial markets flashed new warning signals on Friday, with the Dow Jones Industrial Average closing at a 2022 low and U.S. oil prices plunging 5.7%, as data from Europe and Asia hardened Wall Street's view that a deeper worldwide economic slowdown is likely inevitable.

The Dow lost 486.27 points, or 1.6%, to 29590.41 Friday, while the S&P 500 dropped 1.7% to 3693.23 and the Nasdaq Composite fell 1.8% to 10867.93. A two-week selloff by those indexes has dragged down the S&P 500 by 9.2%,

the Dow by nearly 8% and the Nasdaq by more than 10%.

Treasury yields rose again to their highest level in more than a decade, with the 2-year yield climbing to 4.212%. U.S. benchmark crude futures closed at \$78.74, down about 36% from its June peak.

Behind the shaky markets are surging inflation, a robust central-bank response, anxious investors and the impact of Russia's aggression in Ukraine. The U.S. economy has largely escaped the worst of these ills, but a rising dollar is punishing the rest of the world at a time when price increases in many places are already outpacing incomes.

Economic activity in Europe declined sharply in September, data showed Friday, raising

Please turn to page A10

◆ Selling sweeps across global financial markets..... B1

U.K.'s Fiscal Plan Unnerves Investors

LONDON—The U.K. government unveiled on Friday the country's biggest tax cuts since the early 1970s, a bold move aimed at kick-starting

By Max Colchester, Anna Hirtenstein and David Luhnow

growth at a time of global economic turmoil but one which spooked investors and sparked the biggest one-day selloff of the pound since the pandemic roiled markets in March 2020.

The package of tax cuts, paired with subsidies for households and businesses to cope with a surge in energy

prices, was aimed at boosting the flagging U.K. economy amid stubbornly high global inflation and growing economic gloom in Europe. Instead, it might have only added to global worries by causing a market backlash.

The pound, which had fallen by nearly a fifth this year against the dollar, slid another 3% Friday to \$1.092, hitting a fresh 37-year low and easily outpacing a 1% decline in the euro against the greenback. U.K. borrowing costs

Please turn to page A10

◆ Streetwise: 'Trussonomics' lands with a thud..... A10

Italy's Vote Tests Anti-Putin Resolve

The election Sunday is expected to yield a Parliament that is tough on Russia

By MARCUS WALKER AND MARGHERITA STANCATI

ROME—In the economic war between Europe and Russia, Italy's elections Sunday are an early test of Western stamina, coming before a winter of painfully high energy bills.

Russian President Vladimir Putin, who has throttled natural-gas deliveries to the European Union, is hoping that economic pain and public discontent will force Eu-

rope's democracies to reduce support for Ukraine and relax sanctions on Moscow.

The anti-Putin forces look are expected to strengthen in Italy on Sunday. Mr. Putin's threat this week to potentially use nuclear weapons in Ukraine, coupled with his call to mobilize reserves, make it harder for even pro-Moscow politicians around

Please turn to page A12

◆ Ukraine pushes on as Russia builds up..... A8

Bachelorette Parties Ask Strangers to Foot the Bill

Passersby invited to Venmo cash to cover drinks, hotels—distressing etiquette experts

By JULIA CARPENTER

Savanna Joi Norris had a big to-do list as one of the organizers of her friend's bachelorette extravaganza in August.

The 23-year-old in the Raleigh, N.C., area helped choose Charleston, S.C., as a destination and worked with others to plan festivities, including an outing to a piano bar and a "sip n' shop" tour of boutiques.

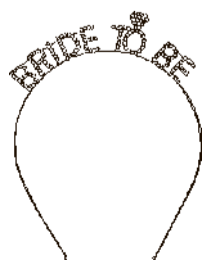
Then, Ms. Norris proposed one more idea, the icing on the

five-tiered cake: Would the group want to make some cash along the way to help with the costs of their friend's "final fling before the ring?"

They bought streamers and a rainbow bouquet of paint markers and decorated their cars: "Buy the Bride a Drink!" and "Venmo the wifey," with the party's Venmo address provided.

Go to Nashville, New Orleans, Austin or other hot bachelorette trip destinations and you'll see these

Please turn to page A12



Buy her a drink

Federer Bids Farewell in Emotional Career Finale



Roger Federer partnered with rival Rafael Nadal in a doubles match at the Laver Cup on Friday, his last event before retiring from tennis. It was a fitting conclusion, writes Jason Gay. **A16**

EXCHANGE



THE WEAKEST LINK
It's time, tech firms say, to trust no one with cybersecurity. **B1**

A Ford Logo Shortage Leaves Fords Ford-less

By NORA ECKERT

Ford Motor Co. has delayed deliveries of certain vehicles because it didn't have the blue oval badges that go on them, another example of how supply-chain challenges have hit auto makers.

The car company has run into supply constraints with the brand-name badges and the nameplates that specify the model, according to people familiar with the matter. Both parts are affixed to the vehicle's exterior and are important identifiers for the auto maker's products. A company spokesman confirmed it has held some vehicle shipments because of a lack of badges.

The shortage is affecting Ford's popular F-series pickup trucks, the people said.

Ford executives had considered some workarounds, such as 3-D printing the insignia until the permanent ones could be obtained, some of the people said. But they didn't feel the printed substitutions would meet the bar on quality, these people said.

The Ford spokesman said the company is building and shipping trucks with the blue oval badges and is retrofitting those built without a Ford logo and delivering them to dealers. The company declined to comment on the 3-D printing proposal.

Shares of Ford fell 3.6% Friday to \$12.31 amid a broader market selloff. The stock is down 41% in 2022.

Ford said on Monday it expects to have about 40,000 to 45,000 vehicles in inventory at

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U.S. NEWS

THE NUMBERS | By Josh Zumbrun

That High Mortgage Rate? It's Really Higher



Last week's news that mortgage rates topped 6% might have come as quite

a surprise for many buyers, but not because the rate was so high.

On the contrary, house hunters have been encountering mortgage rates above 6% as far back as June. They might wonder why that's only now reflected in the widely reported benchmark national average, which comes from a weekly survey from Freddie Mac, the government-sponsored mortgage-loan giant.

The reason is that the way such numbers are collected makes them harder to rely on when the mortgage and housing markets shift abruptly.

"If you have a really volatile rate—and mortgage-rate volatility is historically high right now—by the time the survey comes out it can be grossly inaccurate," said Todd Hanley, a Boca Raton, Fla., loan partner at CrossCountry Mortgage LLC.

As their single largest monthly expense, the mortgage rate is something of an obsession for many homeowners, the topic of dinner-party gossip and fraught conversations with family members. It is also the main reason to care about the Federal Reserve's interest-rate decisions.

This gives the Freddie Mac index disproportionate weight, and for Mr. Hanley this year, a headache. The index frequently reports a lower mortgage rate than what's available in the market, frustrating customers.

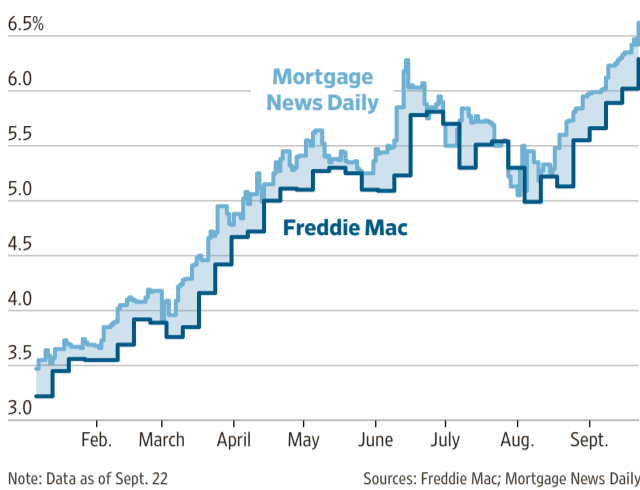
It's a reminder of how different the real-estate market is from the stock market. You can log into a brokerage account and buy blue-chip stocks in a matter of seconds, usually at or close to widely quoted, regularly updated prices.

Housing, by contrast, is slow. A month can elapse from the time a buyer's offer is accepted and their mortgage rate is locked in. While brokers generally all quote close to the same price for a stock, mortgage rates differ between originators based on the down payment, the credit score of the borrower, that originator's own business and dozens of other factors.

When Freddie Mac began its survey in 1971, the mortgage market was a sleepier place. Throughout 1972, for example, the 30-year mortgage rate held between 7.23% and 7.46%. Freddie Mac's methodology has been to survey lenders on Monday, Tuesday and Wednesday and report the average rate on Thursday, which works just fine in a calm market.

Freddie Mac's weekly survey often lags behind the day-to-day moves of the market.

Average rate on a 30-year fixed-rate mortgage this year



Note: Data as of Sept. 22

Sources: Freddie Mac; Mortgage News Daily

But this year, the market has gone haywire, as the Fed has raised rates to fight inflation and markets have gyrated in anticipation of its next move. As a result, a rate reported to the survey on Monday can be obsolete by Thursday. Many industry professionals like Mr. Hanley prefer to check rates from Mortgage News Daily, an industry data provider, which publishes a rate every afternoon.

On Thursday, Feb. 10, Freddie Mac reported an average mortgage rate of 3.69%. That same morning, the government reported an unexpect-

edly high inflation rate. That afternoon MND reported the mortgage rate surged that day to 4.02%. (Freddie Mac's Index didn't cross 4% until March 17.)

On June 9, Freddie reported a mortgage rate of 5.23%. The next day, inflation was reported to have hit a four-decade high, prompting expectations the Fed might raise interest rates 0.75 point at each meeting. By Monday, mortgage rates were over 6% according to MND.

"I don't really think it's Freddie's fault. I think the mortgage market was in considerable disarray," said Lou

Barnes, a longtime industry observer and a mortgage broker in Boulder, Colo.

Mortgage rates aren't the only sort of housing data affected by lags. A widely followed national index of home prices, the S&P CoreLogic Case-Shiller index, averages results over the past three months. That means the June figure in fact covers home sales in April, May and June. Because home purchases take so long to close, some of those prices were agreed to in March, with interest rates locked in at that time.

These lags make it appear that prices are higher and mortgage rates lower than what you might actually experience if you call a mortgage broker today to try to buy a house.

Leonard Kiefer, Freddie Mac's deputy chief economist, acknowledged the index can quickly be out of date. But that isn't the only reason borrowers might be seeing much higher rates than Freddie Mac's survey.

In a typical, calmer market, different lenders tend to offer similar rates. In today's market, it isn't uncommon to see some lenders offering significantly higher rates than others, Mr. Kiefer said. Freddie's average can mask a significant dispersion.

Another issue is that Fred-

die Mac provides two pieces of information with its data: the average mortgage rate; and fees and points. By paying more points or fees, borrowers can often secure a lower rate.

"Those fees get lost in the noise," Mr. Barnes said.

This also isn't Freddie's fault. The mortgage-loan company advises users of its data that "rates should be reported along with average fees and points to reflect the total upfront cost of obtaining the mortgage."

Freddie Mac is planning to adjust its methodology starting in November. Its new series will use its own administrative loan data to get rate estimates that are closer to real time, and it will no longer publish separate fees and points people pay.

This week, rates jumped again. Freddie Mac reported a 6.29% rate on Thursday (with 0.9 point). Still, a prospective borrower is likely to be quoted a higher rate (MND reported a 6.62% average that day) or have to pay quite a bit in fees or points or closing costs to get that rate.

What's a home buyer to do? In a world where rates change dramatically from day to day and from lender to lender, Mr. Kiefer of Freddie Mac advises: "There are pretty large benefits potentially to shopping around."

U.S. WATCH



SURF'S UP: Surfers greeting the sunrise on Friday prepared to catch waves on the Atlantic Ocean in Lido Beach, N.Y.

ARIZONA

Judge Lifts Block on 1864 Abortion Ban

An Arizona state court judge lifted a 50-year-old block on a mid-19th-century law banning nearly all abortions in the state Friday, ending three months of confusion about the legality of the procedure in the state.

Pima County Superior Court Judge Kellie Johnson said in her ruling that a previous decision blocking enforcement of the state's pre-Roe v. Wade ban must now be vacated since the U.S. Supreme Court overturned Roe, the 1973 decision that created a federal constitutional right to an abortion. Arizona Attorney General Mark Brnovich, a Republican who filed a motion in mid-July asking a court to lift the injunction on the law, shared a copy of the judge's decision.

Mr. Brnovich applauded the court's decision. "I have and will continue to protect the most vulnerable Arizonans," he said.

Clinics in the state stopped providing abortions because of uncertainty about the law shortly after the high court's decision in June. Some of those clinics have since reopened to patients. "No archaic law should dictate our reproductive freedom and how we live our lives today," Brittany Fonteno, president of Planned Parenthood Arizona, said Friday. "This is not the end of the fight, this harmful ban has no place in Arizona and we will persist until that is achieved."

The near-total abortion ban traces back to an 1864 territorial rule—before Arizona was a state. —Laura Kusisto

NEW YORK CITY

Judge Backs Police Officers on Vaccine

New York City police officers can't be fired for refusing to get vaccinated against Covid-19, a state judge ruled Friday. State Supreme Court Justice Lyle Frank, sitting in Manhattan, said officers who were fired or placed on leave as a result of the policy should be reinstated.

Thousands of city employees sought religious exemptions or refused to comply with vaccine mandates that former New York City Mayor Bill de Blasio announced in October last year, just before the Omicron variant produced a surge in cases in the city. Some public employees and unions challenged them, but the mandates were kept in place by state and federal judges.

The current case, brought by the Police Benevolent Association of the City of New York, argued that penalties for noncompliance, including suspension and termination, could be arrived at only through collective bargaining.

"To be unequivocally clear, this Court does not deny that at the time it was issued the vaccine mandate was appropriate and lawful," Justice Frank wrote in the four-page decision.

"The Court however does not see, nor have respondents established a legal basis or lawful authority for the [Health Department] to exclude employees from the workplace and impose any other adverse employment action as an appropriate enforcement mechanism of the vaccine mandate." —Jimmy Vielkind

COLORADO

Injection in Custody Cited in Man's Death

Elijah McClain, an unarmed 23-year-old Black man who died in police custody in 2019 in Aurora, Colo., was killed from an injection of ketamine he was given while being restrained by police and emergency responders, according to an updated autopsy report.

The new report, released Friday, was based on additional information that wasn't available for the original autopsy report released in 2019, including body-camera footage, witness statements and other records, according to the coroner's office for Adams and Broomfield counties in Colorado. The amended autopsy report found the amount of ketamine administered was more than the recommended amount for Mr. McClain's weight, resulting in an overdose.

Mr. McClain was stopped by Aurora police in August 2019 while walking home from a convenience store. The police officers were responding to a call about a man wearing a ski mask behaving suspiciously, according to a report by the local district attorney.

Mr. McClain, who worked as a massage therapist, got cold easily and would wear a mask for comfort, according to a 2020 lawsuit filed by his family.

According to body-camera footage from the encounter, Mr. McClain can be heard saying: "I'm an introvert. Please respect my boundaries." One police officer responds, telling him, "Relax or I'm going to have to change this situation."

Police said Mr. McClain attempted to reach for one of the

officer's guns. They tackled Mr. McClain, placing him in a carotid hold, which reduces blood flow to the brain. Paramedics injected Mr. McClain with the tranquilizer ketamine. He suffered a heart attack and died several days later.

The original autopsy report on the cause of Mr. McClain's death was inconclusive. The local district attorney at the time declined to press charges, sparking protests in Aurora.

Democratic Gov. Jared Polis appointed Colorado Attorney General Phil Weiser as a special prosecutor to reinvestigate the case amid the backlash. In 2021, a Colorado grand jury indicted three of the police officers and two Aurora fire-department paramedics on charges of manslaughter, criminally negligent homicide and various assault charges. —Joseph De Avila

CORRECTIONS & AMPLIFICATIONS

The word *wise* was misspelled as *vice* in a quote by Emory University economist Caroline Fohlin in a U.S. News article on Thursday about the effect of higher interest rates on consumers.

Onewo Inc.'s profit rose 11% in the first quarter. A Markets article on Tuesday about the Chinese property manager's plan for an initial public offering in Hong Kong incorrectly said profit rose 12%.

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

Amid Controversy, World Bank Chief Says He Won't Quit

By YUKA HAYASHI

WASHINGTON—World Bank President David Malpass said Friday he wasn't resigning from his position amid calls from climate advocates for him to step down over his views on climate change.

Mr. Malpass also said the bank's shareholders—governments around the world led by the U.S.—haven't asked him to resign. Mr. Malpass, who was nominated to lead the bank by former President Donald Trump, was speaking in an interview with Politico.

The World Bank chief has been under criticism since Tuesday over his response to questions regarding whether burning of fossil fuels has led to rapid and dangerous global warming. At a New York climate event hosted by the New York Times he declined to directly answer, saying, "I am not a scientist."

He has since sought to clarify his positions. "Look, it's clear that greenhouse-gas emissions from human activity are adding to, are causing, climate change," Mr. Malpass said in the Friday interview.

Mr. Malpass acknowledged that he didn't do his best job in responding to a comment by former Vice President Al Gore who called him a "climate denier" at the Tuesday event.

"When asked 'Are you a climate denier?' I should have said, 'no,'" Mr. Malpass said Friday. The incident was "unfortunate," he said, because the World Bank is taking a forceful leadership position to address climate change.

The president of the U.S., by far the largest shareholder of the World Bank, customarily

appoints the chief of the World Bank, a Washington-based lender for developing countries. Mr. Trump appointed Mr. Malpass to a five-year term that ends in 2024.

The Trump administration frequently bucked international efforts to reduce carbon emissions.

"We expect the World Bank Group to be a global leader of climate ambition and the mobilization of significantly more climate finance for developing countries," Treasury Department spokesman Michael Kikukawa said, responding to a question about the U.S.'s position on Mr. Malpass's standing. "We have—and will continue—to make that expectation clear to World Bank leadership."

Asked by reporters whether Mr. Malpass had President Biden's support amid calls for his removal, White House press secretary Karine Jean-Pierre said that "removing him requires a majority of shareholders" and reiterated that the administration would continue to press for the World Bank to address climate change.

"Treasury will hold Malpass accountable to this position and support the many staff working to fight climate change at the World Bank," Ms. Jean-Pierre said.

Treasury Secretary Janet Yellen has met the heads of multilateral financial institutions including the World Bank to press them to increase their climate finance amounts, step up their efforts to assist countries in reducing emissions and better mobilize private capital for climate investments.

—Catherine Lucey and Andrew Duehren contributed to this article.

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U.S. NEWS



OSCAR B. CASTILLO FOR THE WALL STREET JOURNAL (2)



Yordalis Bermudez, above, is hoping for asylum after making the trek from Venezuela to Texas to New York. At left, Luis David Mantione, a migrant from Venezuela shown at the Port Authority bus terminal in New York City, hopes to relocate to Pennsylvania.

As Migrant Buses Head North, Some Embrace the Free Ride

Three days after Yordalis Bermudez crossed the Rio Grande into Texas, she and her family faced the same daunting question thousands of migrants do each day: what to do next.

By Alicia A. Caldwell in Del Rio, Texas, Jimmy Vielkind in New York and Joe Barrett in Chicago

"I didn't have any idea where I was going to go," said the 22-year-old Venezuelan native, who arrived with her husband and infant son.

Ms. Bermudez hopes to receive asylum, a process that can take years. Federal immigration authorities scheduled the family's first court hearing in New York, so when officials at a border shelter said they could put her on a free bus to the city, she joined the nearly 13,000 people who have been transported to the other side of the country by state officials in Texas and Arizona.

Florida's recent flights ferrying 49 migrants by plane from Texas to Martha's Vineyard have generated a lawsuit, a criminal investigation and national controversy.

The human impact of that episode is small compared with the busing programs the Republican governors of Texas and Arizona have been operating since the spring to quickly transport migrants from the border states most affected by this year's surge in illegal immigration. They initially all went to Washington, D.C., and some from Texas now go to New York and Chicago.

Migrant advocates and Democrats have accused the

Republican governors of using the migrants as pawns in a political stunt. Texas Gov. Greg Abbott and Arizona Gov. Doug Ducey have said they are seeking to share the burden of a record migrant surge with states and cities led by Democrats whose policies they argue are drawing people to enter the U.S. illegally.

Among those affected, the buses have proved less controversial. Several migrants said they were happy to take advantage of the easily available free rides to quickly start establishing a new life far from the border.

Ms. Bermudez said the bus ride was uncomfortable, with brief bathroom breaks and not enough food, but she is grateful to be in New York. The family is living in a hotel paid for by the city. Her husband is looking for odd jobs, and her son, Jean Paul, celebrated his first birthday recently with a cake brought by a member of a local church.

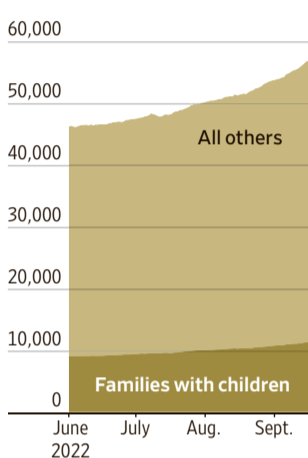
"At the moment, I'm content, and all's well," she said. "I'm happy to have a roof."

Texas has spent about \$13 million to bus nearly 11,500 migrants out of state, while Arizona has spent some \$4 million transporting nearly 2,000 people.

Though the federal government regularly moves people after they enter from Mexico to process them before releasing them, the Texas and Arizona efforts are the first time states have spearheaded such an effort. It has also expanded a yearslong trend that has seen states take a more active role in immigration policy.

About half the people who entered the U.S. illegally since last October have been re-

New York City's homeless shelter population



Note: Through Sept. 18. Source: New York City Department of Homeless Services

moved, most under a Covid-era policy known as Title 42 that allows the government to quickly turn back some migrants before they have a chance to ask for asylum or some other protection in the U.S. The other approximately one million were released into the U.S. while they wait as long as several years for asylum claims to be adjudicated. They include families, unaccompanied children and people from countries such as Cuba, Nicaragua and Venezuela, whose governments won't allow them to return.

Asylum seekers often surrender to the Border Patrol, are usually processed within a day or two, then are released to shelters. From there they head to destinations around the country while awaiting their first court dates.

In the past, they had to pay their own fare on buses or airplanes, as many still do. At a shelter in the border

city of Del Rio, Texas, migrants deemed eligible for state-funded rides are now sent to the other side of the building where the Texas Division of Emergency Management organizes the bus trips. Most migrants who opt to board seem grateful, said Tiffany Burrow, who runs the Val Verde Border Humanitarian Coalition respite center. "They know they have to get from point A to point B, and they weren't quite sure how they were going to do that," said Ms. Burrow.

New York has opened 38 emergency shelters in hotels. A senior administration official said Thursday that the city will erect tent cities—dubbed relief centers—to provide food, medical care and temporary housing for newly arrived migrants. Mayor Eric Adams has said that he was considering using a cruise ship to house newcomers.

Luis David Mantione and Oscar Jose Da Farias, also from Venezuela, left the country because of poor economic conditions nearly five years ago and had been living elsewhere in South America. Mr. Da Farias said he took a free bus to New York to get closer to a friend in Maryland. Mr. Mantione said he ultimately wants to go to Pennsylvania.

On Monday, they were at the Port Authority terminal to pick up matching green sneakers from aid workers, a day after they initially arrived from Texas and were directed to a shelter about 1½ miles away. They said there were no beds available when they arrived, so they were directed to sleep outside in a courtyard.

"They treated us better on the bus," Mr. Da Farias said.

PAUL MORELLI advertisement featuring jewelry from the BUBBLE COLLECTION. Includes contact information for NYC and Philadelphia locations.

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U.S. NEWS



House Minority Leader Kevin McCarthy, pictured above in Monongahela, Pa., criticized Democrats' plans to expand the IRS.

McCarthy Unveils Policy Agenda

By NATALIE ANDREWS

MONONGAHELA, Pa.—House Minority Leader Kevin McCarthy (R., Calif.) laid out his vision for the Republicans if they win control of the House in the midterms, targeting Democrats' plans to expand the Internal Revenue Service while also emphasizing cutting crime, lowering prices and giving parents more influence over their schools.

"On that very first bill, we're going to repeal 87,000 IRS agents. Our job is to work for you, not go after you," said Mr. McCarthy, who is the favorite to become the House speaker if his party captures the majority.

Republicans need just a handful of seat pickups to take over the House, which Democrats now control 221-212 with two vacancies. Democrats' hopes have been buoyed by recent special election wins in New York and Alaska, but election analysts say Republicans remain the favorites to win control. The Senate, currently split 50-50, remains a tossup.

Mr. McCarthy, who was accompanied by other party leaders as well as far-right

members Reps. Marjorie Taylor Greene of Georgia and Burgess Owens of Utah, traveled Friday to Monongahela, a small, working class community near Pittsburgh, to formally present his Commitment to America plan.

The Republicans' effort evokes former GOP leader Newt Gingrich's Contract With America, which helped the party win the House majority in 1994 for the first time in 40 years. That plan included provisions on balancing the budget, cutting cash welfare and cracking down on crime.

Senate Minority Leader Mitch McConnell (R., Ky.) has opted to not unveil a policy plan as he works to win the majority in his chamber.

The House GOP commitment has four main themes: building a strong economy focused on fighting inflation and curbing costs; a safe nation that focuses on reducing crime and securing the border; a freedom-themed category related to schools and confronting big tech; and a focus on accountable government, a nod to planned scrutiny of Biden administration officials.

If Republicans do win con-

trol of the House, they will have the power to hold hearings and propose and pass legislation, but their ability to make new law will be limited—even if the party also takes the Senate. President Biden can veto bills, and many policies related to crime as well as

The plan outlines several objectives if Republicans win control of the House.

school curriculum and transgender issues are controlled at the state or local level.

Republicans said they want to provide incentives for hiring 200,000 more police officers in the country to lower crime rates, as well as cut government spending, which they say would curb inflation. The GOP also plans to "protect the lives of unborn children and their mothers," a reference to the party's antiabortion stance. Many GOP lawmakers have signed onto a proposed 15-week abortion ban, though it wasn't discussed at

the event.

House Speaker Nancy Pelosi (D., Calif.) called the GOP plan an "alarming new extreme MAGA platform," citing the abortion stance and other parts of the proposal. Headed into the midterms, Democrats have worked to tie Republicans to former President Donald Trump and his "Make America Great Again" slogan.

The climate, healthcare and tax law signed by Mr. Biden last month includes efforts to lower prescription-drug prices. It also provided \$80 billion to the IRS for a decadelong transformation and expansion of tax enforcement, and the administration said last year that could include hiring 87,000 new employees. Some would be agents and auditors to crack down on tax dodging; some would answer phones or rebuild aging computer systems.

Democrats have said they aim to step up tax enforcement. They have emphasized that the money would reduce the budget deficit and police tax cheating by high-income households and corporations. Republicans have warned that the new agents would target small-business owners.

No Charges Are Recommended Against Rep. Gaetz

By SADIE GURMAN

WASHINGTON—Prosecutors have recommended against charging Republican Rep. Matt Gaetz of Florida in connection with a federal sex-trafficking investigation centering on his alleged sexual relationship with a 17-year-old girl, people familiar with the matter said.

Career prosecutors cited concerns about whether witnesses involved in the investigation would appear credible if the case went to trial, the people said. Senior Justice Department officials have made no final decision about whether to charge Mr. Gaetz, the people said.

The recommendation, reported earlier by the Washington Post, is the latest development in the yearslong investigation into whether Mr. Gaetz violated federal sex-trafficking laws that make it illegal to transport someone younger than 18 across state lines to engage in sex.

Mr. Gaetz, who has repeatedly denied the allegations, didn't respond to a request for comment. His lawyer, Isabelle Kirshner, declined to comment.

Mr. Gaetz, an ally of former President Donald Trump's, is running for re-election in November. Justice Department guidelines advise investigators against taking overt actions in the run-up to an election so as not to be seen as possibly affecting the outcome. It couldn't be determined whether or how that policy played a role in this case.

The investigation, which began in 2020 when Mr. Trump was in office, is examining in part whether Mr. Gaetz had inappropriate contact with a girl about three years ago when she was 17. The Justice Department's ex-

amination of Mr. Gaetz is connected to a probe centered on Joel Greenberg, a local official in Florida who court documents show was indicted in August on sex-trafficking charges related to a girl between the ages of 14 and 17.

The investigation is looking at whether Mr. Greenberg, an associate and political ally of Mr. Gaetz's, arranged for sexual encounters between the Florida Republican congressman and young women, The Wall Street Journal has reported.

Mr. Greenberg pleaded guilty last year to one count of sex trafficking involving a person under 18 years old, along with counts of wire fraud, identity theft and stalking. The plea was part of an agreement requiring him to cooperate in the investigation—which is being run out of Florida and Washington—including the "prosecution of other persons."

Mr. Gaetz has said the accusations against him were part of an extortion scheme to get his family to pay \$25 million to put an end to the investigation. The congressman wasn't named in Mr. Greenberg's plea.

—Corinne Ramey and Alex Leary contributed to this article.



Rep. Matt Gaetz (R., Fla.)

Former Mississippi Governor Denies Role in Welfare Scandal

By CAMERON McWHIRTER

Lawyers for former Mississippi Gov. Phil Bryant on Friday said that former National Football League quarterback Brett Favre never told the then-governor that at least \$5 million in funding for a new roughly \$7 million volleyball stadium at the University of Southern Mississippi had come from federal funds intended to aid poor families.

The statement was made in a filing in a lawsuit brought by the state Department of Human Services that seeks to recover federal funds it contends were misused. The suit names Mr. Favre and others, but doesn't name Mr. Bryant. His motion filed Friday is in response to a subpoena that Mr. Bryant is seeking to quash.

In the motion, filed in Hinds County Circuit Court in Jackson, lawyers for the two-term Republican governor wrote, "The implication that Governor Bryant did anything improper concerning the USM Volleyball Center is an outright lie."

The document filed by Mr. Bryant represents his most comprehensive statement on the situation that has enmeshed Mr. Favre and others.

The filing included exhibits showing text-message exchanges between the governor and Mr. Favre, who pushed for the new stadium at his alma mater. The document states Mr. Bryant first learned Mr. Favre was raising funds for the stadium in 2017, but Mr. Favre initially never told him that he was seeking federal funds to pay for it.

Bud Holmes, Mr. Favre's attorney, said Friday he hadn't seen the motion, but his client had sought help from Mr. Bryant and others to aid the University of Southern Mississippi. "He just tried to help the university...it's that simple," Mr. Holmes said.

Officials at the Mississippi Department of Human Services couldn't be reached for comment.

Messrs. Bryant and Favre haven't been charged with any crime relating to the funding

of the stadium or misuse of federal funds.

On Thursday, John Davis, who served as executive director of the state's Department of Human Services under Mr. Bryant, pleaded guilty to federal theft and wire fraud conspiracy charges and multiple state charges relating to the misuse of millions of dollars in federal aid meant for poor families, according to court documents.

The state is suing ex-NFL star Brett Favre and others to reclaim funds.

Mr. Davis agreed in a plea deal filed with the court to fully cooperate with federal and state prosecutors as they continue probes into how the state department doled out tens of millions of federal dollars.

Earlier this year, Nancy New, the head of the nonprofit Mississippi Community Education Center Inc. who worked closely with Mr. Favre and Mr. Davis, pleaded guilty to state

charges including bribing a public official and fraud. Ms. New also pleaded guilty to a federal charge of money laundering. Her son Zachary New also pleaded guilty to state charges in the scandal. Both the News are cooperating with federal and state prosecutors, according to court documents.

Ongoing state and federal investigations into the misuse of funds follows a 2021 state forensic audit that found Mr. Davis's department misspent more than \$77 million in federal funds. That audit included a demand that Mr. Favre and his company, Favre Enterprises, return funds it received.

Mr. Favre paid back \$1.1 million of the federal funds for speeches that the state said Mr. Favre never gave, according to the state audits. The state is demanding interest as well.

To recover a portion of the funds, the state Department of Human Services has filed a civil suit against the News, Mr. Favre and dozens of others seeking repayment of tens of millions of dollars. Friday's motion by Mr. Bryant's attorneys was in that case.



Lawyers for former Gov. Bryant say Mr. Favre never told him that money had come from federal funds intended to aid poor families.



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U.S. NEWS

Supply of Moderna Covid Booster Is Limited

Constraint is setback in U.S.'s fall campaign; company expects improvement soon

By Peter Loftus

Some U.S. pharmacies and other vaccine providers are offering the new Covid-19 booster shot only from Pfizer Inc. and BioNTech SE, after a manufacturing-quality problem at a contract manufacturer caused a shortage of Moderna Inc.'s new booster shot.

In recent days, federal officials have advised state officials there is a limited supply of Moderna's updated booster shots, said Marcus Plescia, chief medical officer of the Association of State and Territorial Health Officials.

A Moderna spokesman said the company anticipates resolving constraint issues in the coming days. "We are working closely with the U.S. government to deliver significant amounts of updated, bivalent booster doses as we continue to see high demand in certain areas of the country," the spokesman said.

Some pharmacies and other vaccine sites have either canceled appointments or stopped scheduling new appointments for people seeking to get a Moderna booster shot. At CVS Health Corp., some pharmacies have used up all of their Moderna booster shots and continue to offer the Pfizer shot as they work to acquire more Moderna doses, a CVS spokeswoman said.

California-based health system Kaiser Permanente is urging people to get the Pfizer boosters if they would rather not wait for new supplies of Moderna's shot, a spokesman said. The Lehigh Valley Health Network in Pennsylvania has stopped booking appointments for the Moderna booster as it awaits more doses, and it is offering the Pfizer vaccine, a spokesman said.

The Centers for Disease Control and Prevention has



With a shortage of Moderna's new booster shot, some vaccine providers are offering the Pfizer-and-BioNTech inoculation.

said that adults can get a new, updated booster shot from either Pfizer or Moderna, regardless of which vaccine they received for their original series.

The supply crunch for Moderna marks an early stumble in the U.S. campaign to roll out updated booster shots to tens of millions of people ahead of a potential surge in Covid-19 cases this fall and winter, as people spend more time indoors.

Some people who have tried to sign up online for appointments to get the Moderna booster shot are being told there are no time slots available, Dr. Plescia said. If people try again and select the Pfizer shot, they should be able to get appointments, he said.

Moderna, based in Cambridge, Mass., said the supply of its booster shot could improve within days, after the Food and Drug Administration this week cleared the release

The CDC has said adults can get a new booster from either Pfizer or Moderna.

of about 10 million doses that had been held up over the production issue.

The company still expects to deliver 70 million doses of its updated booster shot by the end of this year, in accor-

dance with the terms of a federal supply contract, the Moderna spokesman said.

The FDA in late August authorized the use of new, updated booster shots from Moderna and Pfizer with its partner BioNTech, designed to better target the latest versions of the Omicron variant of the coronavirus.

The updated Moderna booster is authorized for people 18 and older, and the Pfizer-BioNTech booster is authorized for those 12 and older.

New York-based Pfizer has shipped more than 21 million doses of its updated booster shot in the U.S., and it plans to provide more than 100 million by the end of November, a spokeswoman said.

About 4.4 million Americans have received an updated booster dose, according to the CDC, which is about 2% of those who completed a primary vaccination series.

Moderna's shortage arose after the FDA in August conducted an inspection of a Catalent Inc. drug plant in Bloomington, Ind., which fills vials and packages Moderna's vaccine for distribution.

The FDA inspectors found several potential violations of drug-manufacturing standards at the Catalent plant, according to an inspection document the FDA posted online this week. The inspectors said Catalent didn't properly investigate findings of visible particles in certain products. The report posted online is

partially redacted and didn't make clear which products were affected.

A Catalent spokesman said the FDA found no issues related to the safety or efficacy of the Moderna booster batches. Production at the facility, including of Covid-19 vaccines, has continued without interruption. The company is taking steps to address the FDA inspection findings, the spokesman said.

As a result of the inspection, however, the FDA's Aug. 31 authorization of Moderna's new booster shot didn't include millions of doses produced at the Catalent plant, and they weren't distributed. Before this week, the only Moderna doses that were distributed were produced at a different facility.

Because of concerns about supply limitations, Moderna asked the FDA to review some of the batches of its new booster shot that were being held at the Catalent facility.

The FDA reviewed 10 batches—totaling about 10 million doses—and determined they were suitable for release, according to a Sept. 20 letter the FDA posted on its website. The FDA will consider authorizing the release of additional batches.

"This authorization was based on FDA's determination that the batches met all applicable specifications, following a careful review of information provided by Moderna about the manufacture of these batches," an FDA spokesman said. "The agency has no concerns with the safety, effectiveness or quality of these batches."

Separately, Moderna said Friday it has asked the FDA to authorize the use of its updated booster shot in children ages 6 to 17.

The company expects to complete a request for use of the booster in children 6 months through 5 years later this year.

—Jared S. Hopkins
contributed to this article.

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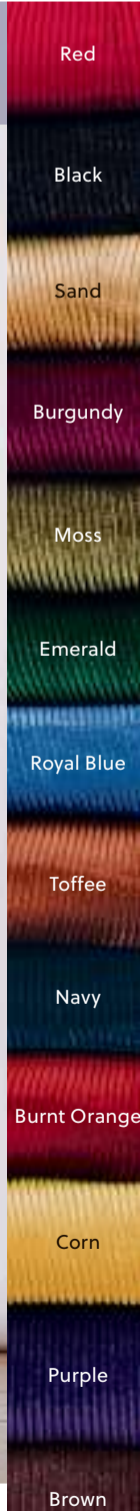
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Model is 6'1" and wears 34/29"



Ford faces supply constraints with its brand-name badges and the nameplates that specify the model.

Ford Suffers A Shortage Of Logos

Continued from Page One
the end of the third quarter that couldn't be shipped to dealers because they were awaiting needed parts. Many of these vehicles are high-margin trucks and SUVs, and the shortages primarily involved parts other than semiconductors, the company said.

Ford declined to comment on whether the difficulties getting badges contributed to that shortfall.

A Michigan-based supplier that has made badges for Ford in the past had to limit operations in August, after disclosing to Michigan regulators it had discharged industrial chemicals into a local sewer system, according to city and state officials.

The supplier, Tribar Technologies, Inc., specializes in decorative exterior automotive trim, including making badges and lettering for vehicles. The company's website shows it has made the insignia for Ford models previously, including the 2021 F-150 pickup truck.

Tribar confirmed it is a current supplier to Ford, declining to comment further on its client. The supplier said its facilities are now operating at full production, and the incident

isn't affecting operations. In regards to the discharge, Tribar said its filtration system and a city wastewater treatment plant appear to have captured the chemicals before there was any material environmental impact on a local river.

Ford declined to comment on whether Tribar's limited operations were connected to the auto maker's name-badge shortage.

The global auto industry has been wrestling with various supply-chain disruptions for more than a year, but most of the shortages have revolved around a lack of computer chips.

Ford's trouble getting name-

Badge supply-chain woes are affecting Ford's popular F-series pickup trucks.

plates and badges illustrates that even the most basic parts can be hard to come by, resulting in constraints that can have larger repercussions on a company's ability to fulfill vehicle orders.

The computer-chip shortage has led car companies to build some vehicles without the needed semiconductors and then park them until they can be finished. This strategy has left tens of thousands of cars and trucks sitting at airport lots and other holding pens

near assembly plants in the South and Midwest.

General Motors Co. has also had to hold shipments due to missing components. Over the summer, GM said it had nearly 100,000 incomplete vehicles that it couldn't sell because they lacked the needed computer chips and other parts to deliver them to dealers—a delay that weighed on its second-quarter results.

Similarly, electric-vehicle startup Lucid Group, Inc. has cited supply-chain constraints on commodity parts, such as glass and carpet, as one reason it slashed vehicle-production targets for 2022.

In Monday's release, a preview of third-quarter earnings, Ford said the recent shipment delays would shift some revenue to the fourth quarter, when the held vehicles are expected to be complete and delivered to dealers.

Additionally, Ford said its quarterly results would be affected by about \$1 billion in higher payments to suppliers to account for inflation.

The news contributed Tuesday to the largest single-day percentage drop in Ford's stock in 11 years.

Ford has been notching steady U.S. sales increases this summer, outpacing the broader car market's growth. In August, Ford's U.S. sales rose 27% over the prior-year month, versus a 5% increase for the broader auto industry, the company said.

—Ryan Felton
contributed to this article.

WORLD NEWS

Ukraine Pushes On as Moscow Builds Up

Kyiv will have months before foe mobilizes new troops, offering chance for more gains

By THOMAS GROVE

After seven months of war, Ukraine now faces Russian President Vladimir Putin's plans to mobilize more than a quarter of a million men for his invasion, in what the Kremlin hopes will be a display of the massive human resources available to it.

Kyiv's response: Keep calm and continue tactics that have proven to work.

Moscow is banking on its efforts, which are already under way, to throw another 300,000 mobilized soldiers into its faltering attack on Ukraine. Russia's goal is to harden battle positions that it gained in Ukraine's east and south and prevent further losses like those it suffered this month in the northeast, when its forces were routed by a swift Ukrainian advance and driven from the strategically important city of Izyum.

Ukraine still has months to make gains before the mobilized troops are integrated into the Russian army, giving it a window of opportunity to carry on with plans to win back territory. For now, Kyiv is

unlikely to accelerate any offensive operations in the south or east of the country, Ukrainian and Western military analysts say.

Even with the new forces in place, Ukraine's use of Western weapons and nimble force structures will likely give it the upper hand against Russia's reliance on sheer numbers of likely demoralized troops, they said.

"They're trying to boost their numbers without remedying their weaknesses," said Mykola Bielieskov, research fellow at the Kyiv-based National Institute for Strategic Studies, a government-backed think tank.

Since Mr. Putin's mobilization announcement this past week, thousands of men across Russia with prior military service have been rounded up to start a planned two-week training period before they are deployed.

The mobilization plays to Russia's belief it can tolerate the pain of the war longer than the Ukrainians or their Western backers in Europe, which will be paying more for energy over the winter months.

"Even if it's not delivering results on the battlefield, prolonging the conflict is consistent with [Russia's] theory of victory, which is undermining Ukraine's depth, which is us" in the West, said Jack Watling, se-



Ukrainians moving military vehicles in and around the reclaimed city of Izyum earlier this month.

nior research fellow of land warfare and military sciences at the Royal United Services Institute, a think tank in London.

For now, Ukraine's strategy is to continue to probe Russian front-line weaknesses to find the right opportunities to attack with minimal losses. While Ukraine still has a massive advantage in manpower, it must remain selective in how to apply pressure to Russia's front to preserve both valuable Western equipment and energy for a fight that will likely continue for months at least.

"The Ukrainians do have time and they do not want to conduct increasingly risky offensive operations in which they're attacking larger Russian units without the necessary conditions of optimal attack," said Mr. Watling. "They don't want to deplete their troops and their logistics and then be hit by new Russian units when they're most exhausted."

Even with an overall advantage, Ukraine's offensives in the south and northeast have depleted the manpower and equipment it has available to

advance on Russian positions.

"We also need to regroup forces and also have to rotate forces quite a lot," said Mr. Bielieskov.

The Russian military's most immediate challenge is to decide how to absorb such a large number of people. Russian military training isn't centralized, like in the U.S., and is done instead within the units where soldiers will serve.

The Russian armed forces also must decide how to use the incoming manpower in ways that maintain morale and

unit cohesion. Newly mobilized soldiers might be used to backfill the hardest-hit units, which in some cases have lost well more than half their soldiers. That move could upset already flagging spirits among combining battle-weary soldiers with new troops who aren't there voluntarily, said Mr. Watling.

For Moscow, the mobilization is aimed at trying to repeat successes its forces achieved in May and June, when their advantage in artillery and manpower enabled them to slowly and methodically mow through Ukrainian positions to take the cities of Severodonetsk and Lysychansk.

Since then, Ukraine's use of Western weaponry has helped stop Moscow's advance and left Russian positions vulnerable to Ukraine's smaller and faster units. "Russians want attrition, they want formations clashing en masse—that's where they're used to having the advantage," said John Spencer, chair of urban warfare studies at the Madison Policy Forum. "But the Ukrainians won't give them that."

Watch a Video



Scan this code for a video on Russian call-ups bidding farewell to their families.

Annexation Votes Collected Under Pressure

By IAN LOVETT

Russian officials opened polling stations on Friday in a staged vote to annex the territory Russia controls in Ukraine, a move that Ukrainian and Western officials have derided as a sham by the Kremlin designed to deter further aid to Kyiv.

The result of the so-called referendums on whether four Ukrainian regions that Moscow at least partially controls should join the Russian Federation was in little doubt as polling places opened. After annexing Crimea from Ukraine in 2014, Russian officials held a similar vote to confirm annexation. According to official results, 97% of voters cast ballots in favor of joining Russia.

Ballots were being collected in a variety of ways across the four Ukrainian regions. Polling stations were open in the Luhansk, Donetsk and Kherson regions, according to reports by Russian-installed officials. Russian state television portrayed the vote as a success, showing images of people in Luhansk lined up with Russian flags waiting to cast their ballots.

In southern Ukraine's Zaporizhzhia region, officials are going door-to-door with ballot boxes and setting up mobile voting booths at workplaces. Russian media said the system was designed to avoid large gatherings of people in areas where combat was under way.

"On the streets of Melitopol, local residents staged a rally in support of the referendum on the reunification of the Zaporizhzhia region with Russia," Vladimir Rogov, an official in the Russian-backed administration of that region, wrote on Telegram.

In the Kherson region, however, locals said they weren't sure how or where voting was supposed to take place. One Russian-installed official said



A service member of the self-proclaimed Luhansk People's Republic voted Friday in a referendum on whether to join Russia.

on Telegram that 198 polling places had been prepared, but didn't disclose their locations, citing security concerns.

Residents also said the results of the voting were predetermined and vowed not to participate if they could avoid it.

"There were no announcements, no information about polling stations," said one resident of Kherson, the regional capital. "I categorically refuse to take part."

Serhii Haidai, the Ukrainian governor of the eastern Luhansk region, which is fully occupied by Russia, said that residents in some areas were being told that voting is mandatory. Residents in one area were threatened that if they don't vote, they will immediately lose their jobs, he wrote

on the Telegram social-media platform on Friday morning. In another area, locals were prohibited from leaving until after voting ends on Tuesday.

Voting would also be allowed from inside some areas of Russia, according to state media, for people who had fled the fighting in Ukraine. Some 2.6 million Ukrainian refugees have entered Russia since the war began, according to the United Nations; some are Russian sympathizers, while for others it was the only route to escape the combat.

The four regions that Russia is attempting to annex together represent about 15% of Ukrainian territory. By annexing the regions—and thereby calling them part of Russia—Russian President Vladimir Putin hopes

to deter Western countries from sending more military aid to Kyiv.

Russia's constitution would be activated immediately in any territories that join the federation, Kremlin spokesman Dmitry Peskov said at a news conference in response to a question about the future defense of the regions where the votes are taking place.

The Kremlin has timed the votes to coincide with other escalations of the country's war effort, after Ukraine reclaimed about 3,500 square miles of territory earlier this month in a flash offensive that exposed the frailties of the Russian army.

On Wednesday, Mr. Putin announced a draft to enlist an additional 300,000 troops to

fight in Ukraine. He also threatened to respond to any attacks on Russian territory with nuclear weapons.

Leaders of the Group of Seven major industrialized countries issued a joint statement on Friday condemning Russia's annexation moves and nuclear threats.

"We call upon all countries to unequivocally reject these sham referenda as Russia's attempt to give false cover to its violations of international law," the G-7 leaders' statement said. "We stand ready to impose further economic costs on Russia."

Ukraine has repeatedly said that any votes Russia might hold in occupied territories would have no effect on its military operations.

Hackers, Kremlin Observed In Tandem

A growing body of evidence suggests that pro-Russian hackers and online activists are working with the country's military intelligence agency, according to researchers at Google.

By Robert McMillan in San Francisco
And Dustin Volz in Tallinn, Estonia

Western officials and security experts are interested in the possible Kremlin links because it would help explain Moscow's intentions both inside and outside Ukraine despite recent military setbacks that prompted Russian President Vladimir Putin this past week to announce a mobilization push.

Officials in the U.S. and Europe have warned throughout the war that Russian hackers could lash out against Ukraine's allies by targeting critical infrastructure and governments with cyberattacks, but so far that has largely failed to materialize.

Over the past few months, Google's Mandiant cybersecurity group has observed apparent coordination between pro-Russian hacking groups—ostensibly comprising patriotic citizen hackers—and cyber break-ins by Russia's military intelligence agency, or GRU. In four instances, Mandiant says it observed hacking activity linked to the GRU in which malicious "wiper" software was installed on a victim's network.

The initial wiper software caused disruption by destroying computer systems across the organization. Then, the hackers entered the picture. After each of these hacks—within 24 hours of the wiping—the hacktivist organizations have published data stolen from the same organizations.

Three pro-Russian hacktivist groups have been involved, according to Mandiant, which was recently acquired by Google. They are called XakNet Team, Infocentr and CyberArmyofRussia Reborn.

Combined with the other activity related to the war, this has created an unprecedented situation, Mandiant said in a report on the hacktivists. "We have never previously observed such a volume of cyberattacks, variety of threat actors, and coordination of effort within the same several months," the report states.

A representative with Russia's Embassy in Washington didn't respond to requests seeking comment, but Russia has denied that it is involved in hacking.

Most EU Neighbors Shun Russians Fleeing Conscription

By DREW HINSHAW
AND LAURENCE NORMAN

BERLIN—Russians hoping to flee President Vladimir Putin's mass mobilization of civilians are facing a cold shoulder from the country's European Union neighbors, who say they won't roll out the welcome mat.

Poland, Estonia, Latvia and Lithuania, which all share land borders with Russia, have swiftly and collectively ruled out expanding their asylum categories to allow Russians fleeing mobilization to enter their territory. Officials from Poland and the Baltic states said in interviews they wouldn't compromise their internal security by extending that welcome to the vast number of Russians who could potentially qualify. Those gov-

ernments also hold little sympathy for Russian citizens who can't demonstrate a long-standing opposition to their country's incursions into Georgia, Crimea and other military interventions.

Their decision leaves Russian conscripts who don't want to fight with few other ways out of a country where refusing mobilization is punishable by up to 10 years' imprisonment. Russia forbids exit by those already drafted.

Those who haven't yet been drafted—but could be—can leave, although most plane and rail connections with the EU are severed by sanctions, and the cost of plane tickets to non-EU European capitals, such as Belgrade, shot higher and sold out after Mr. Putin's mass mobilization announcement on Wednesday.

Those leaving by road have only one land border with the EU directly available, the 830-mile Finland-Russia line, whose 11 checkpoints remain open. But the country has

Poland and Baltic nations have ruled out expanding their asylum categories.

slashed the number of visas it is issuing, and is under pressure from its neighbors and opposition parties to stop the entry of most Russians. At a government meeting on Friday, Finland decided to further curtail the number of Russians coming to Finland

and traveling via the country into the EU.

On Thursday, Norway, which is not in the EU but is a part of Europe's passport-free travel zone, suspended a visa deal that had eased Russia's access through the Arctic border post of Storskog, the sole checkpoint still open between the two countries.

In Germany, several ministers in the coalition government have said Berlin would welcome asylum seekers seeking to avoid fighting in the war in Ukraine, and the European Commission, the EU's executive body, says it is in discussions with member states about the issue.

"Whoever hates Putin's rule and loves liberal democracy is welcome in Germany for us," Marco Buschmann, Germany's justice minister from the ju-

nior Free Democratic Party, said on Twitter.

The discussion over Russian conscripts follows a rift within the EU over how restrictive rules should be for Russian civilians entering the bloc. While many of Russia's EU neighbors have blocked tourists from entering the EU, France and Germany were among those warning that care should be taken to ensure that young Russians, civil society activists and those opposed to Mr. Putin should have access to the bloc.

The hard line drawn against Russians looking to leave speaks in part to a strategy to end the war advocated by Poland and its Baltic neighbors. Those governments see increasing the daily suffering of ordinary Russians as a way to sap Mr. Putin's political strength.

WORLD NEWS

WORLD WATCH

STREETWISE | By James Mackintosh

'Trussonomics' Lands With a Thud



Reaganomics, voodoo economics, trickle-down theory; whatever you call it, 1980s political economy is back in Britain, and the markets hate it.

The new British government announced surprise tax cuts on Friday costing about 1.8% of GDP, with no explanation of how to pay for them other than some hand-waving at "growth."

Unlike with President Ronald Reagan's debt-funded tax cuts, investors reacted by dumping the pound and selling government bonds, or gilts. Benchmark 10-year gilts sold off by the most since at least 1989, when new Prime Minister Liz Truss's hero, Margaret Thatcher, was prime minister.

There are three major problems with the new approach. The first is the starting point. Unlike in the early 1980s, British business isn't being strangled by govern-

ment red tape, held to ransom by powerful unions (a few critical industries excepted) or crippled by high corporate taxes. Almost all the badly run government businesses have been privatized, and those that remain in government hands are much improved. The big supply-side reforms have already been done.

Sure, some worthwhile reforms were announced Friday: looser rules on building new infrastructure, removal of special restrictions on on-shore wind farms, scrapping rules on bankers' bonuses. But they won't allow growth the way Mrs. Thatcher's breaking of the unions, privatization program and removal of many worker demarcations—including the City of London's "Big Bang"—did.

The biggest supply-side changes needed in the U.K. are to reform building approval rules that slow or prevent expansion of housing and business, and to secure or improve major free-



U.K. Prime Minister Liz Truss

trade agreements, especially by removing the bureaucracy Brexit introduced on trade with Europe. Both remain off the table.

The second is Britain's shaky position as a global borrower. At the start of Thatcherism and Reaganomics, both the U.K. and the U.S. ran small current account surpluses, and the U.K. had debt of only about 40% of GDP. There was

plenty of scope to borrow from abroad by turning it into a deficit, as foreigners helped finance a run-up in domestic borrowing, consumption and investment.

At the start of what's being called "Trussonomics," Britain has a record current account deficit and debt above 100% of GDP, both to worsen due to the extra borrowing for the tax cuts and for a massive energy subsidy package.

The third problem is politics. Mrs. Thatcher had a strong mandate to push through unpopular policies, allowing her to make big cuts to government spending to part-fund tax cuts, while Ms. Truss has none. After a post-financial crisis decade of austerity worsened by the pandemic, many of the country's public services are already crumbling, making major cuts harder still.

Ms. Truss also faces an election in two years that, at least before the tax cuts, she was widely expected to lose.

The politics get even harder when, instead of the

promised growth, the country hits hard times. The Bank of England thinks Britain might already be in a recession. The boost to demand from the unfunded tax cuts means the BOE will have to raise rates even faster to bring the country's double-digit inflation under control, perhaps deepening and extending recession.

Both Thatcherism and Reaganomics started out with nasty recessions, but both leaders were able to ride them out. Ms. Truss doesn't have the luxury of time.

The government should have taken care to prepare the markets, explain its position and project a confident financial future. Instead, it has merely promised that its independent forecasting body will show the effects of all the extra borrowing by the end of the year.

If markets lose confidence it will make it even harder for what was already a high-risk fiscal policy to succeed.

U.K. Plan Unnerves Investors

Continued from Page One also rose quickly, with yields on both short-term and longer-term government bonds shooting up by more than a third of a percentage point, a massive jump in bond-market terms. The 10-year U.K. government bond yielded 3.76%, higher than the U.S. equivalent for the first time in several years.

"We worry that investor confidence in the U.K.'s external sustainability is being eroded fast," said George Saravelos, global head of foreign exchange at Deutsche Bank. He said that in an environment of high global uncertainty, there was a risk that foreign investors would ask for ever higher returns in exchange for underwriting the U.K. government's borrowing, essentially threatening to demand the same kind of premium for buying U.K. debt as that of less developed economies.

Earlier in the day, in one of the largest shifts in British economic policy in decades, U.K. Chancellor of the Exchequer Kwasi Kwarteng said the government would cut payroll and income taxes, freeze corporate taxes, ditch a cap on banker bonuses and spend tens of billions of pounds to subsidize energy bills over the next two years.

The measures come as sky-high inflation hangs over the global economy, central banks race to jack up interest rates, and rocketing energy prices from the Ukraine war suffo-



Chancellor of the Exchequer Kwasi Kwarteng detailing the plan.

cate consumers and companies across Europe. Business surveys published on Friday indicate that economic activity declined sharply in Europe in September. Deutsche Bank forecasts that eurozone economies will contract 2.2% next year, led by a 3.5% plunge in Germany, the continent's manufacturing powerhouse.

In the U.K., the new government of Prime Minister Liz Truss, who took over earlier this month after the resignation of Boris Johnson, recently unveiled a two-year bailout for consumers and companies to shield them from higher gas prices, but decided to double down on a growth strategy by accompanying that increase in spending with large tax cuts.

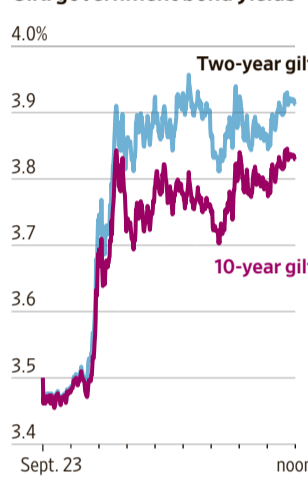
"We need a new approach for a new era focused on growth," Mr. Kwarteng told the U.K. Parliament, saying the country had become stuck in a vicious cycle whereby low growth produced less revenue for the government, forcing it to raise taxes to pay for public services, which in turn hurts growth further.

The new measures are an attempt to revive the economy ahead of an election widely expected to be held in 2024. Ms. Truss's Conservative Party is lagging behind the opposition Labour Party by 10 points in the polls.

The new measures, however, caused anxiety among investors about both the impact on inflation and interest rates as well as the longer-term sustainability of U.K. finances. "This is the biggest tax-cutting event since 1972," said Paul Johnson, director of the Institute for Fiscal Studies, an economic think tank. He and others noted that the 1972 budget, set by a Conservative government cutting taxes to win an election two years later, resulted in rocketing inflation and the Conservative Party being voted out of office.

"The U.K. has taken quite a dangerous gamble," said Fahad Kamal, chief investment officer at Kleinwort Hambros. He and others noted that despite the rising premium on British debt, the pound was still falling, the kind of market reac-

U.K. government bond yields



Source: Tullett Prebon

ing to the supply of bonds for investors to absorb.

The package of subsidies and tax cuts—which will be largely funded by borrowing—will cost more than £150 billion, over the next couple of years, analysts said. The government said it would borrow an additional £72.4 billion to fund the package in the short term. However, the overall borrowing in the coming five years could be closer to £300 billion, said Azad Zangana, senior European economist at Schroders.

Mr. Kwarteng said the government will lower to 40% from 45% the top rate of tax for people who earn more than £150,000 a year, a move that surprised the market. Basic income tax will be cut to 19% from 20% in 2023, a year earlier than planned. The government also announced lower taxes on property transactions for first-time home buyers, among other changes.

The large tax cuts are a sharp change in direction for a Conservative government that has been in power for 12 years. Ms. Truss, a libertarian, is ripping up her predecessor's plan for a higher-tax, interventionist government—one he felt was necessary to "level up" the poorer parts of Britain as well as keep paying for social services at a time when Britons are aging. Ms. Truss, by contrast, is staking her ground that the private sector has the best shot at creating broader prosperity and has cast herself as "unashamedly pro-business."

Mr. Kwarteng and Ms. Truss are "two desperate gamblers in a casino chasing a losing run," said Rachel Reeves, the opposition Labour Party's shadow chancellor.

Global Warnings Flash Red

Continued from Page One the risk of recession as governments grapple with war-related disruptions. In the U.K., the pound declined to its lowest level since 1985 after the government proposed tax cuts in a bid to restart growth, intensifying inflation concerns. Japan's yen resumed on Friday its decline against the dollar, just a day after the country intervened to boost its value for the first time since 1998.

Around the world, trade volumes are sputtering and inflation is crushing household and business confidence. China's housing market is cracking, while Europe's energy crisis is hammering factory output. The market's disavowal of the U.K. tax-cut plan highlights the narrow options governments face as they try to rebalance in the face of soft growth and high inflation.

Central banks led by the Federal Reserve, just two years after dispensing massive stimulus, are prioritizing the fight against inflation, increasing interest rates at a pace not

seen in decades. The result is a pronounced weakening in economic activity in many regions, amplified by market volatility that in some cases is returning to levels last seen in the financial crisis.

"It's a bit of an experiment, how fast and hard you can [raise interest rates] without destroying the real economy," said Jens Magnusson, chief economist at SEB, a Sweden-based bank.

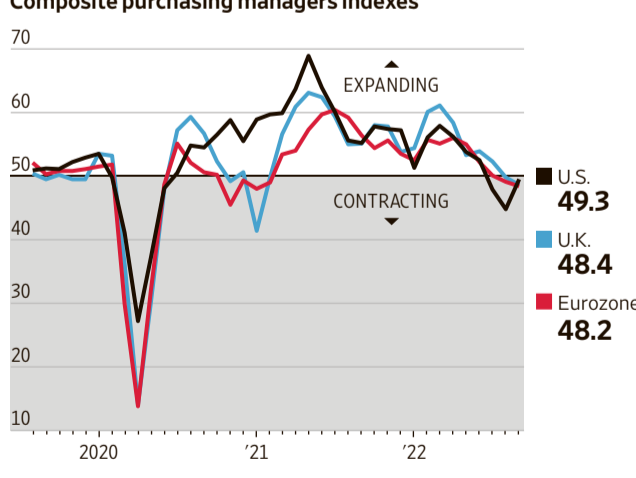
The signals that the end of an unusual economic cycle is at hand were being received loud and clear by bankers and economists. Goldman Sachs Group Inc. cut this week its 2022 year-end S&P 500 target by 16% to 3600. Rates have "shifted dramatically," Goldman's David Kostin said. As a result, the outlook for markets is "unusually murky."

Bank of America said on Friday it expects U.S. real gross domestic product to fall 1% in the four quarters ending in the last quarter of 2023, and for the U.S. unemployment rate to rise to 5.6% in December 2023.

Those forecasts underscore a central riddle of this cycle: how bad will the economic news get, after record stimulus helped avert economic disaster during Covid-19?

For now, some supply bottlenecks are easing and unemployment remains low across advanced economies. House-

Composite purchasing managers indexes



Note: Seasonally adjusted. Source: S&P Global Market Intelligence

holds in these countries have dipped into savings amassed during the pandemic, with their spending increasing by an annual rate of 2.4% in the six months through June, according to analysts at JPMorgan Chase & Co. Global employment also rose at more than twice its prepandemic pace during the period, the analysts said.

The U.S. so far is weathering high inflation, slowing economic output and the Ukraine impact better than some other parts of the world. Consumer spending and job growth remain robust and some manufacturers are shifting production from overseas,

boosting investment.

Contracting U.S. business activity moderated in September, according to surveys of purchasing managers by data firm S&P Global. Its U.S. composite purchasing managers index—which measures activity in both the manufacturing and services sectors—was 49.3 in September, an improvement on August's 44.6 reading.

Cooling U.S. inflation will likely require somewhat higher unemployment and a sustained period of slower growth, Fed Chairman Jerome Powell said Wednesday.

Still, the housing market, often a leading indicator of economic weakness, is soften-

ing as mortgage rates soar. Fed officials lowered on Wednesday their median expectations for economic growth from 1.7% to 0.2% this year.

In the eurozone, retail sales declined in recent weeks as consumer sentiment hit the lowest level since records began in 1985. The region's industrial output shrank by 2.4% in July from a year earlier as runaway energy costs strangled manufacturers. Deutsche Bank reckons the region's economy could shrink by 2.2% next year, led by a 3.5% contraction in Germany.

Germany's economy, the European Union's largest, is deteriorating at a rate not seen outside of the pandemic since the 2008 global financial crisis, said Chris Williamson, chief business economist at data firm S&P Global Market Intelligence. The pullback in economic activity in the country, which is highly reliant on manufacturing and one of the most exposed in Europe to the gas crisis, was particularly dramatic, S&P Global said.

"A eurozone recession is on the cards as companies report worsening business conditions and intensifying price pressures linked to soaring energy costs," Mr. Williamson said.

Friday's surveys showed a deepening decline in German business activity in September, led by the service sector.

Adding to the mystery of what comes next in Europe: the increasingly dangerous geopolitics of the moment. President Vladimir Putin of Russia this week threatened nuclear strikes and ordered reservists to mobilize after his troops suffered stinging setbacks in Ukraine, suggesting Europe's most significant conflict since World War II could either drag on or escalate.

Across Asia, export growth is weakening in the region's major trading economies, a sign of declining demand for electronics as Western appetite for consumer goods fades. "There really are signs now that things are starting to turn," said Alex Holmes, senior Asia economist at Oxford Economics in Singapore.

Chinese export growth in August slowed to an annual 7.1%, versus 18% growth a month earlier. Exports to the EU grew by an annual 11.1% in August, about half the rate in July, data from China's customs authority showed.

"The global economy is in the emergency room," said Jerome Haegeli, group chief economist at reinsurer Swiss Re and a former official at Switzerland's central bank. "Anything like a soft landing is wishful thinking."

—Hannah Miao, Harriet Torry and Chelsey Dulaney contributed to this article.

CANADA

Hurricane Fiona Set To Hit Atlantic Coast

Eastern Canada is bracing for what forecasters said could be a once-in-a-lifetime storm.

Hurricane Fiona is set to make landfall there Saturday as it barrels up the Atlantic Ocean, where it has left behind a trail of destruction in parts of the northern Caribbean.

Fiona could bring floods, heavy rain and dangerous winds across eastern Canada, forecasters said. "This could be one of the worst, if not the worst, hurricane they've ever experienced in their lives," said Dan Kottowski, a senior forecaster and lead hurricane forecaster at AccuWeather Inc.

In a rare occurrence, Fiona was forecast to arrive in eastern Canada even as it was still intensifying, Mr. Kottowski said. Hurricanes frequently make landfall in the area, he said, but the storms usually weaken by the time they reach land.

—Alyssa Lukpat

PAKISTAN

Climate-Disaster Relief Funds Sought

After suffering catastrophic floods, Pakistan is leading a push with other developing nations to establish international funding for natural disasters that they say are caused by climate change, in an effort to spur momentum around the issue ahead of climate negotiations later this year.

Prime Minister Shehbaz Sharif, in a speech Friday at the United Nations General Assembly, said that record rainfall that has inundated parts of Pakistan in recent weeks was the result of global warming caused by the emissions of rich countries.

"Nature has unleashed her fury on Pakistan without looking at our carbon footprint, which is next to nothing," Mr. Sharif said. "Our actions did not contribute to this."

Some 1,600 people have been killed, and livelihoods have been swept away, as millions of acres of crops were inundated and a million livestock animals drowned.

—Saeed Shah

IRAN

Protesters Come Under More Pressure

Iranian security forces have escalated their use of force to suppress a largely peaceful protest movement, moving from nonlethal riot control tactics to firing live rounds, according to rights groups, raising fears of a higher death toll as the unrest spreads.

At the same time, authorities heavily disrupted access to the internet in an attempt to block the social-media networks on which the protesters have relied to express dissent and rally support. On Friday, posts and videos on the protests were down to a trickle.

The death of 22-year-old Mahsa Amini late last week in police custody for allegedly violating the country's strict Islamic dress code sparked protests across the country. Iranian authorities warned Friday in the sharpest terms yet that the crackdown could intensify further if the protests continue.

—David S. Cloud

OBITUARIES

BRUCE HENDRY
1942 — 2022

Investor Snapped Up Ailing Firms' Debt

By age 11, Bruce Hendry recalled, he was financially independent.

The son of a machinist in Minneapolis, he made early profits by buying balls of kite string and selling pieces of it to other children. At 14, he purchased a quarter-acre of lakeside property.

After studying business at the University of Minnesota and working briefly as a salesman of microfilm equipment, he became a stockbroker and found his niche: acquiring debt and other securities of dying companies, sometimes known as vulture investing.

He profited in the 1980s on debt issued by the Erie Lackawanna railroad and Wickes Cos., a floundering retailer. "I've attracted a following of investors

who will invest with me in these type of oddball things," he told the *New York Times* in 1986.

In 1987, he won a battle for control of Kaiser Steel Corp. and became chief executive, leading it through a bankruptcy-court reorganization that involved selling coal and steel-fabrication units.

That episode wasn't very profitable, but Mr. Hendry said he managed to save some of the former workers' retirement benefits. "In my mind, this was my greatest accomplishment," he said in an interview with *Twin Cities Business*.

Mr. Hendry died Sept. 14 at his home in Minneapolis. He was 79 and had been under treatment for mantle cell lymphoma for 21 years.

—James R. Hagerty

ROBERT TOOMEY
1955 — 2022

Musician Inspired Cocktail Revival

Robert Toomey got his first taste of a Manhattan cocktail at around age 8, when his grandmother allowed him a sip. It made a strong impression.

He grew up to be a Boston-based keyboard player, known as Brother Cleve, who toured with bands including the Del Fuegos and Combustible Edison, a lounge-music ensemble. One day in the mid-1980s, at a diner in Cleveland, he noticed scores of cocktails listed on the menu. He began searching thrift shops for cocktail-recipe books and learned to mix and tweak classic drinks.

Far ahead of a national revival in cocktail bars, Mr. Toomey became a special-events cocktail mixer and consultant to bars, including the B-Side Lounge in Bos-

ton. He was a partner in Lullaby, a cocktail lounge that opened earlier this year on Manhattan's Lower East Side.

One of his specialties was pairing cocktails with music. At a bar in Boston a decade ago, he blended daiquiris with Cuban jazz one night and 1970s cocktails with disco music another. "Some of the people he inspired and mentored helped lead the rebirth of the cocktail on a national scale," said Noah Rothbaum, associate editor of "The Oxford Companion to Spirits & Cocktails."

Mr. Toomey traveled to Los Angeles early in September to appear at a tiki-themed bartending event. While there, he died of a heart attack. He was 67.

—James R. Hagerty

ARNOLD FISHER
1932 — 2022

Builder Provided Care For Wounded Warriors

By JAMES R. HAGERTY

The U.S. Army shipped Arnold Fisher to Korea, where he served as a corporal during the Korean War. After Mr. Fisher returned home to New York, he married, had children, joined his family's real-estate development company, Fisher Brothers, and oversaw construction of skyscrapers.

His military mission had only just begun.

Supporting the troops was a family tradition. One of his uncles, Zachary Fisher, saved a World War II aircraft carrier, the USS *Intrepid*, from the scrapyard in the 1970s and turned it into a museum on the Hudson River in New York. He also headed the Fisher House Foundation, which provides free lodging for military families while their loved ones are in hospitals.

After Zachary Fisher died in 1999, Arnold Fisher helped run the foundation and expanded the family's support into new areas. Among other things, he raised money to provide larger benefits to survivors of troops killed in action. After the U.S. government increased such benefits, Mr. Fisher looked for a new cause. Determined to improve treatment of military personnel who had lost limbs, he raised funds and oversaw development of the Center for the *Intrepid* in San Antonio, opened in 2007.

Then Mr. Fisher turned his attention to wounds from traumatic brain injuries and psychological distress. The result was more fundraising to create the National *Intrepid* Center of Excellence in Bethesda, Md., and later satellite facilities around the country.

"We don't want government money," Mr. Fisher said. "I can build these things in half the time at half the cost and twice the quality as the government."

Mr. Fisher died Sept. 11 at his



home in Pine Plains, N.Y. He was 89 and had been under treatment for cancer.

He kept a low profile but received honors for his philanthropy, including a Presidential Citizens Medal from former President George W. Bush and an honorary knighthood from Queen Elizabeth II.

The Army saluted Mr. Fisher by promoting him from corporal, his rank during the Korean War, to honorary sergeant major. When the promotion was announced in 2007, Mr. Fisher quipped, "Where's my back pay?"

Arnold Leonard Fisher, an only child, was born Dec. 24, 1932, and grew up in the Forest Hills section of Queens. His grandfather, Carl Fisher, was a stonemason who immigrated from Eastern Europe and initially worked in New York as a bricklayer.

His father was Larry Fisher, who, with his brothers Martin and Zachary, formed Fisher Brothers. They started out as bricklayers, transitioned into general contractors and later moved into real-estate development and investment.

After his discharge from the

Army, Mr. Fisher attended college for about a year and then joined Fisher Brothers. He started out on construction sites and switched to working in the office in the mid-1960s.

Though Mr. Fisher favored red socks and flashy neckties, he was otherwise old-school. "It was hard for him not to wear a tie to work, and it was certainly hard for him not to bemoan those who didn't wear a tie to work, but he adjusted, and he wanted to be part of the new world, at least to a point," Martin Edelman, a legal adviser to Fisher Brothers, said in a eulogy.

On the topic of heart attacks, Mr. Fisher affirmed, "I give them, I don't get them."

He worried about less-obvious wounds. "You take a guy who's missing half an arm or in a wheelchair and everyone can see what he needs," he told *The Wall Street Journal*. "But when a guy comes back and looks normal but doesn't act normal, we don't know what to do. And we've got hundreds of thousands of these people."

He enlisted Gen. Richard Cody, a former vice chief of staff of the Army, to help him slice through Defense Department bureaucracy in building medical facilities. When Pentagon officials quibbled about some of his projects, Mr. Fisher was known to slam his fist on the table and stalk out of the room, but only after vowing that he would never surrender.

Mr. Fisher had a farm to breed Arabian show horses in upstate New York and a home in Palm Beach, Fla. He is survived by his wife, Sally Ogden, along with three children, 12 grandchildren and two great-grandchildren.

In a 2006 interview with the *Journal*, Mr. Fisher said: "Don't use the word charity with regard to the military. This is duty."

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WORLD NEWS

Biden's Pledge on Taiwan Retreats From Ambiguity

President Biden's repeated statements that the U.S. would defend Taiwan from a Chinese attack is chipping away at longstanding American policy meant to keep the hostile sides at bay.

By Charles Hutzler,
Joyu Wang and
James T. Areddy

Mr. Biden's recent remarks that the U.S. military would intervene if Beijing attacked Taiwan were the fourth time in just over a year he made such a pledge and appeared to retreat from the policy that leaves U.S. involvement ambiguous. In an interview with CBS's "60 Minutes" aired Sunday, Mr. Biden also said Taiwan would decide itself about declaring independence—a red line Beijing has said would trigger a military assault.

The White House says U.S. policy hasn't changed. But the message, especially its repetition, has cheered Taiwan, angered Beijing and encouraged U.S. politicians and security hawks who want more for-

ward-leaning American support for the Taiwanese government.

"Look, the president has said this, not once, not twice, but four times now. So I guess that's his feeling," Sen. Bob Menendez (D., N.J.), chairman of the Senate Foreign Relations Committee, told reporters. "I think it's certainly got to give pause to [Chinese leader] Xi Jinping about taking on Taiwan, because it just won't be Taiwan. It'll also be the U.S., if the president is true to his word."

What Mr. Biden said stands to affect already high tensions over Taiwan. Secretary of State Antony Blinken and Chinese Foreign Minister Wang Yi aired differences over Taiwan in a meeting in New York on Friday, with Mr. Blinken emphasizing the critical importance of preserving peace and stability in the region, according to the State Department.

"The Taiwan question is growing into the biggest risk in China-U.S. relations," Mr. Wang said earlier in the week in New York. He described re-

lations as at "a low ebb" and among the challenges he cited were "remarks related to 'defending Taiwan'" without naming Mr. Biden.

Beijing is increasingly suspicious that the U.S. is drawing closer to Taiwan, backtracking on past commitments to limit contacts and arms sales. Meanwhile, the U.S. is wary of China's decadeslong military buildup and its rising willingness to apply coercive tactics against Taiwan.

After House Speaker Nancy Pelosi (D., Calif.) traveled to Taiwan last month—the highest-level visit by a U.S. official in a quarter-century—Beijing conducted large-scale military exercises, demonstrating capabilities to blockade Taiwan and launching missiles over the island. This past week, the U.S. and Canada sailed warships through the Taiwan Strait, and China stepped up naval and air force sorties in the region.

The enmity between Taiwan and China is a legacy of the Chinese civil war in the middle of the last century, with Bei-



Secretary of State Antony Blinken and Chinese Foreign Minister Wang Yi discussed Taiwan Friday.

jing vowing to absorb the island by force if necessary. For decades, U.S. policy has been to maintain what officials call "strategic ambiguity." The idea was to leave China guessing whether the U.S. would directly intervene in a clash, and at the same time restrain Taiwan from declaring outright independence and triggering a Chinese attack.

"People don't realize how dangerous the president's

statements sound, that it's up to Taiwan to declare independence. The Chinese are losing confidence that the U.S. would stop Taiwan from declaring independence," said Bonnie Glaser, director of the Asia Program at the German Marshall Fund of the United States.

She said she attended a meeting this week with Chinese scholars who criticized the U.S. for hollowing out and "salami-slicing" its commitments to

China on Taiwan. A result of Mr. Biden's statements, Ms. Glaser said, has been "strategic confusion" rather than "strategic ambiguity."

The administration, however, is trying to balance the need to support Taiwan while managing its adversarial relationship with Beijing over global influence and control of leading-edge technologies.

—Lindsay Wise
contributed to this article.

U.S. in Talks to Build Nuclear-Powered Submarines for Australia

By MICHAEL R. GORDON

The Biden administration is exploring an arrangement to expedite Australia's acquisition of nuclear-powered submarines to respond to China's growing military might by producing the first few subs in the U.S., Western officials said Friday.

The idea is to provide Australia with an initial nuclear-powered fleet by the mid-2030s, while a longer-term effort is under way to give Australia the capability to produce nuclear-power submarines at home.

The stopgap arrangement has been discussed among senior officials from the U.S.,

Australia and Britain as a way to keep the initiative on track. It is one of several ideas that has been weighed to enable Australia to more quickly field a nuclear-powered fleet; it has yet to be formally approved.

The initiative has its challenges. To carry it out, billions of dollars would need to be spent to expand U.S. submarine-production capacity and Australia would be expected to contribute to this expansion.

A final decision on how to proceed is expected in March, when the U.S., U.K. and Australia have said they would complete a joint study of how to move forward.

The three countries said a year ago that they were estab-

lishing a new security partnership in the Indo-Pacific that would enable Australia to build its first nuclear-powered subs.

The initiative is in response to China's growing military might.

Nuclear-powered submarines are far more capable than their conventional counterparts because they can operate stealthily underwater for great distances and long peri-

ods. The nuclear-powered subs for Australia would carry only conventional weapons.

The alliance is called AUKUS, an acronym for Australia, the U.K. and the U.S. In addition to collaboration on nuclear-submarine technology, the countries also intend to cooperate on artificial intelligence, autonomous systems, hypersonic missiles and undersea technologies, among other areas.

The three countries reaffirmed the arrangement in a joint statement issued Friday. They provided no details on how they hope to implement the plan or when the first of the eight to 12 nuclear-powered subs that the Australians hope

to acquire might be produced. "We are steadfast in our commitment to Australia acquiring this capability at the earliest possible date," the statement said.

Some steps have been taken. Five Australian personnel have been accepted into the U.S. nuclear propulsion program and several have been accepted into the British Navy's nuclear courses.

Since the AUKUS alliance was announced a year ago, experts have wrestled with how to help Australia acquire the submarines given the lack of spare shipbuilding capacity in the U.S. and in Britain.

In August, the U.S. admiral in charge of building new Co-

lumbia-class ballistic missile submarines said producing nuclear-power subs for Australia would interfere with the U.S. efforts to build its own subs unless a major effort was made to expand the American industrial base.

"If we were going to add additional submarine construction to our industrial base, that would be detrimental to us right now, without significant investment," Rear Adm. Scott Pappano told a forum hosted by the Mitchell Institute for Aerospace Studies.

Some experts say expanding U.S. capacity is the best option to expedite the AUKUS initiative as British shipyards have their hands full.

FROM PAGE ONE

Vote Tests Italy's Resolve

Continued from Page One
Europe to advocate for concessions such as restoring trade with Russia.

However, voter frustration and political divisions could intensify in coming months if Italy and Europe don't get a grip on energy prices.

Sanctions emerged as the most contentious issue in Italy's election campaign, drawing fire from politicians with pro-Russia sympathies and complaints from some businesses and households burdened by rising energy costs.

Yet Italians are expected to elect a Parliament significantly tougher on Russia than the previous legislature, according to polls. The surveys suggest that the next government, as well as the opposition, will be led by pro-Western leaders who have promised to stand by Kyiv.

"We are fully committed to supporting Ukraine and condemning Russia," said Raffaele Fitto, a senior member of the Brothers of Italy party, which leads a right-wing alliance that polls suggest could win around 60% of the seats in Parliament. "Sanctions must be supported," he said, "no ifs or buts."

Italy's pro-Ukraine politicians see a hard winter ahead—when many households and businesses will face unaffordable gas and electricity bills, challenging public patience and the new government's unity.

Mr. Fitto said Rome and the EU must ease the war's economic fallout by capping the price of gas and decoupling gas from electricity prices.

Another leading figure on the Italian right, Matteo Salvini, has, however, questioned the measures against Moscow. "I just wonder if sanctions are harming those we would like to harm," Mr. Salvini, head of the League party, told a business conference this month on the banks of Lake Como.

The issue has caused tensions between Mr. Salvini and his right-wing ally, Brothers of Italy leader Giorgia Meloni, who is favorite to become Italy's next leader.

Ms. Meloni told the same conference she would maintain the economic pressure on Russia. "If tomorrow our country breaks with its allies and turns toward the other side, the sanctions will remain anyway, but we will have lost credibility," she said.

Around 43% of Italians support the sanctions while 37% oppose them and 20% say they don't know, according to a survey this month by Quorum/YouTrend.

Italian Prime Minister Mario Draghi, addressing the United Nations General Assembly Wednesday, condemned Mr. Putin's plans to annex more Ukrainian territory and said sanctions weaken Russia's war machine.

Mr. Draghi, who leaves office well-regarded by most Italians, sent weapons to Kyiv and became one of the EU's leading advocates for strict sanctions. Divisions soon

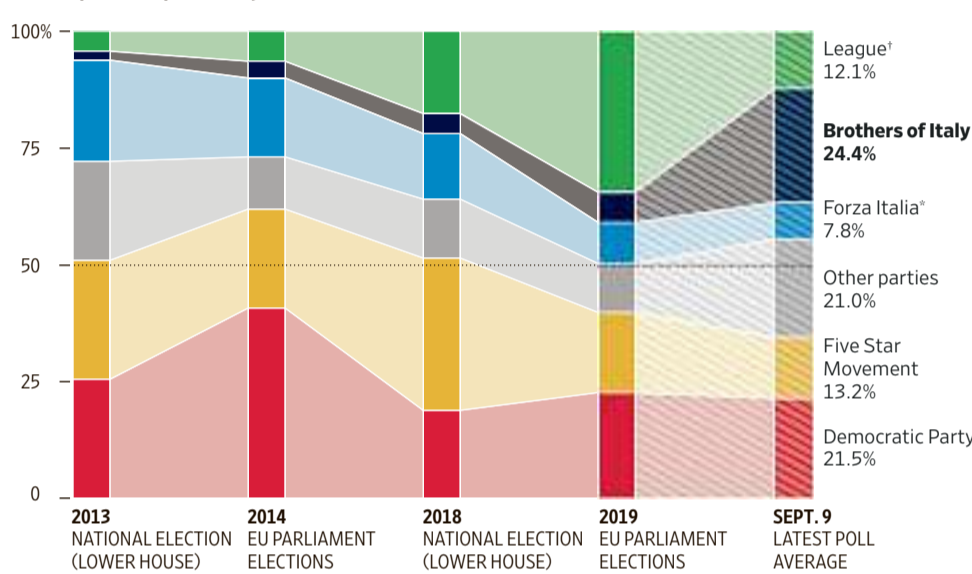


Giorgia Meloni, leader of the right-wing Brothers of Italy party, speaking at a campaign rally from center stage Friday in Naples, Italy.

Pole Position

Brothers of Italy have surged in recent polls to become frontrunners in Italy's next election.

Italian political parties by share of vote



*Forza Italia was previously called 'People of Freedom'. †League was previously called 'Northern League'. Note: Election data excludes Italians who cast their vote abroad. Sources: Italy Ministry of Interior data (elections); YouTrend (September poll)

erupted in his broad-based parliamentary coalition. Some party leaders criticized the arms deliveries and said Italy should act as a diplomatic broker with Moscow, not as a sponsor of Ukraine's defense.

One critic was Silvio Berlusconi, the billionaire former prime minister and leader of the Forza Italia party, who has described Mr. Putin as a personal friend. Mr. Berlusconi called sanctions "a painful tool

Sanctions were the most contentious issue in Italy's election campaign.

that also hurts our economies," although he said Italy must stay on the side of its European partners.

Giuseppe Conte, another ex-prime minister and head of the left-leaning 5 Star Movement, has also criticized Italian arms deliveries to Ukraine.

Mr. Draghi's most unpredictable coalition member was Mr. Salvini, an anti-immigra-

tion firebrand. He often expressed admiration for Mr. Putin before the war. In May, with help from the Russian embassy, Mr. Salvini booked a flight to Moscow to discuss peace in Ukraine. He canceled the trip after a backlash, including within his party.

Messrs. Salvini, Conte and Berlusconi withdrew their support for Mr. Draghi's administration in July, triggering snap elections. Although clashes over domestic policies played a role, Mr. Draghi's allies noted that he was upended by three leaders with a history of warm relations with Moscow.

Mr. Draghi has criticized some Italian media for giving generous airtime to Russian officials such as Foreign Minister Sergei Lavrov. Political talk shows often feature Italian intellectuals who oppose Western support for Ukraine.

Philosopher Diego Fusaro, a frequent talk-show guest, is among those who argue that it is time for Europe to distance itself from U.S. foreign policy. "Italy and Europe should defend their neutrality in conflicts that don't concern Europe," he said in an interview.

world wars and pandemic lockdowns, he said, but the economic war with Russia is too much. His gas and electricity bills went to 27,000 euros in August from 4,200 euros a year ago. He displays the bills at the restaurant entrance. An accompanying sign translates to "Bills kill."

Mr. Zamperini blames the U.S., as well as sanctions and the failure of Italy's politicians. He plans to boycott Sunday's election, in protest against all political parties.

The governing establishment in Rome has for decades defined the national interest as sticking close to the U.S. and the North Atlantic Treaty Organization. During that time, however, many people in Italy and Germany grew to see Russia less as a security threat and more as an energy supplier and export market. Until this year, Italy's nationalist right hailed Mr. Putin as a champion of traditional values.

On both ends of the ideological spectrum, many Italians harbor a desire to be equidistant from Washington and Moscow. A survey by the European Council on Foreign Relations in May found that most Italians blame Russia for the war in Ukraine, but more of them, compared with other major European nations, support a compromise to end the fighting, even if leaves Russia occupying parts of Ukraine it took by force.

'Putin's gamble'

As energy prices go up, the view that sanctions against Russia are hurting Europeans more than Mr. Putin is gaining ground among Italy's small-business owners and workers.

Restaurateur Gualeserio Zamperini is thinking of closing his Gran Caffè San Marco in Florence because of energy bills he can't afford. The café-restaurant has survived two



Italian Prime Minister Mario Draghi speaking in Rome this month.

Bachelorette Parties Ask For Cash

Continued from Page One
unveiled requests: Before brides wear white, they're looking for green, via payments sent through Venmo.

Some brides-to-be, including Ms. Norris's friend, are bringing in hundreds of dollars in a night thanks to random passersby.

As the entourage traveled to Charleston, like a conga line on wheels, other drivers honked horns and gave the thumbs-up. At one point, rain ruined their handmade car decorations, so they stopped on the side of the road and repainted the signs. The hassle paid off: They again heard the joyful "cha-ching" sound of Venmo notifications.

By the trip's end, Ms. Norris and her friends had collected over \$450, made up of hundreds of \$1 and \$5 Venmos.

"We thought, 'Why not?' Some people may think it's like begging for money, but we

didn't think about it like that," said Ms. Norris, who recently left her public-relations job at a parks-and-recreation department. "We had a lot of good interactions. When we would stop and get food people would say 'We love the van!' or 'Oh, my God! A bridal party!'"

Some observers give the idea a firm "I don't."

Etiquette expert Lizzie Post, co-president at the Emily Post Institute, couldn't hide her discomfort. In recent years, she has noticed more pressure to throw big celebrations. She said soliciting money goes too far.

"I think it is starting to look a little like 'I'm shouting out to the world, give me give me give me,'" she said. "When I then place an etiquette lens over it, it doesn't pass muster. It doesn't seem like the kind of thing [we] at Emily Post are wanting to encourage right now."

The asks can backfire. A bridesmaid on Reddit shared how the "buy a bride a drink" sign on their car prompted another driver to Venmo the bride a penny and tell her to get out of the left lane.

The strategy sprang up on social media. Now, bachelorette revelers are putting stickers,

with QR codes or the bride's payment info, on T-shirts, telephone poles and bar bathroom mirrors. Bachelor parties are taking part, too. Etsy templates include "buy the groom a drink" stickers, while Walmart sells men's T-shirts that say, "Beer me. I'm getting married."

Summer Baldwin, a 26-year-old production coordinator at a custom-sign business in Omaha, rolls her eyes at the carloads of bachelorettes she frequently sees in vehicles decorated with signs saying "buy the bride a

drink!" and listing a Venmo account. "I'm like 'ugh,'" she said. "I'm always so tempted to request money from that handle. They're just not reading the room."

Others think bachelorettes are tapping into the zeitgeist.

"One of our big 2022 trends is app-driven, creatively driven bachelorette parties," said Esther Lee, deputy editor at The Knot, a wedding website. "People are planning with the usage of apps like Venmo and Splitwise, and I think it's savvy."



Bride-to-be Nicole Rhodes at her bachelorette party in Charleston, S.C.

After more than two years of postponed and pared-down nuptials, there will be around 2.6 million weddings in 2022, up from 2.2 million in the prepandemic years, she estimated.

The median cost to attend a bachelorette or bachelor trip rose to \$1,500 this year from \$1,400 last year, according to Savings.com, a coupon and promo-codes website. The majority goes to travel and lodging, but more and more partygoers shell out for gifts and clothing. Instagram and social media highlight blowout bashes with gold-foil balloon arches and multiple outfit changes.

"This is something that you might only get to do once, and I think people don't want to have any regrets about maybe not going to the max," said Corie Wagner, senior analyst for Savings.com.

Even organizers of lower-key celebrations seek donations.

Madison Etiz, a 29-year-old administrative assistant in Seattle, started planning her best friend's bachelorette earlier this summer. She knew a simpler weekend would fit the bride's style, so she and her friends opted to rent a local Airbnb.

Ms. Etiz changed her per-

"Sanctions are pointless. They just help those who supply energy," said Alessandro Lombardo, who owns a framing shop in Rome. "People are struggling to pay their bills, and they are not coming to my shop to get things framed."

It is understandable that Italian voters don't like war or economic crises, said Nathalie Tocci, head of the Institute for International Affairs, a non-partisan research group. Yet she doubts high energy prices will stop support for Ukraine.

"This is Putin's gamble, this is what he is banking on," Ms. Tocci said. "It won't work."

Protective cover

Sunday's expected winner, Ms. Meloni, would be Italy's first woman leader. She is robustly pro-Ukraine and has sought to broaden the appeal of her far-right group by repositioning it as a mainstream conservative party. That includes support for Mr. Draghi's stand against Mr. Putin.

The party's positions—pro-Ukraine, anti-immigration and pragmatic on economics—seem to be working, for her. Polls show Ms. Meloni's party comfortably ahead of her center-right allies, Mr. Salvini and Mr. Berlusconi.

Officials in Mr. Salvini's party say the League doesn't want to repeal the sanctions—just give more help to Italians suffering the consequences.

"Italy cannot permit itself to leave the international coalition," said Giancarlo Giorgetti, the League's deputy leader. Mr. Giorgetti, Italy's minister for economic development, said the EU needs to calm energy markets and help households and companies.

"Otherwise, public support for sanctions will fall rapidly," he said.

The manufacturing base in Italy and Germany is at risk, Mr. Giorgetti said, and the EU needs to marshal its financial firepower to cushion economies as it did during the Covid-19 pandemic.

Many in Italian business concur. "We are supportive of sanctions," said Carlo Bonomi, the head of Italian business association Confindustria. "We, as members of the international community, chose to take a position, and it's right to stick to it."

He said the EU should cap gas prices, and Italy should do it alone if EU countries can't agree. "We are very disappointed with the European response," Mr. Bonomi said. "It seems that the European Union doesn't have an energy policy. Every member state is going its own way."

Mr. Draghi recently turned up the heat on Mr. Salvini's opposition to sanctions.

Italy is "a strong country, a country loyal to the Atlantic alliance, loyal to Europe," Mr. Draghi said.

"There is the guy who, instead, madly loves the Russians, wants to remove the sanctions, and talks secretly to the Russians every day," he told reporters. "Most Italians don't do it, and don't want to do it."

Mr. Salvini, in response, said sanctions would stay but questioned whether they were working. He distanced himself from his pro-Putin past. "Everybody's judgment on Putin has changed before and after the war," he said.

sonal Venmo handle to a version of "Drinks4theBride" and updated her profile photo to a picture of the bride-to-be decked out in a veil and holding a Smirnoff Ice bottle.

"We're not cheap," Ms. Etiz said, "but especially for the girls in school or the girls with jobs in academia, they're like 'Listen, any money I can save on this trip, I'll take it.'"

She said the pitch was low pressure, essentially, "Hey man, if you're feeling generous...then feel free to throw something our way."

By the night's end, Ms. Etiz's group amassed around \$400, mostly from friends or friends-of-friends who saw the post on social media. She thinks many givers felt good contributing to a celebration after a rough couple of years.

The attendees agreed to give the purse to the bride-to-be so she could cover all her trip expenses. Instead, she insisted on sharing the bounty with her bachelorette-party attendees so they would have their expenses taken care of, too. "She wanted to put it toward everybody else," Ms. Etiz said, "which is totally the kind of person she is."

OPINION

Awkward Populist vs. Smooth Politico

By Barton Swaim

Columbus, Ohio

In the race for Ohio's open U.S. Senate seat, one candidate is an experienced and savvy politician, the other an ambitious *sui generis* intellectual. But neither has figured out exactly who he is.

The contest pits Democrat Tim Ryan, a 10-term U.S. congressman from Youngstown, against America's most famous living hillbilly, J.D. Vance. The polls, if you trust them, give Mr. Vance a consistent but slight advantage. Why that advantage isn't substantial is at first sight a mystery. Ohio now leans significantly to the right: Republican Gov. Mike DeWine is likely bound for an easy re-election, and the Senate seat over which Messrs. Vance and Ryan are vying has been in GOP hands since 1999. We are also two years into an unpopular Democratic administration in Washington; history, if you trust it, suggests the seat is Mr. Vance's to lose.

Ohio's Senate race pits the Trump-backed author of 'Hillbilly Elegy' against a 10-term House member who claims to be more moderate than his record.

Leaving polls aside, and ignoring the obvious difference between the two candidates' political experience, Mr. Ryan is the more gifted campaigner. He has an easy manner, a radio voice and the bearing of a Youngstown union man. At a veterans counseling center in Cincinnati on Tuesday, he appears artfully disheveled. Every male political candidate rolls up his sleeves—it's a sartorial cliché—but Mr. Ryan wears his shirt untucked and unbuttoned enough to show a bit of chest.

He leans back in his chair at a conference table and listens to the employees explain what they do; he asks apposite questions and cracks jokes. When a female worker pointed out that more than half the center's employees are women, Mr. Ryan says, "That's why s---s getting done now," to the delight of all.

Mr. Ryan aggressively courts the undecided or Republican-leaning voter. In June, when Democrats anticipated a Republican wave, he ran ads in which you could be forgiven for not knowing what party he belonged to ("I'll work with either party to cut costs and pass a middle-class tax cut"). Democrats are more optimistic now, but Mr. Ryan hasn't stopped asking for the votes of Ohioans who don't loathe Donald Trump.

In Portsmouth, a town on the Ohio River across from Kentucky, Mr. Ryan speaks to a group of

some 25 veterans and their wives, most of them in their 70s, in an American Legion hall that smells of dust and mildew. Asked why there are so many young men who seem to have no aim or ambition, Mr. Ryan says: "One of the worst things we've done as a country in the last two, three decades is we've said everybody's got to go to college. I think that's what started to separate out that group of people as not being valuable to society." He goes on to talk, credibly to my ear, about community-college education and programs to give high-school students credit toward trade licenses.

One man at the Portsmouth gathering, a 30-something veteran with bulging, heavily tattooed arms, is clearly a fan of Mr. Ryan but complains that President Biden "abandoned 20 years of sacrifice in Afghanistan." Others in the room nod in agreement. Mr. Ryan nods, too. He speaks of a "through-line" in modern American history "from Roosevelt, Eisenhower, Truman, Kennedy, Reagan—guys that understood the importance of American power." The order is slightly amiss, but the mention of Reagan seems deliberate—and, in its way, impressive.

"I've agreed with Trump on trade and certain things that I thought were best for Ohio," Mr. Ryan says, "even though, you know, I had personal differences with the guy." That last phrase was an artful euphemism. He voted twice to impeach the guy.

His attitude toward Mr. Trump, though, is only one point, and not the most important one, on which Mr. Ryan has trouble appealing to working-class centrist voters. Mr. Vance never misses a chance to remind his listeners that Mr. Ryan's votes in 2021 and 2022 are fully in accord with Mr. Biden and Speaker Nancy Pelosi. That allegation has one thing to be said in its favor—it's true. Mr. Ryan voted for all the spending bills, including the American Rescue Plan, which passed, and Build Back Better, which didn't. He voted for the Equality Act, which would add "gender identity" protections to the Civil Rights Act of 1964, and the For the People Act, which would federalize control of elections.

Mr. Ryan is frequently asked about his recent votes with the progressive left. "Well," he answers at the Cincinnati event, "not everything comes up for a vote."

That may sound like a convenient way to say he would have voted against Mrs. Pelosi et al. if only he had the opportunity, and so it is. "On the student loan thing I've opposed [Biden]," he continues. "On the China tariff thing I've opposed him. On Title 42"—a Covid-era immigration restriction, which the Biden administration proposed to lift—"I've opposed him. So the point is, for voters, that Tim Ryan has agreed with Trump on trade, on China, on the



Republican J.D. Vance and Democrat Tim Ryan.



military, on the Space Force, and I've disagreed with Democrats on trade and other issues."

The Space Force seems an arcane issue on which to "agree" with Mr. Trump, but such are the exigencies of tough electoral contests.

Mr. Vance, meanwhile, is evidently less comfortable engaging in person-to-person or "retail" politics of the sort at which Mr. Ryan excels. Mr. Vance does less of it, for one thing. The rarity of his campaign appearances over the summer was the subject of a story on CNN and of ridicule by the Ryan campaign. In July he showed up in Israel. In October he will deliver the keynote address at a conference attended by eggheads from around the country on "common-good conservatism" at Franciscan University in Steubenville. That ought to get folks to the polls in November!

Mr. Vance has started campaigning more frequently in person, but my sense is that he hasn't got the hang of it. The Farm Science Review, a massive gathering of farmers and ag-industry companies near London, Ohio, is an easy crowd for a populist Republican like Mr. Vance. (I note one young woman wearing a T-shirt bearing the words "I love Jesus but sometimes I cuss.") Mr. Vance appears to feel a little out of place. At the Farm Bureau barn, men in plaid shirts and baseball caps seem ready for the candidate to address them, but for a moment he seems to think they should talk to him. He shakes a few hands and shouts, "Gotta grow our own food in Ohio—can't let the Chinese make everything!" and moseys awkwardly away.

Mr. Vance warms up a bit when he hands some money to a campaign staffer and asks him to buy milkshakes at the tent of the American Dairy Association Midwest. "I'm a milkshake guy," he says. Nearby stands a "tracker," a young man apparently sent by the Ryan campaign or the state Democratic Party to film everything the Republican says in the hope that he says something stupid or embarrassing. Mr. Vance turns to the tracker and asks if he too

wants a milkshake. "No thanks," the man says, still holding his phone aloft and recording it all. "Lactose intolerant."

Mr. Vance hasn't figured out who he is, either—though for different reasons. The mainstream press and the Ryan campaign have made much of Mr. Vance's early criticisms of Mr. Trump and later embrace of the former president's "nationalist" politics. "Trump's actual policy proposals, such as they are, range from immoral to absurd," Mr. Vance wrote in a February 2016 op-ed. During Mr. Trump's term, however, Mr. Vance grew to like the president's positions on illegal immigration, China, trade and industrial policy; and in 2021 he sought and received Mr. Trump's endorsement. That endorsement almost certainly put Mr. Vance over the top in the GOP primary. At a rally last weekend in Youngstown, Mr. Trump, always the helpful political ally, remarked that "J.D. is kissing my ass"—allowing Mr. Ryan constantly to refer to his opponent as an "ass kisser."

But Mr. Vance's disposition toward the 45th president is the least interesting part of the aspiring senator's continuing ideological development. He achieved fame with his 2015 book, "Hillbilly Elegy," a memoir of growing up in a family of Appalachian poor folk in Middletown, Ohio, a town halfway between Dayton and Cincinnati. Mr. Vance was raised mostly by his coarse-talking grandparents, Mamaw and Papaw, because his mother, like many others he knew in Middletown, was prone to violence and drug abuse and couldn't keep a job or a spouse.

The book's most prominent theme is that the societal pathologies Mr. Vance witnessed in Middletown—alcoholism, indolence, opioid addiction—are not, or at least not primarily, the result of declining economic opportunity. They "run far deeper than macro-economic trends and policies," he writes; they are instead the consequence of family breakdown, corrosive cultural habits and bad individual choices. In a moving passage on the aversion to work among the poor of his hometown,

he writes: "We talk about the value of hard work but tell ourselves that the reason we're not working is some perceived unfairness: Obama shut down the coal mines, or all the jobs went to the Chinese." Elsewhere he recalls the tendency of poor boys to think of schoolwork as "feminine," fit only for "sissies." "Can you change that with a new law or program?" he asks. "Probably not."

To be sure, you can't run for high office on a platform of telling people to take responsibility for their own decisions and stop blaming government for their ills. You could, however, advocate reforming the welfare system. Mr. Vance writes memorably of the white "welfare queens" he knew in Middletown, but nowhere in his campaign speeches or on his website can one find anything about welfare reform.

I ask him why, having written such a book, he doesn't talk more about the ills of unhelpful governmental benevolence to the poor. He grants the premise, then reverted to the economic argument he pointedly rejected in his book. "You have to make sure that there are good jobs available for every skill set we have in this country."

At a Thursday night gathering of wealthy Republican suburbanites near Cincinnati, Mr. Vance briefly connects the pathologies he chronicles in "Hillbilly Elegy" to the sorts of things over which he would have some influence as a U.S. senator. Securing the country's southern border, he argues, would stop the flow of heroin, fentanyl and other drugs into the U.S. "Think about all the children, all across Ohio, who are being raised by Mamaws and Papaws," he says, "because of the poison we've allowed into our country."

That's a fair point. But border security is a small nail on which to hang a political doctrine aimed at saving the working class. I'm left wondering if Mr. Vance's candidacy is a kind of metaphor for the "national conservatism" or "common-good conservatism" he espouses—a cultural cause trying to turn itself into a political movement, a noble urge to change hearts and renew minds that over time degenerates into a facile political program of trade protectionism and economic planning.

Mr. Vance is a restless man. Anybody can see that. Forgive me, but I doubt he really wants to tie himself down to a six-year term of committee assignments and second readings and meetings with lobbyists and floor debates on amended bills that move slowly and imperfectly. If he wins, as I expect he will, he'll soon grow weary of the job. Eventually he'll escape from Capitol Hill, too, and maybe write another elegy.

Mr. Swaim is an editorial page writer for the Journal.

New York Seeks Marijuana Dealers 'With Experience'

CROSS COUNTRY
By Jonathan Turley

New York state seeks people "with experience" to help establish what could become the biggest legal marijuana market in the country.

The explanation sounds like a punch line: New York will offer licenses and subsidies to people with marijuana convictions on their records.

New York legalized the possession and use of marijuana for adults last year and created a licensing system to govern eventual sales in brick-and-mortar stores. New Yorkers will even be able to get joints delivered.

The application window for these licenses closes Sept. 26. The state anticipates the first legal dispensaries will open before the end of the year. The size of the legal marijuana market in New York could ultimately be more than \$7 billion annually.

Politicians are eager to tax and regulate all this commerce, and the legal marijuana market could be the source of massive new revenue for New York. Many states have already piled excessive taxes on legal weed sales. New York plans an array of taxes, including a complex tax based on the potency of the pot. There will also be rules preventing cannabis businesses from writing off standard expenses. That is in addition to a 9% state sales tax and any local sales taxes that get tacked on.

But what legislators ignore is that all these taxes have the perverse effect of increasing black-market demand. After Prohibition ended, people didn't continue to buy bathtub gin when legal and safer alcohol was available. But states also didn't mas-

sively increase the price of newly legal alcohol to make bathtub gin more attractive. In New York there is already a \$2 billion marijuana black market.

Under the new regulations governing Conditional Adult-Use Retail Dispensary licenses, New York seeks "justice involved individuals" to apply to become licensees. A justice-involved individual is anyone who was

High taxes and licensing preferences for ex-cons make a hash of the state's market for legal weed.

"convicted of a marijuana-related offense" for anything from a small amount of pot to a major drug operation. (For some reason, the Office of Cannabis Management spells "marijuana" with an "h" rather than a "j.") The program also has a curious legacy benefit. You can claim to be a justice-involved individual if you had "a parent, legal guardian, child, spouse, or dependent who was convicted of a marijuana-related offense in New York State prior to March 31, 2021."

The logic of the state preference for ex-convicts is based in part on the idea that a history of illegally selling pot constitutes relevant "business experience." Yet the experience derived from running a criminal drug operation doesn't translate well to the demands of a lawful business. Former street-level dealers have probably never struggled with regulatory compliance or tax accounting. Illegal operations deliberately avoid such responsibilities,

preferring the simplicity of cash-for-contraband. As Milton Friedman noted, "The black market was a way of getting around government controls." That isn't behavior politicians in Albany or any other state capital should be looking to encourage.

The former felons with the most "experience" are the ones the state should be most worried about. Large illegal marijuana farms tend to be associated with criminal gangs and other organized criminal elements. They deal violently with competitors and often set dangerous booby traps for backpackers who wander unknowingly into fields where marijuana happens to be growing. These marijuana veterans may have lots of experience, but it isn't necessarily the type of experience that you'd want as the foundation for a multi-billion-dollar market.

New York wants to kick-start the weed market by distributing \$200 million from its Social Equity Canna-

bis Investment Fund to help pay for beneficiaries to set up shops and pay for overhead. Notably, the state wants to limit application and documentation requirements as a way to make licensure accessible. This is money the state should recoup over time if it distributes licenses to competitive applicants. But pushing former criminals to the head of the line doesn't seem the best way to ensure the money isn't wasted. What led these ex-cons to commit drug violations was likely money, not marijuana. Most probably didn't view pot as a calling.

In the end, the program might not even succeed in keeping dispensaries local. How does New York plan to prevent successful applicants from taking both the subsidies and licenses and selling them to the large corporations that the state supposedly wants to deter? If that happens, and there's no reason to think it wouldn't, New York will

have succeeded in doing what the market would have done on its own, but at a cost of hundreds of millions of dollars to taxpayers.

If anything, marijuana demand increased during the decades of prohibition. The market for legal marijuana doesn't have to be a mess. States such as New York only need to step aside and allow the free market to favor those with the best plans and most experience. Consumers in this and every market benefit from competition, which provides options and lower prices. The state benefits from sensible and fair taxation. None of this means that economics must prevail over equity concerns. But when creating the legal and regulatory foundations for a brand new market, politicians should let commodities take root before harvesting the proceeds.

Mr. Turley is a law professor at George Washington University.

Notable & Quotable: Defund Everybody

From "Defund Social Workers" by Emily Cooke in the New Republic, Sept. 23:

Since mid-2020, as outrage over police violence reached an apex and calls to defund police departments gained momentum, it has seemed obvious to many on the left that social work is the solution. If nearly a quarter of the people shot by officers are in a mental health crisis, the argument goes, social workers should respond to certain emergencies rather than cops: Fund social services, not police. . . .

Most criticism has, predictably,

come from conservatives. "An offender's mental illness does not mean that a social worker should, or can, respond to his violence," insisted Charles Fain Lehman in a recent letter to The Wall Street Journal. (Nobody, it should be pointed out, is suggesting that "crisis intervention counselors" . . . should intervene with, say, an active shooter.) But critiques have also come from the left, including from social workers themselves, who suspect that any substitution of their colleagues for police would amount to dressing wolves in sheep's clothing.

The danger of trading out law enforcement for social workers, or trying to rein in police squads by adding soft-eyed chaperones, isn't that the unarmed helpers would be ineffective or that crises sometimes require blunt force. The concern is that if you measure in terms of the power to coerce, surveil, and inflict lasting harm, social workers are, thanks to very nature of the job, cops by another name—"key participants," said Dorothy Roberts, a sociologist and law professor at the University of Pennsylvania, "in a system that is designed to control and punish marginalized communities."

OPINION

REVIEW & OUTLOOK

Manchin's Permitting Bust

Sen. Joe Manchin finally released the legislative text of his proposed permitting reforms this week, and what a disappointment. His take-it-or-leave-it proposal includes some marginal improvements that will benefit renewables but it creates new regulatory risks for fossil fuels, which is the opposite of what he promised.

We say this with regret because we had hoped the West Virginia Democrat had won more in return for his vote to pass his party's tax increase and climate spending bill. The U.S. economy needs reform to break up regulatory and legal bottlenecks that delay projects for years, if they are ever built. Mr. Manchin had political leverage, but the bill shows he traded his vote on the cheap.

The clearest winner, you won't be surprised to learn, is Mr. Manchin. The bill would give a crucial boost to the Mountain Valley Pipeline by requiring agencies to issue permits and blocking judicial review. The pipeline, which seeks to deliver gas from West Virginia to the Southeast, is 95% complete but is tied up in court. Mr. Manchin has made a political cause of the pipeline, and it is sorely needed.

Alas, there is little else to cheer about. The bill takes a stab at speeding up timelines for project approvals but not in a way that would require real action.

The President would have to designate 25 energy projects of strategic national importance, but only five must be for fossil fuels or biofuels such as ethanol. Federal agencies would be directed to try to complete environmental reviews on these projects within two years, but nothing compels agencies to meet these deadlines. Projects the President doesn't favor could languish in regulatory purgatory.

The bill sets a 150-day statute of limitations on legal challenges to environmental reviews and permits, which is intended to prevent activists from suing to stop projects under construction. Yet nothing limits the scope of legal challenges and who can bring them. The bill makes no substantive changes to the National Environmental Policy Act, Clean Water Act, Clean Air Act, and Endangered Species Act that let opponents delay projects for years.

Mr. Manchin also comes up short in addressing the problem of states abusing their authority under the Clean Water Act. The bill would give states one year to take action on water permits.

Progressive Mind Over Matter in California

Nothing—including cost or reality—will keep California progressives from their effort to turn the state into a grand carbon-free economic experiment. The state Air Resources Board moved this week to ban gas space and water heaters in 2030 and proposed that all big rig trucks must go electric.

Cities such as San Francisco and Oakland have passed electric-only building mandates. The air board is now forcing everyone else to get with it by prohibiting the sale of gas furnaces by the end of the decade, even though they are generally less expensive and last longer than electric heat pumps.

Come 2030, homeowners and businesses whose furnaces break down could be forced into expensive electrical retrofits. If you like your gas furnace, sorry, you won't be able to replace it with a new one. The mandate comes as electricity rates in the state surge, and the grid wobbles amid a shortage of baseload power when the sun goes down.

Californians were told during a heat wave a couple of weeks ago not to run large appliances or charge electric cars in peak hours. Soon blackout warnings could happen during the winter. Will Californians have to avoid running hot water and heating their homes too? Even in California,

Elon Musk Has a Good Iran Idea

Protests have erupted in Iran again, this time over the death of a woman in police custody. The regime is cracking down as usual, but the Biden Administration and American entrepreneurs may have some help to offer.

Mahsa Amini, 22, died after she was arrested for allegedly violating Iran's Islamic dress code. Iran's morals police have become more oppressive, and women can be detained for even minor violations. Once a person is in custody, police can do more or less whatever they want without consequences.

Reuters says protests that began last weekend have spread to some 50 localities including Tehran. Demonstrators have yelled "we don't want an Islamic Republic" and "Death to the Supreme Leader." The government sent in riot police, and the human-rights group Hengaw said Thursday that at least 15 have been killed. Such demonstrations erupt periodically in Iran, and they may not jeopardize the regime. But they do reveal simmering unrest.

The protests also show the importance of getting information to Iranians about what is happening in their own country. Internet access abets resistance to the regime by allowing dissenters to coordinate and reassure each other that they aren't alone. Iranian authorities know this is a vulnerability and have moved to control the internet.

Our contributor Hossein Ronaghi, who has criticized Iran's pursuit of a "Chinese model of

But nothing stops Governors from rejecting permits on false environmental pretenses as some habitually do.

Worse, the bill would expand state discretion to block oil and gas pipelines based on an assessment of a project's indirect impact on water quality instead of merely discharges into waterways as under current law. States would have a bigger veto on energy projects and federal environmental reviews.

The bill's worst provision would give new power to the Federal Energy Regulatory Commission to override state objections to expanding electric transmission lines. States can now deny permits for interstate transmission lines that won't benefit their citizens. This can sometimes hurt states that need the energy to balance their grids.

The bill lets FERC override states and approve transmission lines in the "national interest" if they "enhance the ability of facilities that generate or transmit firm or intermittent energy to connect to the electric grid." This explicitly ties the national interest to "intermittent" renewable power sources. The provision would let progressive states essentially bill the cost of their renewable-energy mandates to states without those mandates. Residents in West Virginia, Ohio and Indiana could be forced to pay for wind energy that's needed to meet renewable mandates in Illinois, Maryland and New Jersey.

A Princeton University study in 2020 estimated the grid could need \$2.4 trillion in transmission upgrades to reach the left's net-zero emissions goal by 2050. Last year's infrastructure bill provided tens of billions of dollars for the grid. The Manchin bill socializes the rest of the cost.

* * *

All of this makes us wonder what Mr. Manchin was thinking. Perhaps he figured Republicans would go along with his bill no matter the reform details, but he never consulted them. Now he is blaming Republicans who oppose his bill of playing "revenge politics" and "not looking at the good of the country."

The truth is the bill isn't good enough, and if it passes the pressure will be off Democrats to pass anything else for years. We want the Mountain Valley Pipeline to proceed as much as Mr. Manchin does, but it isn't enough to justify a vote to pass this weak reform.

it can get chilly when the sun goes down.

These grid strains could be exacerbated by the Air Resources Board's proposal to ban the sale of diesel and gas trucks by 2040. Such large fleet operators as Amazon and UPS would have to start making the transition to an all-electric fleet in a few years. Yet the charging network and technology needed to meet the mandate is all but nonexistent.

Long-haul diesel trucks can go some 1,000 miles before needing to fill up, which takes 10 to 15 minutes. But electric models have a much shorter range, and "even the fastest available chargers right now are going to take three to four hours to charge up to a full state," California Trucking Association senior vice president Chris Shimoda told the local news outlet LAist.

He added: "These charging stations are going to be a huge, huge power draw." And for context, "the Levi's Stadium in Santa Clara on a game day uses around 300 to 350 kilowatts of power. A charging station needed for a big rig is going to be like 30 times larger."

Progressives in Sacramento simply assume households and private business will figure this out and assume the costs. The fact that it won't affect the climate doesn't seem to matter. The wish is what counts.

limited national intranet," said in a video that he narrowly escaped an attempted violent arrest Thursday. Secretary of State Antony Blinken said Iran "cut off access to the Internet for most of its 80 million citizens" amid the protests, and authorities also restricted access to WhatsApp and Instagram.

Enter Elon Musk, who said on Twitter this week that he would seek an exemption to sanctions to make his satellite-internet system Starlink available in Iran. Mr. Musk has already provided Starlink services to Ukraine that have helped soldiers and civilians maintain communication despite Russian jamming.

U.S. law gives the executive branch broad discretion over enforcing sanctions, and on Friday the Treasury Department issued a license to "expand the range of internet services available to Iranians" and help "the Iranian people be better equipped to counter the government's efforts to surveil and censor them."

Mr. Musk's SpaceX didn't respond to a query about whether any additional sanctions barriers remained. But the Treasury license also clears the way for other American companies to help the Iranian people get online.

The Obama Administration failed to support the Green Revolution in 2009 as it sought a nuclear deal. So far the Biden Administration is supporting the right to protest, but it can help Iranians the most by helping them know the truth about their leaders.

LETTERS TO THE EDITOR

There Are Two Senators Per State for a Reason

Jack Rakove's endorsement of a proportional Senate leaves out some salient facts ("James Madison's Critique of the Senate Still Holds," Review, Sept. 17). As originally designed, the Senate wasn't elected directly by the people; senators were appointed by the state legislatures. This was to ensure the interests of the individual states were protected.

Mr. Rakove's is right that "as citizens or lawmakers, we vote on the basis of our interests and opinions," and those opinions are expressed in the House of Representatives, the "people's house." When the Constitution was being debated, there was great concern in the state legislatures regarding the powers that would be relinquished to the federal government. The Senate, by its design, was meant to allay those fears by making sure that senators were beholden to their state legislatures and not the general electorate.

DONALD ALEKSANDRAVICIUS
Pound Ridge, N.Y.

I couldn't disagree more with Mr. Rakove's critique of the Senate's equal-representation clause. We are the United States. We aren't the united provinces, counties or departments, which might require proportional representation. The states are

each sovereign governments. The Senate has equal representation not to buffer large states and protect small states, but to safeguard all states against excessive federal power. It is irrelevant that these states differ in size. What is relevant is that 50 sovereign states have united to create a federal government to act on their behalf.

JED S. FRANCIS
Logan, Utah

It is possible, perhaps even preferable, to read Mr. Rakove's essay and come to a different conclusion. If even James Madison, the "father of the Constitution," needed to compromise on how the Senate was constituted, perhaps the lesson to be drawn in our polarized time is that even the most fundamental issues of our time—and all times—must be resolved by negotiation, understanding and conciliation.

LANCE MORGAN
Washington

No one can say whether the small states would have joined the union knowing that they would be constantly outvoted. History does show, however, that statehood was a negotiation.

STEPHEN M. MAURER
Berkeley, Calif.

The Martha's Vineyard Stunt Made Its Point

The busing of illegal immigrants to sanctuary cities by red-state governors has finally forced the national press and all Americans to take notice ("A Sanctuary City Spectacle," Review & Outlook, Sept. 17). Pundits on both sides opine on the motivations of these governors. But the real question is: Why is President Biden leaving the southern border open?

PETE SCHROEDER
Clemmons, N.C.

It is instructive to compare the energetic hospitality extended to more

than 6,000 surprise guests by the citizens of Gander, Newfoundland, after the attacks of Sept. 11, 2001, with how the elites of Martha's Vineyard "welcomed" 50 undocumented immigrants who arrived in their community last week. The heartwarming Gander experience is celebrated by the Broadway musical "Come From Away."

"Please Go Away" seems the appropriate title for the not-yet-written story of Martha's Vineyard and its surprise guests.

JIM SORENSEN
Allentown, Pa.

Putin Shows He Is Not Finished Taking Risks

Russian President Vladimir Putin's decision to call up 300,000 reservists to save his struggling military campaign in Ukraine doesn't tell us much about where the war is headed ("Putin's Desperate Escalation," Review & Outlook, Sept. 22). One could make a logical case that sending hundreds of thousands of additional soldiers into the conflict zone would have a positive effect on the war effort for Moscow. But the Russian army has proved itself so incompetent and systematically weak that nobody should

assume mobilization will turn the war in Moscow's favor.

The partial mobilization tells us more about where Mr. Putin's priorities lie than on how the war will evolve. Over the past few months, there was a lingering question as to whether Mr. Putin would take the dramatic step of preparing reservists for deployment, lest it rile up a Russian population that has been relatively checked out. But with this latest move, the question has been answered: To Mr. Putin, some form of success in Ukraine is vastly more important than maintaining the apathy of the Russian masses.

Doubling down on the war is more likely to weaken Russia's power in the long run, not strengthen it. The Russian military will be even more overstretched than it already is (more personnel at the front requires a larger supply chain), the Russian economy will continue to hemorrhage foreign investment as the West's export-control regime takes its toll and Russia will increasingly be at the mercy of China for economic and diplomatic support. Mr. Putin's war of choice is leaving the country he leads worse off—and there is no sign the Russian strongman cares.

DANIEL R. DEPETRIS
Fellow, Defense Priorities
New Rochelle, N.Y.

No Need to Invent Emergency

If President Biden needs an emergency to justify his profligate spending ("Is the Pandemic 'Over,' or Not?" Review & Outlook, Sept. 20), he need look no further than our porous southern border, nationwide lawlessness or rampant inflation. He could even select our runaway debt as the emergency to continue Covid-era largesse. That legerdemain would be an illusion in the category of the Inflation Reduction Act, which increases inflationary pressures. But Covid? Sorry, that's no longer a national emergency.

GREGORY MARSHALL
Marietta, Ga.

General Taxes Did Not Always Finance Highways

Historian Kenneth Jackson ("Homeownership for All Is a Dying Dream" by Mene Ukeberuwa, Weekend Interview, Sept. 17) knows far more about the history of American housing than I do. But he isn't correct in saying that post-World War II highways were funded via general taxes rather than user fees.

Before the interstates, states funded highways via dedicated fuel-tax revenues. The 1956 law that launched interstate highway construction created federal gasoline and diesel taxes deposited into a Highway Trust Fund devoted entirely to building the new interstate system. Once most of the interstates were built, Congress broadened the scope of that trust fund to include federal aid for other highways in the states.

When the Bureau of Transportation Statistics compared federal highway spending with federal highway user-tax receipts in 2004, it found that user-tax revenues exceeded Highway Trust Fund spending—there was no federal funding of highways from general taxes. Sadly, that has changed in recent decades. Congress routinely increases federal transportation spending but hasn't raised fuel taxes since 1993, so Congress periodically adds general tax revenues to top up the Highway Trust Fund.

ROBERT POOLE
Reason Foundation
Plantation, Fla.

It's Now the American Way

Regarding your editorial "Drunk on Theft in Oregon" (Sept. 20): Check out the new American dream. If you take and don't pay for something worth less than \$1,000, it's only a misdemeanor. If you take and don't pay for something worth more than \$1,000, it's student-loan forgiveness. Responsible citizens get the hangover.

TRAVIS REED
Denver

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Pepper ... And Salt

THE WALL STREET JOURNAL



"Is it still unhealthy if I binge-watch an exercise show?"

OPINION

It's a Mistake to Shrug Off Putin's Threats



DECLARATIONS
By Peggy Noonan

Vladimir Putin's threat to use nuclear weapons in Ukraine must be received soberly, if for no other reason than that leaders occasionally do what they say they'll do. There are reasons beyond that. He has lost hardware, soldiers, ground and face. He is cornered and escalating, increasing the odds of mistake and miscalculation.

Great care is needed now, the greatest possible. Wednesday this week came the famous (though not first) threat of nuclear use. In a rare speech to the nation from the Kremlin, Mr. Putin said: "If the territorial integrity of our country is threatened, we will use all available means

As we saw before World War I, it's easy to become complacent as trouble builds into catastrophe.

to protect Russia and our people—this is not a bluff." He announced referendums in occupied areas that will presumably result in declarations that they are Russian territory. Ukraine's attempts to push back Russian troops can then be defined as an invasion of Russia, which Mr. Putin must defend by any and all means.

He also called up 300,000 reservists. There is reason to doubt this will appreciably improve Russia's position. The motley new troops will be blended over months into an army that doesn't work. This is one reason we can't be certain Mr. Putin will lean most heavily on conventional methods of war.

Russia is long thought to have about 10 times as many tactical nu-

clear weapons as the U.S., with delivery systems ranging from mobile ground-based launchers to ships. These weapons are smaller than strategic weapons, with shorter range and lower yield. The Times of London provided a map with concentric circles to show potential blast radiuses if a tactical nuke were trained on London—it was like something out of 1958. Such weapons are built to take out specific targets in specific areas without widespread destruction. But yes, radioactive debris in Ukraine would waft this way or that with wind currents, possibly west toward Poland, possibly toward Mr. Putin's own troops. Not that he'd care; not that they'd think he'd care.

American diplomats have believed Mr. Putin will never use tactical nukes because he'd fear the price. But they can't know that, especially if they're unclear what price they'd exact. They hope Russian officials in the command structure would thwart such an order, but they can't be certain of that either. They believe they can't bow to nuclear blackmail because that would bring a whole new order of international chaos with it, and that's true. All the more reason the greatest care is required now.

The atmosphere around Mr. Putin appears increasingly fevered. His enemies keep falling from windows and boats. This week the former head of the Moscow Aviation Institute, an erstwhile Putin supporter, reportedly fell down "a series of flights of stairs," resulting, according to the announcement on Telegram, in "injuries incompatible with life." Antiwar demonstrations broke out in 37 Russian cities, according to the Associated Press. "Send Putin to the trenches," they chanted in Moscow. Wednesday's address was scheduled for Tuesday, postponed and given 13 hours late. Airline seats



Vladimir Putin addresses Russians from the Kremlin on Wednesday.

out of Moscow are famously full and not round trips. There are reports Mr. Putin himself is bypassing his generals and sending direct orders to the field.

Maybe he's finding that fewer of his countrymen than he'd supposed share his mystical vision of a greater imperial Russia restored; maybe it's just him and 50 intellectuals. Maybe that will intensify his bitterness and nihilism.

But all this speaks of growing disorder around him. His most eloquent critics and foes in the West call him a liar and murderer, and he is, but it's worse now than they think. This isn't Syria; it's not the joy of poisoning your enemies or jailing dissidents. Ukraine is the ballgame for him. The whole meaning of his adult life is his war with the West, and this is the battlefield. He is about to turn 70, closer to the end than the beginning. He alone drove this thing and he'll drive it into the ground because, I believe, he doesn't care anymore, and he can't lose.

All this is apart from other unconventional means of trouble at his disposal, from cyber and infrastructure attacks to fighting near nuclear reactors, as has already occurred. There

is the economic and political turmoil that will follow his cutting natural-gas supplies to Western Europe.

I spent the spring and summer reading about World War I, all the big, classic histories, but drilling down even into the memoirs of the tutor of the czarevitch in the last years of Romanov rule. I've done such regimens before. I like reading about epic catastrophes: It's encouraging. *We got through that.* We'll get through the next thing.

It reminded me of the obvious, that peacetime governments rarely know exactly what to focus on in real time. They don't like to think imaginatively about the worst. The leaders of the nations that would go to war in August 1914 were certain in July that there wouldn't be a war—there couldn't be, because everyone had too much to lose. Tensions had risen in the past and been soothed. There was the sense of sleepwalking toward war, and indeed a great modern history of the era is called "The Sleepwalkers." They stumbled in. Paul Fussell, in "The Great War and Modern Memory," wrote of the horror of the trenches and the hopeless charges into the new weapon called the machine gun,

and saw irony. "Every war is ironic because every war is worse than expected." The means are always "melodramatically disproportionate" to the presumed ends.

I hope our leaders are groping toward something, some averting process, maybe along the lines of French President Emmanuel Macron's urging for a negotiated peace. What shouldn't fully settle in is the idea that conceding the need to pursue every avenue is somehow letting down the side, and showing insufficient fervor for the Ukraine, that has so moved the world.

I sense people are afraid of looking afraid. But when a bad man who's a mad man says he'll do something terrible, it's not wrong to think about every way you can to slow or stop him.

We live in a funny world that's at bottom anxious and sad and yet insists on a carapace of cheer, or at least distraction. We're losing a sense of tragedy.

The other night the great British playwright Tom Stoppard spoke movingly, in New York, of how nations often don't get the governments they deserve. Russia, he said, is a landmass alive with history and literature and occupied by a people whose suffering and endurance echo through the ages. And look what they're stuck with. Tolstoy biographer A.N. Wilson, in his recent autobiography, says something similar, describing Russia as an ancient "God-bearing" people whose meaning is located in survival.

If you think of it this way, it's all the more tragic. Good people all around, bad trouble here and looming.

I'm not a prophet, and I don't know what to do. But I know the size of this war and this time in history. It's not the same old, not the usual. It feels like a turning point. We have to get serious in some new way.

I Committed Journalism, and Princeton Told Me Not to Communicate

By Danielle Shapiro

Princeton, N.J.

You've read stories on these pages about campus censorship, hostility toward pro-Israel Jews and the excesses of Title IX regulations regarding sexual misconduct. I have one that combines all three—and an attack on press freedom to boot.

In March, my college's director of student life, Momo Wolapaye, told me by phone that another student felt "distressed" by me and had "requested a no-communication order." In a letter that served as official notice of the NCO, he declared that "neither you nor Harshini Abbaraju '22 may have any communication with each other in person or through another party, by telephone, letter, e-mail, or other electronic media, or by any other means, including via social media."

Mr. Wolapaye's letter said I wasn't accused of violating any university policy but threatened me with "disciplinary consequences" if I failed to comply with the order. He said in our phone conversation (which I recorded) that the university's policy is to issue such orders on request, "for any reason and no reason." For more information, the letter directed me to the "Sexual Misconduct & Title IX" section of Princeton's website.

I hardly knew Ms. Abbaraju (who has since graduated); my only encounter with her had been professional. I worked as a reporter for the Princeton Tory, an independent student-run magazine, and she was among the organizers of a Feb. 22 protest by the Princeton Committee on Palestine against the Israel Summer Programs Fair hosted by the Center for Jewish Life, a chaplaincy and hub of Jewish activity on campus.

I covered that event for the Tory and followed up with an email to Ms. Abbaraju to clarify and confirm quotes I had recorded. While she disagreed on some points concerning context, she remained cordial

throughout our exchange and never indicated that she felt threatened or wished to terminate our conversation. But two days after the article's publication, Mr. Wolapaye sent the NCO letter, which was also delivered to campus police and the senior associate dean of undergraduate students. I felt mortified and trapped.

The terms of the NCO were unclear about my future journalistic activities on campus, and Mr. Wolapaye's advice confused matters further. "You do have a right to write," he assured me on the phone. "If she is a part of a group and she's making a statement and you talk about a statement, I think that should be OK. But not necessarily to editorialize her directly or her comments."

What was unambiguous was that the order prohibited me from doing my due diligence as a reporter—which is all I'd done to provoke it. "I don't want you to be in a situation where you send her an email or you

see her and ask her a question and she reports that you've violated the no-communication order because you've communicated with her," Mr. Wolapaye said. "Because that's what the no-communication order says—that she's basically said, I don't want to talk to you. I don't want to hear from you. So please don't talk to me. I won't talk to you."

The university transforms a shield against sexual harassment into a sword against the student press.

Over the next month, Mr. Wolapaye ignored three follow-up emails. I began contacting deans and finally arranged a meeting with Joyce Chen Shueh, the senior associate dean of undergraduate students. The NCO was lifted on April 28—nearly two

months after it was issued, and less than a month before Ms. Abbaraju's graduation day. During that time, she was free to organize protests, but the university restrained my ability to report on them.

I told Ms. Shueh I believed that issuing an NCO under these circumstances violated Princeton's commitment to the Chicago Principles, which provide that while "the University may restrict expression that . . . constitutes a genuine threat or harassment, . . . it is vitally important that these exceptions never be used in a manner that is inconsistent with the University's commitment to a completely free and open discussion of ideas."

She acknowledged the point and promised to re-examine the procedures for granting NCOs. But the only change made was to move the "frequently asked questions" webpage about such orders from the "Sexual Misconduct" section of the Princeton site to the more general

section dealing with "Conflict Resolution." The latter section includes a statement that "the University expects its members first to employ honest, direct and civil dialogue as a means of resolving conflict"—but the implication of the move is that NCOs are a legitimate response to any conflict, whether or not it involves genuine harassment.

Although the website assures students that NCOs aren't "punitive," they are burdensome for the targeted student. The FAQ defines "contact" to include "studying in the same section/floor of the library as the other party" and "standing next to the other party in line at a food server." Imposing these restrictions doesn't require so much as an accusation of wrongdoing, much less proof. Princeton has transformed a shield against harassment into a sword against the press.

Ms. Shapiro is a sophomore at Princeton.

Obama Led Germany Into Putin's Energy Trap



BUSINESS
WORLD
By Holman W.
Jenkins, Jr.

Vladimir Putin's energy war is real but undeclared. The West's counter energy war is declared but not real. Doubtful is whether the latest convoluted U.S. plan to cap Mr. Putin's oil receipts will be any different (though it's certain to spawn a lot of future Marc Riches).

But notice that Mr. Putin remains careful to say Russia desires to keep meeting its gas contracts with Western Europe. It's Europe's fault that exports through the Nord Stream pipeline are halted for safety reasons, because sanctions prevent repairing a faulty compressor.

Mr. Putin's Gazprom cronies cheerfully pipe up to say the second

Nord Stream pipeline could quickly fill the gap if Germany's government, by its own action, had not refused to allow it to operate. Less famous pipelines, including the Yamal that runs through Ukraine, continue to carry Russian gas to Europe with the tolerance of Ukraine's leadership.

Mr. Putin has to preserve some deniability because there's no chance of any concessions from those Germans still willing to consider his interests if the blackmail is too naked, which it is becoming despite his efforts. Meanwhile, the phonicness of West's own energy riposte is of the opposite variety, all talk and no action, as manifested in a simple fact: So far Mr. Putin's energy revenues are higher than before the war.

Let's understand how we really got here. Germany's mistake didn't lie in buying gas from Russia, but in denying itself access to alternative supplies—by banning fracking, by not building LNG terminals. Somehow this was supposed to prove its devotion to the climate cause and renewables.

Unintentionally, the sainted Barack Obama was actually the pivotal figure, abandoning on behalf of the Western world the idea of fighting climate change with taxes in favor of pretending to fight it with handouts to alternative energy interests.

America's exciting new president, on the eve of taking office, revealed a new direction in climate policy, focused on subsidizing solar and wind rollouts. The same spirit, a few years later, would fully infuse Germany's *Energiewende*.

Whatever the political logic, this

was not a policy for dealing with climate change. Take an example that will produce blushes in many quarters. Between 2005 and 2019, the U.S. reduced its total emissions by displacing coal with gas for electricity generation.

This result has been widely celebrated but there's no reason to believe global emissions were lower. The U.S. at the same time greatly boosted its exports of oil, gas and coal. It boosted its imports of emissions-heavy merchandise and materials, including (ironically) lithium for electric cars.

America's exciting new president inspired the world to junk carbon taxes in favor of green pork.

The same logic applies if renewables were now forced to replace gas. Without an incentive actually to use less fossil fuels (i.e., a tax), subsidizing new forms of energy will tend to accelerate energy consumption overall, with fossil fuels increasing right along with renewables.

This is demonstrably what has happened—look at the energy consumption and emission tables. If California mandates the purchase of electric cars, the rest of the world will be able to consume more gasoline.

Again, you can tax fossil fuels, even punitively, and still maintain diversity of supply. Germany did the opposite, indenturing itself to cheap Russian gas while denying it-

self diversity of supply because, you know, wind and solar would fill the hole in the long run. This alone explains why a modest interruption of energy flows—the Nord Stream pipeline provided 5% of Europe's consumption—now creates industrial chaos. Mr. Putin couldn't have done this to Germany. Germany could only have done it to itself. But it's also strikingly clear that Mr. Putin mistook Germany's energy captivity for a sign the stars were ready to smile on his bruited Ukraine adventure.

The struggle to interpret Mr. Putin's actions goes on, but everything that some this week see as a major escalation can also be interpreted as another day-late, dollar-short Putin attempt at finding a way out of his self-made trap.

Mr. Putin could openly declare energy war on Germany. He hasn't. He could announce a genuine draft rather than a hurried, collapse-preventing mobilization of ex-soldiers that is already being resisted. He could have tooted his patriotic horn in revealing the step but instead said he was yielding to his increasingly discredited general staff. He also promised the move would be "fully adequate" to meet the military situation. A few hours later, his government authorized a large prisoner exchange with Ukraine.

Mr. Putin knows his war is failing, his position is eroding, and it can be salvaged only if the West pressures Ukraine to stop fighting and negotiate while Mr. Putin is still in possession of large chunks of its territory. The danger lies in what steps Mr. Putin thinks might move the West off its dime.

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SPORTS

JASON GAY

Roger Federer's Tennis Goodbye

A retiring legend turns to his most famous rival for a fitting finale in London



London

It had to be Rafael Nadal. Of course it did.

If Roger Federer could not retire from tennis with a championship Sunday, then he would take the sentimental alternative.

The Swiss legend's 41-year-old body failed him to the point that a return to high-level singles was not possible—there would be no Wimbledon, no U.S. Open, no more trophies to add to his 20 lifetime majors and legacy as the sport's most graceful player.

Instead, Federer said an emotional goodbye here Friday, in the O2 Arena, at his bespoke event, the Laver Cup, playing doubles—preferred discipline of the cautious middle aged—with a balky knee and a familiar Spanish lefty at his side.

Roger & Rafa. One more for the road.

There they were, rivals turned friends, forever stylistic opposites—Nadal the relentless dynamo who paces like a cage fighter; Federer the barely-perspiring *artiste* who plays as if he's wearing a fitted dinner jacket.

There are 42 singles majors between them—and not for nothing, they're two of the most famous bandannas in sports.

Was it fun? Of course. Was it moving? What do you think?

Just the sight of "Fedal" taking the court to play Jack Sock and U.S. Open breakout Frances Tiafoe at 10 p.m. London time—after an Ironman of an Andy Murray-Alex de Minaur match—was a goosebump provocation.

The Laver Cup, named for the Aussie great Rocket Rod, is a three-day, Ryder-Cup-style team tournament featuring many of the world's best men's players. This year's edition added global significance on Sept. 15, when Federer announced his retirement from competitive tennis and declared it would be his last event.

The end was here. Fed would play Friday and Friday only. London is his Goodbye Cake.

He's been eating it up, merrily.

This week has played out as an impromptu Federer career celebration, the imminent retiree bathing in tributes from upstart contenders like Tiafoe and Stefanos Tsitsipas as well as from aging rivals like Djokovic, who decorously remembered all of his painful losses to Federer before breathing a word of his victories.

On Thursday, Fed and the lads went out for a spin on the Thames in their tuxedos. The vibe here hasn't been bittersweet—it's been more like an Ocean's 11 reunion, Federer serving in the Sinatra/Clooney part as the eminence grise.

Nadal and Federer teamed for Laver Cup dubs before—at the inaugural event, in Prague 2017—but



Roger Federer teamed with Rafael Nadal for a doubles match at the Laver Cup on Friday. It was Federer's last event before his retirement from tennis.



Friday was obviously different. The score felt beside the point. Sock and Tiafoe, talents both but no strangers to satellite courts, played wonderfully, but seemed happy to take a supporting role to their elders across the net. It was hard not to feel all that

headbanded history rush back—after all, it was the teenage, Capri-painted Nadal who'd first punctured Federer's dominance in the 2000s. Later Federer and Nadal stood shoulder to shoulder in the twilight after Nadal's 2008 victory at Wimbledon, a match considered

to be one of the greatest ever. More recently, Nadal stood awestruck in Melbourne after Federer's comeback triumph at the 2017 Australian Open.

Over time, this rivalry morphed into a mutual appreciation and a protective trust. Along with Djokovic (21 majors, and the youngest of the three) Federer and Nadal have held men's tennis in thrall for close to two decades. Few sports have been as privileged, and in Federer's exit, an era's sunset is under way.

As for the doubles, Rog looked...pretty good! After a year away from competition, there was some understandable rust, but he moved fluidly on a court with three match-fit players. Now he's turning over his roster slot to alternate Matteo Berrettini, but he played like he belonged out there. This was no last gasp.

When this delightfully entertaining match finally wrapped, close to half past midnight—Youth prevailing wickedly over Wisdom, 4-6, 7-6(2), 11-9 in a tiebreak decider—Federer and Nadal embraced in defeat as the crowd erupted.

This all really meant something. Federer may have been a stoic

during pressurized moments, but he was never afraid to acknowledge his personal joy or heartbreak. His fan base, the biggest in tennis, rode this roller coaster with him, from his debut years as a tetchy, ponytailed phenom to his extended autumn collecting titles as a father and statesman.

Now, Federer returned the love one last time, choking up when he talked about the support of his wife, Mirka, as well as the presence of the 84-year-old Laver and Federer's childhood tennis idol, Stefan Edberg.

"I would do it all over again," he said. "Thank you, everybody."

Behind Federer, Nadal wept, too. Who knows? Maybe this was not the last time they do this.

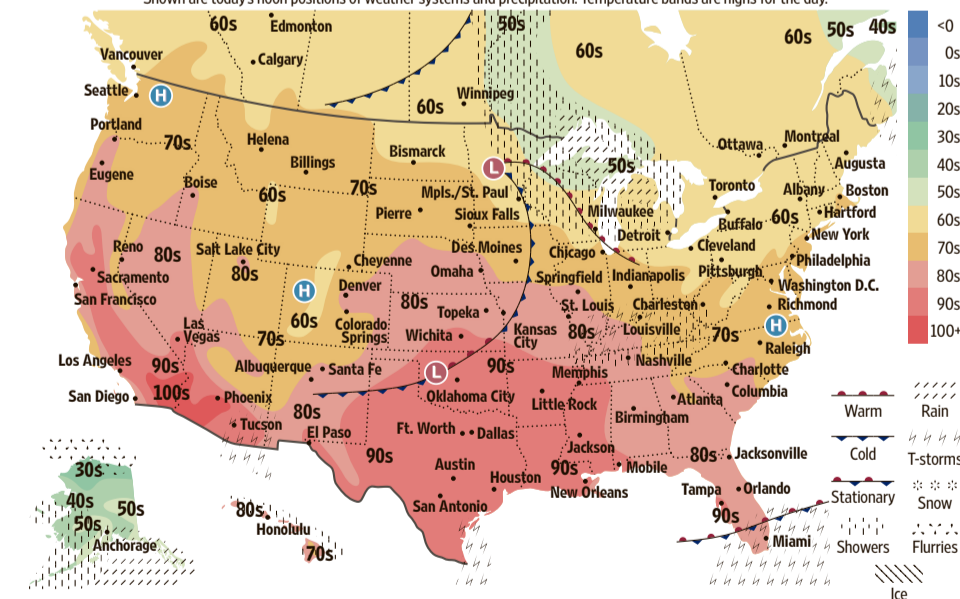
It's tempting to imagine them, three or four decades from now, living across the street from each other in a nice senior community somewhere. They're a couple of guys with stiff legs and iffy shoulders, signing up for early morning dubs with retired cardiologists before the midday sun starts to blaze.

Hi, I'm Roger. Hey, I'm Rafa. (Federer spins racket) Up or down—you choose.

Weather

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Shown are today's noon positions of weather systems and precipitation. Temperature bands are highs for the day.



Forecasts and graphics provided by AccuWeather, Inc. ©2022

U.S. Forecasts

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

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	53	44	c	52	44	sh
Atlanta	82	64	s	84	64	c
Austin	95	68	s	95	69	s
Baltimore	73	56	s	76	58	sh
Boise	82	51	s	83	54	s
Boston	70	53	s	70	61	pc
Burlington	66	48	pc	65	56	t
Charlotte	78	58	s	82	59	t
Chicago	72	57	pc	70	52	sh
Cleveland	68	56	c	69	53	sh
Dallas	97	74	s	96	68	pc
Denver	80	47	s	75	49	s
Detroit	67	56	pc	68	53	sh
Honolulu	89	75	pc	89	75	r
Houston	95	72	s	95	73	pc
Indianapolis	75	60	pc	73	52	pc
Kansas City	85	57	s	77	47	s
Las Vegas	97	75	s	99	75	s
Little Rock	95	72	t	94	60	pc
Los Angeles	91	69	s	91	70	s
Miami	89	79	t	89	78	t
Minneapolis	69	57	pc	70	53	sh
Nashville	67	53	c	68	48	s
New Orleans	82	65	pc	84	56	t
New York City	92	74	s	91	76	pc
New York City	70	57	s	74	62	pc
Oklahoma City	93	65	s	90	57	s

International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	61	50	c	62	51	pc
Athens	76	61	s	79	64	s
Baghdad	98	75	pc	96	71	pc
Bangkok	89	77	t	87	77	t
Beijing	81	51	c	81	51	pc
Berlin	62	50	pc	62	48	pc
Brussels	61	50	sh	60	47	pc
Buenos Aires	66	57	pc	65	55	pc
Dubai	100	85	s	100	85	s
Dublin	59	43	pc	59	50	pc
Edinburgh	58	42	pc	59	48	pc

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Frankfurt	66	50	pc	65	48	pc
Geneva	64	52	r	59	48	r
Havana	88	72	s	89	74	t
Hong Kong	90	81	pc	91	81	pc
Istanbul	68	59	s	73	61	s
Jakarta	90	75	t	92	76	pc
Jerusalem	84	61	s	83	61	s
Johannesburg	80	56	s	81	60	s
London	62	48	sh	62	51	pc
Madrid	80	51	pc	74	50	s
Manila	88	77	t	89	78	r
Melbourne	59	43	pc	65	52	pc
Mexico City	74	56	pc	74	57	t
Milan	63	56	r	67	52	sh
Moscow	48	43	r	47	41	r
Mumbai	84	77	sh	85	77	pc
Paris	65	52	t	63	49	pc
Rio de Janeiro	72	63	t	74	67	pc
Riyadh	103	74	s	98	74	s
Rome	77	66	pc	75	64	t
San Juan	88	77	c	88	78	pc
Seoul	75	55	pc	74	54	pc
Shanghai	77	66	pc	80	69	c
Singapore	86	79	t	86	79	sh
Sydney	67	55	sh	69	57	s
Taipei City	81	76	r	83	76	r
Tokyo	82	70	r	76	68	pc
Toronto	64	54	pc	66	53	sh
Vancouver	65	52	pc	66	54	pc
Warsaw	59	45	pc	61	47	pc
Zurich	59	48	r	60	49	sh

The Vatican's One-Man Cycling Team

By Joshua Robinson

WHEN A CYCLIST named Rien Schuurhuis rolls up to the start of this weekend's world championship road race, he'll be wearing a curious jersey that no one in the peloton has ever seen before.

That's because the crisp white-and-yellow on his back will represent the sport's newest, and smallest, racing nation. On Sunday in Wollongong, Australia—against the likes of France, Belgium, and Italy—Schuurhuis is set to be the one-man cycling team of the Vatican.

He knows he isn't exactly the holy roller you might expect the Holy See to put on a bike. For one thing, Schuurhuis is a 40-year-old Dutchman. But in one sense at least, he is among the rarest representatives the Holy See has ever sent out into the world. Pope Francis has canonized more than 90 individual saints during his pontificate. He has given his blessing to just one Vatican bike racer.

Schuurhuis' list of professional achievements isn't long. He has participated in lower-classified stage races in Asia and Oceania and his best result at the national championship level was finishing



Rien Schuurhuis is set to ride for the Vatican in cycling's world championship road race.

world championships is quite literally a matter of international diplomacy.

In this case, the diplomat is his wife. Schuurhuis is married to Chiara Porro, Australia's ambassador to the Holy See, which qualified him for consideration under the rules of the Vatican's sports association, an *Athletica Vaticana* official said.

"Pope Francis' focus on sport as a vehicle for [connection] resonates deeply with my own life experience," Schuurhuis said. "The language of sports is truly universal."

And the Vatican is getting slightly better at speaking it. Beyond cycling, the city-state has also signed up to the International Padel Federation and joined World Taekwondo. Officials say they are also seeking membership to World Athletics. But cycling, for now, is the standard-bearer. Pope Francis said as much in a 2019 speech to cycling delegates.

The sport, the pontiff added, "highlights certain virtues such as enduring fatigue (in the long and difficult climbs), courage (in attempting a breakaway or in facing a sprint), integrity (in respecting the rules), altruism and a sense of team."

IVANO SOMMONE



Hockey Lessons
What happens when you know your coworkers' pay **B4**

EXCHANGE

Bad Quality
Why blue-chip stocks are singing the blues **B6**

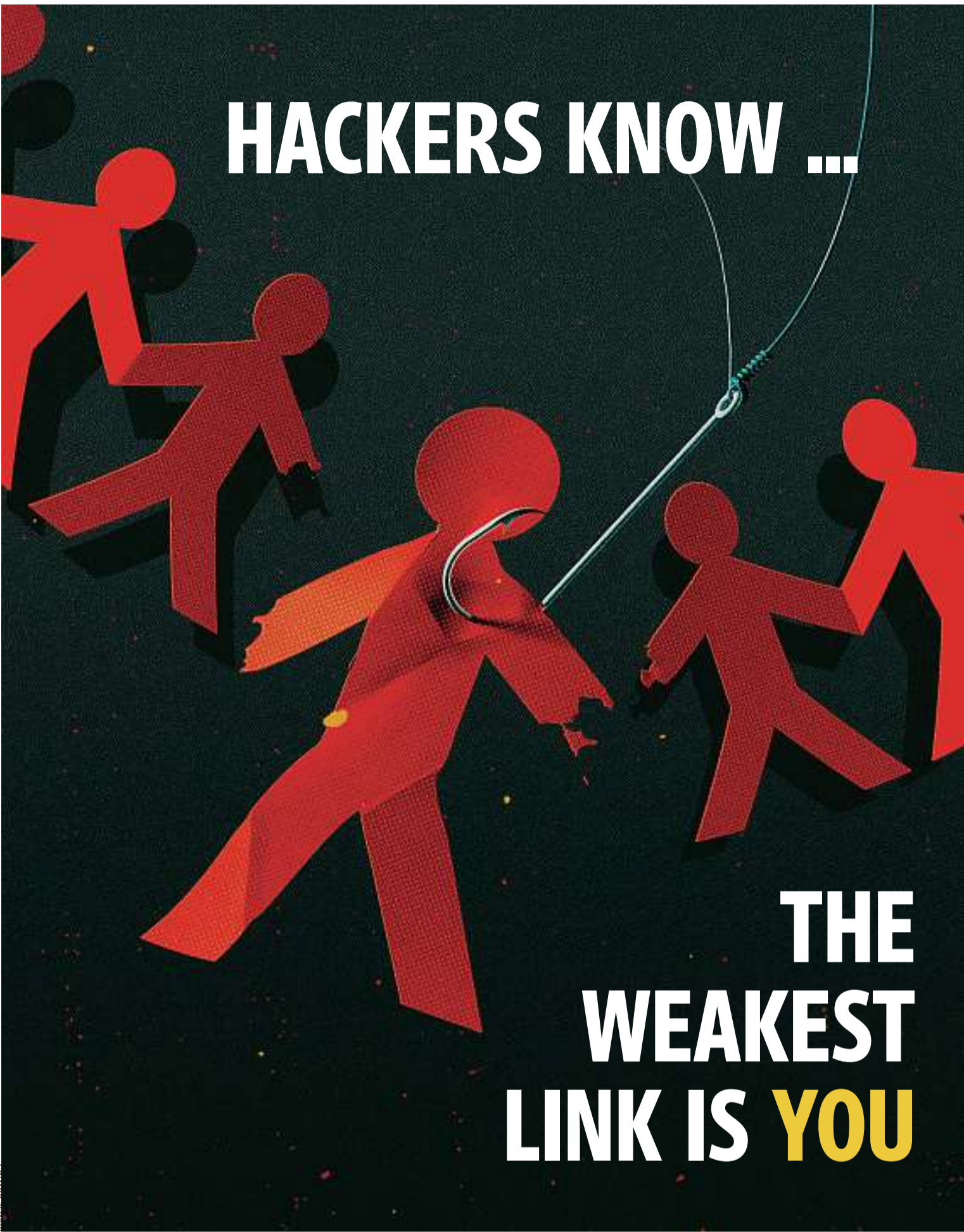


BUSINESS | FINANCE | TECHNOLOGY | MANAGEMENT

THE WALL STREET JOURNAL

***** Saturday/Sunday, September 24 - 25, 2022 | B1

DJIA 29590.41 ▼ 486.27 1.6% NASDAQ 10867.93 ▼ 1.8% STOXX 600 390.40 ▼ 2.3% 10-YR. TREAS. ▲ 3/32, yield 3.695% OIL \$78.74 ▼ \$4.75 GOLD \$1,645.30 ▼ \$25.50 EURO \$0.9690 YEN 143.34



HACKERS KNOW ...

THE WEAKEST LINK IS YOU

DANIEL DOWNEY

KEYWORDS
CHRISTOPHER MIMS

Recent breaches at Uber and elsewhere are increasing the push for a zero-trust approach to keep employees from inadvertently causing damage

The companies that should know best how to fight hackers, tech firms, have reached an arresting conclusion: The weakest link in security, as it's been since the Trojan War, is humans.

Increasingly, they are taking a new approach: Trust no one.

The philosophy, known as zero-trust architecture, assumes that no matter how robust a company's external defenses are, hackers can get in. So companies need to make sure that even users inside a network can't do serious damage.

This past week, Uber and the Rockstar Games unit of videogame company Take-Two Interactive Software each disclosed major hacks that disrupted their operations. They joined a list of victims this year that includes some of the most technologically adept compa-

nies on the planet, such as identity-verification company Okta and chip giant Nvidia.

What many of these hacks have in common is that they succeeded by tricking a person in or close to the target company into giving up network-access credentials or other critical information, a technique known as social engineering.

In the Uber case, for example, a contractor whose phone was being spammed by automatically generated access requests triggered by a hacker finally approved one, the company said. Other examples involve bogus "phishing" emails that hoodwink employees into sending login credentials to attackers.

The hacks at the two companies, which declined to discuss their approach to security, are increasing the push for zero-trust within their peer group. Zero-trust is a broad concept, but at base it

Please turn to page B2

Indexes Drop for 2nd Week In a Row

Selloff intensifies with rate hikes, dim outlook

By GUNJAN BANERJI AND CHELSEY DULANEY

A wave of selling swept across global financial markets Friday, with nervous investors forced to again confront the specter of recession.

New signs of slowing global growth rocked investments of all sorts. The Dow Jones Industrial Average fell to its lowest level of the year, the dollar surged and short-term Treasury yields jumped.

Investors, mulling stubbornly high inflation and unnerved by Russia's attempts to escalate the war in Ukraine, fled for the exits this past week, driving a concurrent selloff in stocks and bonds alike. Bond yields remained near their highest levels in more than a decade as prices tumbled.

The Dow on Friday lost 486.27 points, or 1.6%, to 29590.41, its lowest close since November 2020. The S&P 500 dropped 64.76 points, or 1.7%, to 3693.23. The Nasdaq Composite sank 198.88 points, or 1.8%, to 10867.93.

The three indexes declined for a *Please turn to page B11*

◆ Low-volatility funds are back in vogue..... B11

Netflix Cuts How Much It Pays Comics For Some New Shows

Licenses some specials rather than buying them outright

By SARAH KROUSE AND JESSICA TOONKEL

Netflix Inc. is changing how it compensates some of the comics it features, a move that could trim its costs and shift some financial burden and control of specials to the artists, people familiar with the situation said.

In recent months Netflix has started licensing new specials from some comedians for two years for about \$200,000, rather than buying them outright, which is more expensive, the people said. Previously, many comics received a lump-sum payment—often as much as \$1 million—that helped pay for production costs.

The change in approach in one corner of Netflix's comedy stable reflects a broader move within the *Please turn to page B4*

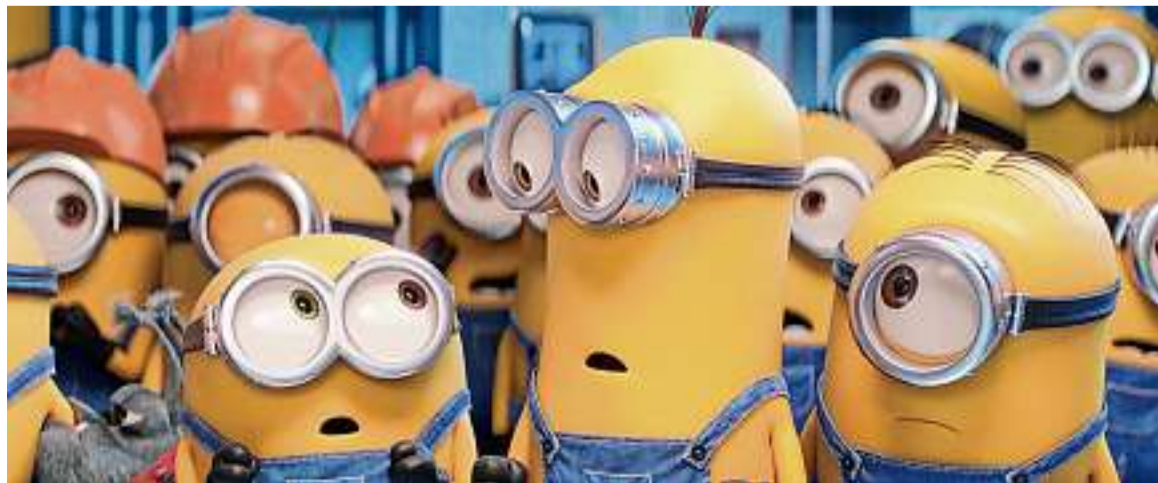
The Hollywood Plot to Put Minions Absolutely Everywhere

By ERICH SCHWARTZEL

They are on Walmart shelves, candy wrappers and dog costumes. They are in theme parks in Florida and Southern California. They have appeared on Amazon.com Inc. delivery boxes, chickpea snack bags and Tic-Tac containers.

They have made cameos in countless Facebook memes, standing in for fans who want to express every conceivable emotion—from back-to-school excitement to calls to indict former President Donald Trump. People have them tattooed on their bodies. Others coat themselves in yellow makeup to dress up like them.

The Minions are everywhere. Twelve years after making their big-screen debut in a supporting role, the bite-sized, thumb-shaped, incompetent yellow beings of "Despicable Me" have emerged as one of the best-known franchises in recent Hollywood history, thanks to a strategy, and a willing fanbase.



The Minions are the most successful new animated character since Shrek's debut in 2001.

"There's no such thing as oversaturation," said Chris Meledandri, who, as the founder and chief executive of the animation company Illumination, is the man behind the Minions. "As long as what you're doing is clever and charm-

ing." The Minions represent successful execution of the hardest part of doing business in Hollywood today: building and sustaining lucrative franchises that can make money beyond the box office. The

Minions are the most successful new animated character since Shrek's debut in 2001, and the bug-eyed critters are a critical part of the portfolio at Comcast Corp.'s Universal Pictures, which distributes Illumination's movies,

alongside Tyrannosaurus rex ("Jurassic World") and Vin Diesel ("The Fast and the Furious"). This summer's "Minions: The Rise of Gru" is the highest-grossing animated movie released since the pandemic started, collecting more than \$900 million worldwide while other animated releases falter.

"You get Laurel and Hardy vibes, a very old humor that this generation hasn't seen," said Pharell Williams, the Grammy-winning musician whose songs have been featured on the soundtrack of Minions movies since their start—and who suggested Mr. Meledandri secure "Minion yellow" as a color with Pantone. (It was the first Pantone shade ever based on a character.)

Whereas some franchises use scarcity as a tool to create suspense about a superhero or a new Star Wars planet, Illumination has decided more is more when it comes to Minions.

Please turn to page B6

ILLUMINATION ENTERTAINMENT/UNIVERSAL PICTURES/ASSOCIATED PRESS

THE SCORE

THE BUSINESS WEEK IN 7 STOCKS

META PLATFORMS INC.

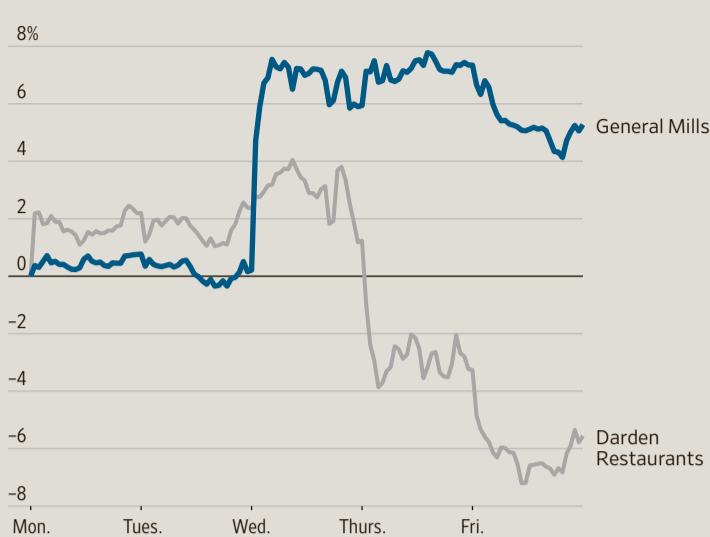
Big Tech wants to get a little smaller. The Wall Street Journal reported that social-media giant Meta plans to cut expenses by at least 10% and started quietly nudging out employees. Meta is reorganizing departments and giving affected employees a limited window to apply for other roles within the company, with the reductions expected to precede deeper cuts. Meanwhile, Alphabet Inc. unit Google is also scaling back its spending and has required some employees to apply for new jobs if they want to stay at the company. Meta shares **lost 2.7% Wednesday**.

FORD MOTOR CO.

Ford's production is shifting into a lower gear. The auto maker on Monday warned that parts shortages and higher costs from suppliers will weigh on earnings, as supply-chain disruptions hinder the industry. Ford said it expects to have about 40,000 to 45,000 vehicles at the end of the quarter that are awaiting parts and can't be delivered to dealerships. It has delayed deliveries of certain vehicles because it didn't have the blue oval badges that go on them and nameplates specifying the model, The Wall Street Journal reported Friday. Ford shares **dropped 12% Tuesday**.

PERFORMANCE THIS PAST WEEK

Source: FactSet



GENERAL MILLS INC.

Companies that sell and make what we eat are battling for consumer loyalty as inflation sends prices higher. Sales jumped at Cheerios maker General Mills as more people look to save money eating at home, while profit fell roughly 16% at eatery chain Darden Restaurants Inc. The parent of Olive Garden has been hesitant to pass on higher costs for food, beverages and labor to customers. General Mills shares **rose 5.7% Wednesday**.

COTY INC.

Coty is freshening up its skin care business. The owner of Lancaster and Kylie Skin brands expects to double its sales of the products in three years, as it homes in on consumers in China. The beauty company has rolled out brands and targeted new markets in the world's most populous country, where Chief Executive Officer Sue Nabi said it is already winning over consumers to its skin care lines. Coty said higher sales growth will lead to stronger gross margins, despite rising costs and persistent pressure from inflation. Coty shares **gained 3.2% Wednesday**.

KOHL'S CORP.

An activist investor is shopping the idea of new leadership to Kohl's. Ancora Holdings Inc. aims to force out the beleaguered retailer's chairman and chief executive, saying in a letter to Kohl's board that such changes are needed after a slow pandemic recovery, falling profits and a scrapped sale. Kohl's struggled to keep up with discount and fast-fashion chains even before Covid upended the industry. Kohl's said in August that it increased promotions to clear excess inventory, and expects sales to decline by a range of 5% to 6% this year. Kohl's shares **declined 3.5% Thursday**.

FEDEX CORP.

FedEx is charging more as it carries less. The delivery giant on Thursday said it plans to raise shipping rates by an average of 6.9% across most of its services starting in January amid a global slowdown in business. FedEx and rival United Parcel Service Inc. raised shipping rates by an average of 5.9% for 2022. Carriers are now stuck with excess capacity after cargo owners shipped holiday goods early and inflation weighed on consumer demand. The company's quarterly earnings report also showed profit fell 20% from a year earlier. FedEx shares **lost 3.4% Friday**.

MODERNA INC.

Moderna is trying to boost supplies of its new Covid-19 booster. Some pharmacies and other vaccine sites have either canceled appointments or stopped scheduling new appointments for people seeking the new Moderna offering after a production issue at a contract manufacturer caused a shortage. Moderna said the supply of its shot could improve within days following a decision by the Food and Drug Administration to clear the re-release of about 10 million doses that had been held up. Moderna shares **edged 0.6% lower Friday**.

—Francesca Fontana

You Are the Weakest Cyber-Link

Continued from page B1 means that no part of a company's IT systems should assume that any other part—human or software—is who or what it claims to be. All systems are assumed to be compromised by hackers already.

As big and well-resourced companies have gotten better at protecting against purely technical exploits of their systems, these social-engineering attacks have become more popular, say cybersecurity experts and the Federal Bureau of Investigation. It is, after all, easier to upgrade a computer than the human mind.

Moats aren't enough

In the traditional approach to cybersecurity, "We just built a giant moat around the castle, and once you breached that moat, you were in," says Boe Hartman, a former chief technology officer at Goldman Sachs, where he led the team that built the consumer-banking infrastructure that made possible Apple's credit card and its vaunted privacy features.

This kind of perimeter security made sense at a time when corporate networks consisted mainly of PCs that were physically connected in an office building—or, if they were off-site, to a virtual private network, or VPN.

These days, a staggering variety of devices, employees and outside contractors connect to corporate systems, in an ever-larger panoply of ways, from personal mobile devices and home computers to cloud services and internet-of-things devices. Today, relying solely on protection of every device and account that might connect to a company's systems isn't just difficult, but frequently disastrous, since attackers have to breach only a single gate to get access to the whole kingdom.

At Uber, the attacker used the commandeered contractor account to access internal systems, posting a message on a companywide Slack channel and taking over an account used to communicate with security researchers. Uber had to temporarily suspend access to internal communications systems. A representative declined to comment beyond a Monday statement that said the company had found no indication the hacker accessed user accounts or the databases Uber uses to store



This past week, Uber and Rockstar Games, publisher of 'Red Dead Redemption,' separately disclosed major hacks that disrupted their operations. Such breaches often involve tricking a person close to the company.



sensitive user information.

The zero-trust approach seeks to limit such havoc. "Zero trust is based on the idea that you don't trust anything in your system anymore," says Anshu Sharma, chief executive of Skyflow, a startup that uses zero-trust principles to safeguard personal data for other companies. "Just because you're in the building, you don't get access to important stuff."

'Zero trust is based on the idea that you don't trust anything in your system anymore.'

Many of the design principles that guide engineers building zero-trust systems are easy to understand. If you've found yourself having to log back into corporate systems or your bank's website more often of late, that's a version of the zero-trust tactic of regularly "rotating" the credentials that allow people and computers to access other systems. The idea is that even if attackers got in with your account, they'd have limited time to do damage.

Another zero-trust principle, known as behavioral analysis, is that software should monitor the behavior of those on a network and flag anyone doing something unusual, like trying to make an extralarge bank withdrawal.

The theme is that every component of a system should be skeptical, even if you've identified yourself and gained access, that you are who you say you are and are doing what you should be doing.

Zero-trust systems can create friction for users and employees, because security is always a balance between giving people the access they need and demanding that they prove their identity. This is also by design, a concept known as the "principle of least privilege," or giving people access only to the things they need, when they need them, and no more. But it runs counter to the priorities of many businesses, which are focused more on maximizing the efficiency of their operations than securing them.

A decade of zero-trust

While many businesses are only now adopting true zero-trust systems, the security industry has been talking about the trust problem for well over a decade.

One company that realized early on that walls and moats were no longer adequate protection was Google. It learned the hard way; starting in 2009, coordinated attacks by hackers associated with the Chinese government attempted to penetrate the Google-hosted email accounts of Chinese human-rights activists, The Wall Street Journal reported.

Soon after, Google began implementing its version of zero-trust systems. A spokeswoman says its approach applies to all parts of an IT system—users, devices, applications, and services, regardless of ownership or physical or network location. All those elements are treated with the same inherent suspicion. The shift actually makes it easier for employees to work from anywhere, without a VPN, she adds.

Naturally, Google also turned it into a product that can be used by companies which pay for its cloud services.

Rome wasn't rebuilt in a day

Creating a top-to-bottom zero-trust architecture for a company's existing IT infrastructure requires commitment from its most senior leaders, and can ultimately necessitate what is essentially a gut renovation of its systems, says Mr. Hartman, now co-founder of Nomi Health, a healthcare startup. Months before it was attacked, Nvidia, the highest-valued U.S. semiconductor company, announced a tool called Morpheus digital fingerprinting, to run on Nvidia hardware. It uses artificial intelligence to analyze hundreds of billions of user actions a week and flag instances when a user appears to be doing something unusual and potentially high-risk.

So Nvidia knew a thing or two about zero trust. Yet in March, its systems were compromised—likely, as my colleagues reported this week, by Lapsus\$, the same group of young hacker-pranksters that struck Uber and others. Afterward, CEO Jensen Huang said the incident was a wake-up call and vowed to accelerate Nvidia's embrace of zero-trust architecture.

Okta, which also was likely hit in March by Lapsus\$, said in a blog post tallying the aftermath of that breach that the company had come out much better than initially feared by its own engineers. According to a forensic report prepared by an outside cybersecurity firm, the attacker was in its systems for only 25 minutes and was unable to log in directly to any customers' Okta accounts or make any changes to internal systems.

Okta now requires subcontractors, like the one that was breached, to use zero-trust security architectures, and all of them must demonstrate that they have the same level of security in their systems that Okta has in its own, says a company spokesman. Okta touts

its own systems as zero-trust, and the company credits its zero-trust architecture with preventing hackers from getting any further into its systems than they did.

Microsoft says a Lapsus\$ attack on its systems in March breached only one account and was quickly detected and dealt with, and didn't lead to any leaks of customer data. Vasu Jakkal, the company's corporate vice president of security, says the lack of damage was a result of Microsoft's own internal zero-trust architecture.

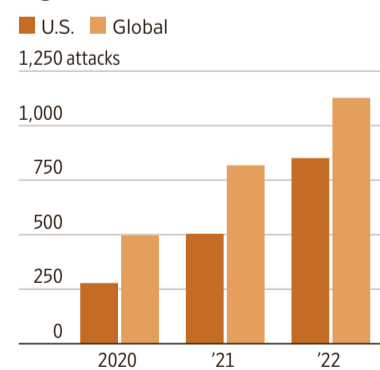
Without such architecture, an attacker can, on average, move from gaining access to a system to entering sensitive parts of it in just over an hour, Ms. Jakkal adds.

"Attacks can come from anywhere, from anyone, and be done to anyone," she says.

Adopting a zero-trust approach means changing many layers of security. Those include adding multifactor authentication on company accounts, and giving users and systems the least access they actually need. It's also a good idea to put the most sensitive data in one place and protect it vigorously, rather than sprinkling it throughout a company's databases. (Consolidating sensitive data in one protected place is precisely what Skyflow, Mr. Sharma's startup, does.)

The breadth of changes means that companies rebuilding old systems need to set priorities, says Mr. Hartman, starting with protecting their crown jewels—source code, other intellectual property, customer information, and the like. Later, they can work through other parts of their systems. The scale of the challenge explains, in part, why only 22% of companies have implemented multifactor authentication—such as biometrics, push notifications or device-based authentication, in addition to a

Average weekly cyberattacks per organization*



*Organizations include institutions such as NGOs, companies and government bodies. Note: 2022 through Sept. 22. Source: Checkpoint Research

password—even though it is one of the best front-line cyber defenses for access, says Ms. Jakkal.

Even proponents acknowledge that zero-trust is no silver bullet. But in a world where regulators, shareholders and customers are all ready to hold companies and their leaders accountable for hacks and data breaches, and attackers are more resourceful and aggressive than ever, companies might not have much choice. They have to commit to making themselves less vulnerable.

"The new world is, you've got to assume there are always going to be bad people on your network," says Justin Boitano, vice president of enterprise computing at Nvidia. "And the question is how do you protect your resources and the intellectual property of the company."

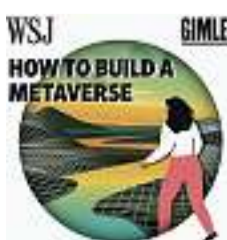
PODCAST: 'HOW TO BUILD A METAVERSE'

Over the past year, the tech world has been abuzz about the metaverse. Facebook parent Meta Platforms and Microsoft are investing billions. But there's a metaverse that has been up and running for decades. It's called Second Life. It was created by small San Francisco company Linden Lab. There, people have started businesses, built homes, and fallen in love—all as avatars.

In a new four-part podcast series from The Journal, producer Annie Minoff

heads back into that largely forgotten virtual world to tell the story of the metaverse we already have, and what it reveals about the one that's coming.

She talks to the founder of Linden Lab and early employees, and she meets people who have had lives in this world for years. Episodes of "How to Build a Metaverse" will publish over the next four Fridays at wsj.com/podcasts, on Spotify, and on your favorite podcast player.



BUSINESS NEWS

DOJ Loses Bid to Block Sugar Merger

Federal judge rejects antitrust challenge to U.S. Sugar purchase of Imperial Sugar

By ERIN MULVANEY

A federal judge on Friday ruled U.S. Sugar can proceed with its planned purchase of rival Imperial Sugar, rejecting a Justice Department antitrust challenge to the deal.

U.S. District Judge Maryel-

len Noreika in Delaware didn't immediately release her full opinion, citing a need to protect confidential business information, but she released a one-page public judgment that said the acquisition wouldn't violate federal antitrust law.

The Justice Department, which sued last November to challenge the \$315 million merger, argued the deal would lead to higher prices for consumers in key parts of the country.

The ruling is the second loss

in a merger case this week for the department, after a judge in Washington, D.C., rejected its challenge to UnitedHealth Group Inc.'s \$13 billion acquisition of health-technology firm Change Healthcare Inc.

The case was part of an early batch of merger challenges filed by the Justice Department's antitrust division under the Biden administration. The administration has pledged to take a harder enforcement line on corporate deal making and business con-

duct that it believes can suppress competition.

"Both cases seem to be ones that had significant challenges," said Stephen Calkins, a law professor at Wayne State University. Antitrust lawsuits always can be difficult to win, he said, but too many losses could weaken the standing of antitrust enforcers as they push to litigate more cases.

The Justice Department argued at an April trial that the merger would give two companies control of about 75% of

sugar sales in the Southeast, which would lead to a rise in prices for consumers.

The department's top antitrust official, Jonathan Kanter, expressed disappointment in the ruling and said the department was considering next steps.

"Further consolidation in the market for this important kitchen staple will have real-world consequences for millions of Americans," Mr. Kanter said.

U.S. Sugar, based in Clewis-

ton, Fla., and Imperial Sugar, based in Sugar Land, Texas, denied the allegations and disputed the government's claims about their market shares. They said the deal wouldn't raise prices but instead would increase the production of refined sugar and improve supply-chain logistics.

U.S. Sugar said it was pleased with the ruling, "enabling us to increase our sugar production, enhance the local Georgia economy and benefit our employees and customers."

Apple Music to Sponsor Super Bowl Halftime Show

By ALYSSA LUKPAT

Apple Music is set to be the new sponsor of the NFL's Super Bowl halftime show, replacing longtime sponsor PepsiCo Inc., after Apple signed a multiyear deal with the league.

The NFL announced the deal with Apple Inc.'s streaming service on Friday.

The halftime show, played during the annual championship game in February, is typically an extravagant, nearly 15-minute-long performance. It features some of the country's most popular musical acts and is one of the most watched performances every year in the U.S.

Pepsi first sponsored the 2012 show as part of a decade-

long sponsorship deal. Around the time the deal was signed, it was estimated to be worth \$2.3 billion, The Wall Street Journal reported in 2011. During the halftime shows, branded the Pepsi Super Bowl Halftime Show, Pepsi's logo was shown in a corner of the feed.

Bridgestone Corp. sponsored the halftime show in the years before Pepsi.

The next Super Bowl will be played in Glendale, Ariz., the NFL said. The league hasn't announced who will perform at the next show.

Apple, which is based in Cupertino, Calif., has been trying to expand its subscription services in recent years for music, news, TV and other services.

The iPhone maker has also been betting big on sports. Apple said in June that it had signed a 10-year deal with Major League Soccer—worth at least \$2.5 billion—to broadcast all of the league's games on its streaming service, Apple TV.

Apple, Amazon.com Inc., Walt Disney Co.'s ESPN and other companies have been in a bidding war in recent months for the rights to air NFL's Sunday Ticket.

DirectTV's multibillion-dollar deal for the rights to Sunday Ticket, a subscription-only package to watch Sunday games, is set to expire next year.

Amazon Prime Video this week streamed its first "Thursday Night Football" reg-



Dr. Dre and Snoop Dogg performed this year at Super Bowl LVI at SoFi Stadium in Inglewood, Calif.

ular-season game as part of an 11-year deal with the NFL. Amazon said the game, between the Los Angeles Chargers and

Kansas City Chiefs, had 15.3 million viewers across all platforms, citing Nielsen data and its first-party measurement.

Amazon is paying the NFL \$1.2 billion annually for the rights to Thursday night games.

Retailers Face Pressure on Discounts as Inflation Rises

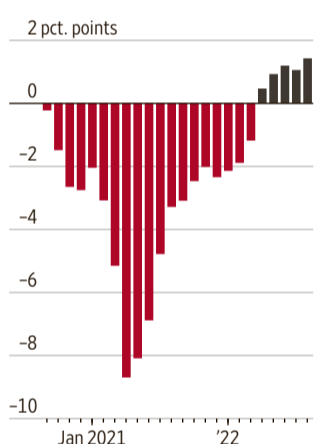
By KRISTIN BROUGHTON

Retailers and their finance chiefs are facing a challenge balancing consumer expectations for discounts and the need to keep raising prices to offset high inflation.

Major retailers including Macy's Inc., Walmart Inc. and Target Corp. in recent months have used markdowns to clear out excess stock after miscalculating customer demand earlier in the year. General and specialty retailers saw their days of inventory outstanding—a metric that describes how long a company holds its stock before turning it into sales—increase to an average of 63.7 days in the second quarter from 57.4 days a year earlier, according to Hackett Group Inc., a business advisory firm. Across all industries, that figure has remained about flat at an average of 46.5 days in the second quarter, according to a Hackett survey.

With more discounts available and additional inventory being sold through off-price retailers, consumers are expecting to find good deals, executives

Available discounts in the apparel and footwear industry, change from a year earlier



Source: UBS Evidence Lab

said. Within the apparel and footwear industry, in particular, available discounts increased in August by 1.43 percentage points, compared with a 3.29 percentage point decline a year earlier, according to data compiled by UBS Evidence Lab, a division of the financial firm UBS Group AG. Last month, the aver-

age discount at such retailers was 16%, up from 15% a year earlier, UBS said.

That is prompting competitors to fine-tune their pricing strategies, offering discounts to stay competitive even as they grapple with higher costs.

Bath & Body Works Inc., which sells home fragrances, soaps and lotions, is among the retailers that expect to run more promotions heading into the end of the year and the holiday season, Wendy Arlin, the company's finance chief, said at an investor conference this month. Bath & Body Works is working to retain more profit from its promotions, she said. For instance, rather than selling six soaps for \$26, or \$4.33 a piece, it is now selling five soaps for \$25, or \$5 a piece, she said. "Ultimately, we want our promotions to generate margin dollars," Ms. Arlin said.

Columbus, Ohio-based Bath & Body Works is grappling with the effects of inflation. The company said in August it would eliminate \$30 million in expenses this fiscal year, including through layoffs at the corpo-

rate level. Earnings from continuing operations fell 44% during the quarter ended July 30, to \$120 million. Net sales fell 5% during the quarter, to \$1.62 billion. The company's operating margin fell to 15% from 18.1% a year earlier, according to FactSet, a data provider.

"It's a balance for us. So our customer loves a deal, and so we have to be very careful to price in a way that it still resonates with the customer," Ms. Arlin said at the conference.

Retailers have been forced to sacrifice profit margins as they lean more heavily on discounts

to clear inventory and stay competitive, said Steve Caine, head of retail pricing at the advisory firm Bain & Co. "The ones that are doing it smartly are trying to be less democratic," Mr. Caine said.

—Mark Maurer contributed to this article.

Telecom Cyberattack in Australia Threatens Millions of Accounts

By ALICE URIBE

SYDNEY—A cyberattack on one of Australia's largest telecoms companies could have accessed the personal information of as many as 9.8 million customers, in what one lawmaker called the most significant data breach in recent years.

Optus, an Australian unit of Singapore Telecommunications Ltd., said it doesn't yet know who was behind the cyberattack that could have exposed customer information dating back to 2017, including names, dates of birth and phone numbers. The company, which said it first became aware of the breach on Wednesday, said some identity documents might also have

been compromised.

Kelly Bayer Rosmarin, Optus's chief executive, said the access of 9.8 million customer accounts is a worst-case scenario as investigators seek to define the extent of the breach, which has been referred to the Australian Federal Police.

"We have reason to believe that the number is actually smaller than that, but we are working through reconstructing exactly what the attackers have received," she said.

So far, the company hadn't received any ransomware demands following the cyberattack, Ms. Bayer Rosmarin said.

"The IP address kept moving. It's a sophisticated attack," she said.

A spokesman for Cybersecurity Minister Clare O'Neil said the federal government's Australian Cyber Security Centre was aware of the data breach.

Separately, the Australian Federal Police said it would work with Optus "to obtain the crucial information and evidence needed to conduct this complex, criminal investigation."

Australia has faced several attempts to access confidential data in recent years, prompting its leaders to increase investment to safeguard systems.

In 2019, hackers sought access to the computer network in the country's parliament, but were thwarted before confidential information was accessed.

Beyond Meat's Supply-Chain Chief to Exit

By JESSE NEWMAN

Beyond Meat Inc.'s chief supply-chain officer is stepping down at the end of the month, the company said, days after the plant-based meat company suspended a separate senior executive.

Bernie Adcock notified Beyond on Tuesday that he would leave his position at the end of the month to "pursue another

opportunity," according to a Securities and Exchange Commission filing Friday.

His departure comes as the plant-based meat company has tried to scale up its operations. On Tuesday, the company suspended Doug Ramsey, its chief operating officer, following Mr. Ramsey's arrest in connection with what local authorities said was a fight in an Arkansas parking garage. Mr. Ramsey was

arrested after a physical altercation in which he allegedly bit a person's nose and threatened to kill him, according to a police report and county records.

Mr. Ramsey didn't respond to previous requests for comment. Beyond Meat said Tuesday that he was suspended.

Both Mr. Adcock and Mr. Ramsey joined Beyond Meat in December after decadeslong careers at Tyson Foods Inc.



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EXCHANGE

SCIENCE OF SUCCESS | BEN COHEN

Hockey Lessons for Disclosing Pay at Work

As states enact transparency laws, the NHL shows that knowing your coworkers' salaries can warp your view of success



Like most people with regular jobs that don't require wearing skates to work, professional hockey players had no idea how much money their colleagues made—until one morning in 1990 when a newspaper published the salary of everyone in the National Hockey League.

It was an extreme case of a topic that captivates economists: pay transparency.

So not long ago, intrigued by the consequences of that overnight shock, a researcher decided to exploit this natural experiment hiding in plain sight. It led to insights that have never been so relevant about how one industry's wage disclosure affected the performance of those employees and their entire teams.

Now a version of what happened in hockey is on the verge of happening across the U.S.

The country is nearing a crossroads in the battle over salary transparency that would bring major changes to some of the nation's most powerful companies from Wall Street to Silicon Valley.

A small number of states already have wage-disclosure laws that require most workplaces to list pay ranges on their job postings. These policies meant to narrow gender pay gaps could become more common, as New York City is set to enact sweeping legislation in November and California sent a bill to the governor's desk for a decision by the end of September.

Talking about money in the office used to be taboo. But younger workers are more comfortable discussing how much they make, a phenomenon their older colleagues find as befuddling as TikTok. As it turns out, there are hidden effects of pay transparency that warp the way people view success, and that's why hockey's unplanned experiment is worth another look today: We could all learn a thing or two from a few hundred people a few decades ago.

That moment of mass disclosure in the NHL is the focus of a new paper by James Flynn, an economics Ph.D. candidate at the University of Colorado. Plenty of studies have shown that salary transparency affects employee satisfaction. This

Awareness of peers' pay often has a negative effect on worker morale.

one measures their production. The employees who discovered they were paid less than their peers didn't suddenly put in less effort at work. They just exerted a different kind of effort.

In a likely response to what they perceived as unfair pay, these NHL players sacrificed defense and shifted their attention to offense, since players who were better at offense commanded higher salaries in contract negotiations. They had seen their labor market rewarded—and they were following the money. But this was counterproductive. The performance of their teams suffered when they altered their individual play.

It's not hard to see how those findings generalize to any business.

That hockey player putting offense ahead of defense could be a salesperson being paid to boost



tivity is neatly quantified into statistics for anyone to scrutinize, and players' incomes might as well be printed on their jerseys. One of the stranger parts of being a professional athlete is that colleagues, bosses and complete strangers often know your salary down to the dollar.

But it wasn't always this way. NHL players followed other sports leagues in voting to make their salaries public, and they were preparing to release them in 1990 when they were scooped by the Montreal Gazette, which splashed a news article across the front page and printed the full list of NHL pay like a box score. Suddenly there were no more secrets.

It's what happened next that interested Mr. Flynn, the economist who learned of the NHL's wage disclosure while listening to a podcast and turned his study into a recently published academic paper, which includes section headings like: "What is hockey?"

He was most fascinated by the players who abruptly found out they were paid less than their peers after the wage disclosure. Mr. Flynn wanted to know how they reacted to seeing their place in the league's salary hierarchy—not how they felt, but how they behaved.

When he crunched the data, he noticed a paradox. The underpaid players began posting better individual stats after the NHL's equivalent of wage transparency. They were also worse at helping their teams win games.

They took more shots and scored more goals, but that didn't make them more productive. In fact, the opposite. When they were on the ice, their teams were outscored by a wider margin. They had changed their play at the expense of their colleagues.

It was as if simply knowing how the market valued talent made them want to be entirely different people at work. These players couldn't resist the incentives "to produce whatever the boss is measuring and rewarding," as Mr. Card wrote in an email, even if those bosses were measuring and rewarding the wrong numbers.

But wage disclosure helped make the market for hockey talent more efficient. In the 1990 season, team payroll had no correlation with team performance, according to Mr. Flynn's research. Immediately after the 1990 season, money and success were forever linked.

Teams were ultimately hurt by underpaying players, he found, but they were not helped by overpaying them. That means the optimal strategy for companies is to pay employees precisely what they're worth.

It's a lesson that's easy to forget but important to remember: No matter where they work, how much they make and who else knows, most people just want to be valued properly.



After NHL players' salaries became publicly known, those who were underpaid began scoring more goals, but their teams performed worse overall.

minds was finding out what others were paid. The ones who learned they were paid less reported lower job satisfaction and a higher likelihood of seeking work elsewhere, according to a team of economists led by UC Berkeley professor David Card, last year's Nobel Prize winner.

Those are radical examples, but they're helpful context for understanding the transparency laws that would govern hiring at Google and Goldman Sachs, because they helped reveal how we process information about our pay. The same is true of hockey.

While hockey is an unusual labor market—employees are paid millions, their offices are sheets of ice, their colleagues tend to be missing teeth—it's also useful for studying other workplaces.

Performance reviews are tricky and fraught with bias for most businesses. But in sports today, produc-

short-term commissions instead of building long-term relationships, or a teacher getting a bonus for improving test scores rather than inspiring students. When people feel undervalued, they prioritize the flashier parts of their jobs that are easier to measure, even at the risk of costing their organizations.

This behavioral change reflects a deeply human impulse. We want to be paid well, but we really want to be paid well relative to others. We care less about what we make than what we make in the context of our peers.

That's one takeaway from the rich scientific literature about other people's money, which includes two classic studies from places not exactly known for raging capitalism: Norway and Berkeley, Calif.

As soon as Norway made the tax records of its citizens accessible online in 2001, they couldn't help but peek into the private financial lives of everyone they knew. There were times when "Norwegians were more interested in learning about others' incomes than in watching videos on YouTube," wrote Ricardo Perez-Truglia, an economist at the University of California, Berkeley's business school. But that irresistible urge to compare incomes wasn't healthy, according to his study, as greater pay trans-

parency widened the happiness gap between Norway's rich and poor.

The University of California's employees had a similar response when they were shown how their salaries compared to the pay of their colleagues. The awareness had a negative effect on those who were underpaid relative to their peers but no effect on those who were paid well. In other words, these people already knew what they were paid, but what changed their



New York City is set to enact sweeping pay-transparency legislation in November, while California's governor is to decide by the end of this month whether to sign a law there.

Netflix Trims Payments in Some Deals

Continued from page B1 company to control spending, as it faces new growth challenges. Netflix said it lost nearly one million subscribers in the June quarter, citing heightened competition. The company told investors it expected to keep its content spending in the current \$17 billion range in the coming years.

The streaming giant has become a major platform for comedians, funding an array of specials and delivering them to its audience of more than 220 million subscribers. Its lineup includes stand-up specials from the likes of "Fire Island" writer Joel Kim Booster, as well as Taylor

Tomlinson, whose work includes the special "Quarter-Life Crisis," and "Saturday Night Live" writer Sam Jay.

Many comics, such as Ali Wong and Hannah Gadsby, have received career boosts from the success of their Netflix specials. The biggest Netflix comedy stars, such as Chris Rock and Dave Chappelle, can be paid tens of millions of dollars for a special. Netflix continues to pursue some deals that involve creating and buying stand-up specials.

Whitney Cummings, who co-created the sitcom "2 Broke Girls" and is currently on a stand-up comedy tour, is among the comics who have struck a two-year licensing deal with Netflix, according to people familiar with the agreement.

A Netflix spokesman declined to comment on the financial terms of the company's deals with comedians. He said Netflix continues to invest heavily in stand-up comedy. The new licensing approach is "an additional, alternative pathway for comedians

(at every point in their career) to work with Netflix, in response to the current market," he said in a written statement.

The licensing deals also offer more flexibility for artists who want the freedom to post clips of their content on social media, he said.

The new approach in comedy deals is an example of how Netflix

Comedy is an important genre for Netflix, and specials are relatively inexpensive to make.

can tweak its financial terms with talent to save money, while still pursuing new projects.

Comedy is an important genre for Netflix, and specials are relatively inexpensive to make, but they typically aren't as effective as hit series in helping the company attract and

retain viewers, people familiar with their performance said.

Netflix Co-Chief Executive Ted Sarandos is a big fan of the genre. Last spring, Netflix held its first in-person comedy festival, called "Netflix is a Joke," in Los Angeles, and in October the company will release a special filmed during the event that features comic Gabriel Iglesias. Netflix said it produced more than a dozen shows from the event, which included more than 300 comedians, and sold more than 260,000 tickets.

Talent agents said Netflix was willing to pay top dollar for comedy specials in recent years, even for those from lesser-known comics, which kept rival streaming services from nabbing that content. The change in deal structure could open the door for other streaming services, such as Comcast Corp.'s Peacock and Amazon.com Inc.'s Amazon Prime Video, to pitch deals to comedians.

Some stand-up comics have released specials on YouTube, where

fans can watch for free and comics can gain visibility and earn a cut of ad revenue. Comic Rosebud Baker, for example, released her 2021 special "Whiskey Fists" directly to Comedy Central's YouTube channel.

Netflix's new deal structure comes with pros and cons for the performers. Under the licensing agreements, comedians will have to pay for the production of their stand-up shows upfront, people familiar with the terms said, which means they will bear costs that Netflix previously covered.

After a deal runs its course, however, those comedians will regain full control over their content and can use the material to promote future work.

Watch a Video



Scan this code to see a video about Netflix's strategies to increase subscribers and revenue.

EXCHANGE

By SOMA BISWAS

Cryptocurrency lender Celsius Network LLC attracted scores of people over the last five years who wanted to make money betting on bitcoin. After a crypto crash pushed the company into bankruptcy this summer, some of these amateur investors found unity in a new goal: getting that money back.

Thousands of Celsius customers are gathering on social media apps such as Telegram and Reddit to parse legal filings together, pooling funds to pay for lawyers and making YouTube summaries of developments at court hearings. Some are reading up on U.S. bankruptcy law, providing translations for non-English speakers and trying to engineer their own white-knight rescue deals.

They face an uphill battle in Chapter 11 bankruptcy negotiations, where small customers are vulnerable to losses and rarely have a seat at a table typically dominated by lawyers and advisers. The company has at least two more months to formulate a reorganization plan that will determine what happens to customer accounts and how assets will be distributed. Some customers are asking the U.S. Bankruptcy Court judge overseeing the case in the Southern District of New York to let them salvage remaining assets for themselves.

Celsius, founded in 2017 by Alex Mashinsky, became a big cryptocurrency lender by pledging to upend traditional banking and allow regular people a way to tap into the potential of digital currencies. Celsius took deposits and made loans, while paying far more on those deposits than a federally regulated bank would. Mr. Mashinsky also became a regular fixture at crypto conferences, donning a T-shirt that read, "Banks are not your friends."

But lofty yields to depositors and large loans backed by little collateral left Celsius without much of a cushion when the cryptocurrency market imploded earlier this year. Celsius paused all withdrawals in June and filed for bankruptcy in July, saying that it owed customers nearly \$4.7 billion in crypto. The deficit between the firm's liabilities and assets, which includes crypto as well as other holdings, was roughly \$1.2 billion. The company said as of its filing it had 1.7 million customers, including 300,000 with accounts worth over \$100.

A Celsius spokesman and the company's lawyers at Kirkland &



The Revolt of the Crypto Investors

Thousands battle to retrieve assets from Celsius Network's bankruptcy

Ellis LLP declined to comment. "This is the right decision for our community and company," Mr. Mashinsky said in a press release on the day of the filing. "I am confident that when we look back at the history of Celsius, we will see this as a defining moment."

Customers typically are treated as unsecured creditors in Chapter 11 cases and don't have collateral rights, making it difficult to get all of their money back. They sometimes receive what's left over after priority bills are settled with company lawyers, financial advisers, employees and some vendors. In this bankruptcy case customers could end up with roughly half of their holdings, said Simon Dixon, the founder of rival crypto firm BnkToTheFuture and an early shareholder in Celsius who said he has millions of crypto on the company's platform.

Celsius customers are pushing for as much as they can. One is David Little, a 35-year-old petroleum engineer in Houston who said bitcoin accounts for half his

net worth. He convened a group composed of people who, like him, had holdings in so-called custody accounts, which were a place to store cryptocurrency at Celsius without receiving any interest in return. There were roughly 58,000 users holding \$180 million in these accounts, according to the initial Celsius bankruptcy filing.

Mr. Little's campaign started in July when he wrote a letter to the judge arguing that custody customers should be able to pull their money; it included his contact information. When other customers reached out to him, he set up a group on Telegram, the social media and chat app. He met another person doing the same thing on Twitter, and they held a call. "We realized we had a case," Mr. Little said. The group now has more than 1,300 members.

Some members of this group decided to hire Togut Segal & Segal LLP, a law firm with a prominent bankruptcy practice, to argue in court that their coins should be returned first. The 70 people who

contributed the legal funds collectively have \$26 million in their accounts, a Togut lawyer disclosed at a court hearing. The law firm was willing to take an initial lump sum payment of \$100,000 to get started with an initial motion, Mr. Little said. Lawyers at Togut declined to comment.

The custody account holders argued the money was theirs because Celsius was simply storing it for them. Celsius asked the bankruptcy judge overseeing its case to approve the return of some—but not all—of the money in custody accounts. The judge has raised concerns about returning the assets right away and will hold a hearing about the matter Oct. 7.

These custody account holders comprise a small percentage of all Celsius customers. Many more dropped deposits into so-called "earn" accounts that paid an annualized interest rate of as much as 17%. Celsius said in its bankruptcy filing it had roughly 600,000 such accounts worth \$4.2 billion as of July 13.

One such customer was Tiffany Fong, 28, who lives in Las Vegas most of the time and runs an e-commerce site along with other gigs. She said she deposited 3.1 bitcoin and 11.5 Ethereum with Celsius in 2021, and she said her holdings were worth \$270,000 at the height of the crypto market.

When Celsius froze withdrawals in June, she started a YouTube channel. She now provides updates on hearings and other developments. Keeping up with the case and all the messages she gets from other customers, she said, is a part-time and sometimes full-time job.

"I think I posted the first video to vent," Ms. Fong said.

She said she doesn't mind if other customers, such as custody account holders, get paid before

she does. "I'm not interested in fighting," she said. "I don't mind if someone is getting their money out first if the facts support it. The more time we spend fighting, we're just bleeding funds."

Curt Dell, a 40-year-old Celsius deposit holder who works in sales in California, relies on YouTube posts along with groups he follows on Twitter and Reddit to keep up with the case. He said he deposited 13 bitcoin with Celsius worth \$250,000 and he now understands he might not get back more than 50% to 60% of his holdings.

"I'm getting a crash course in bankruptcy law," he said.

Some customers also used Celsius to borrow money. They have banded together with the help of Zaryn Dentzel, a 39-year-old American entrepreneur living in Madrid who said he took out a loan backed by his bitcoin held as collateral.

The entrepreneur, who has started businesses ranging from food delivery to finance, said he has millions in his account, and his loan charged 10% interest. The loans Celsius offered to its customers ranged from a quarter to 70% of the value of a customer's collateral on deposit, and interest rates were tied to the amount of collateral, according to a court filing by the company. Celsius said in a filing that it had 23,000 such borrowers with \$411 million of loans outstanding, backed by \$765 million in crypto collateral.

After Celsius filed for Chapter 11 protection, Mr. Dentzel said he "spent all day every day scouring the internet to find other people" in the same situation.

He said he met two other Celsius borrowers on Twitter and Telegram—a New York City firefighter and an officer in the Marines—along with a handful of other customers. They set up a Telegram group of more than 800 Celsius borrowers, and Mr. Dentzel put down the first \$100,000 to re-

'I'm getting a crash course in bankruptcy law,' said one Celsius deposit holder.

tain David Adler of McCarter & English, a well-known bankruptcy law firm. He said a few others have also put up legal funds, and the plan is for all members of his group to do so eventually.

Mr. Adler has called for current management to be replaced. "The fact that the same management is still calling the shots is a source of great disappointment to customers," he said. The judge overseeing the case has instead appointed an independent examiner to look into the company.

Mr. Dentzel said the best solution may be for Celsius to sell the loan book to a stronger crypto lending platform. He said his group has tried to broker a deal with two potential buyers.

Noel Dernes, a Berlin-based filmmaker, is among those who joined Mr. Dentzel's group. He said he has crypto worth millions on the Celsius platform. "I looked into hiring a lawyer, but most law firms are super expensive, so the loan group was a good option for me."



Curt Dell, left, is a Celsius deposit holder who relies on YouTube posts, Twitter and Reddit to keep up with the bankruptcy. Zaryn Dentzel, right, an entrepreneur living in Madrid, organized a group of Celsius borrowers.



A Bitcoin-Mining Host Files for Bankruptcy

By ALEXANDER GLADSTONE AND AKIKO MATSUDA

Compute North Holdings Inc., a data-center owner that houses bitcoin-mining rigs and blockchain companies, filed for bankruptcy protection after succumbing to a liquidity crisis driven by the collapse in cryptocurrency prices, rising costs for electricity and supply-chain issues.

The company, which manages data centers in Texas, South Dakota and Nebraska, filed for chapter 11 in the U.S. Bankruptcy Court in Houston on Thursday after having borrowed up to \$300 million in project financing earlier this year.

Barry Coulby, Compute North's chief financial officer, said in a declaration to the court that bitcoin prices recently hit lows that were 75% below all-time highs in late 2021, while the rates charged for the electricity to mine bitcoin

have essentially doubled over the past year.

In July, one of Compute North's primary lenders, Generate Lending LLC, asserted technical defaults against it and then took control of certain of the company's material assets as well as some of its bank accounts, according to Mr. Coulby.

As a result, Compute North lacked the liquidity to continue funding the development of data centers that were being built out, despite the fact that the company had already invested millions of dollars into those projects, Mr. Coulby said. Efforts to negotiate with Generate and other prospective counterparties by selling off its assets or obtaining new financing were unsuccessful in reaching an out-of-court restructuring, he said.

During the first-day hearing Friday, Generate lawyer Christopher Marcus disagreed with Compute North's characterization of the



A Compute North data center in Kearney, Neb., shown last year.

events leading up to the chapter 11 filing, saying Generate was a patient counterparty that had tried to work toward a forbearance agreement.

"But we're uncomfortable simply funding into a situation where there was not full visibility into governance and or financial information," Mr. Marcus said. "Generate's view is we took the limited

actions we took in order to preserve value."

Compute North now expects to either reorganize its business to become a more scaled-down organization or pursue a sale of its assets.

The Eden Prairie, Minn.-based business had closed a fundraising round in February of \$85 million in equity and \$300 million in debt

to support the development of new computing infrastructure.

The February investment round was co-led by commodities group Mercuria and sustainable-infrastructure investor Generate Capital with additional investors including National Grid Partners, while the debt financing was provided by Generate, according to the company.

EXCHANGE

THE INTELLIGENT INVESTOR | JASON ZWEIG

Why Blue-Chips Are Singing the Blues

Investing in quality stocks seems like a smart move—but the bet hasn't paid off lately



In this year's market bloodbath, you might think funds with "quality" in their name—and in their holdings—would lose less money.

You'd be wrong.

Quality funds, in Wall Street lingo, tend to own companies that are highly profitable, with steady earnings growth and low debt. In principle, such stocks as Home Depot Inc., Microsoft Corp. and 3M Co. are among the bluest of the blue chips. In practice, many funds holding them are in the red.

Over the past few years, exchange-traded funds specializing in quality stocks have grown to more than \$60 billion. With the S&P 500 down 23% this year, several of these ETFs have fallen even harder, losing as much as 26%.

"It may have come as a shock to many investors that quality hasn't been performing defensively" in this year's market rout, says Denise Chisholm, director of quantitative market strategy at Fidelity Investments.

Andrew Ang, a managing director at BlackRock, points out that quality companies typically earn more of their profits further into the future than cheap "value" firms do—making their earnings less valuable in a time of rising inflation and interest rates.

Part of the problem is that quality is in the eye of the beholder.

Among the various factors that can contribute to returns—a company's market capitalization, how expensive the stock is, its recent price behavior and so on—"quality is probably one of the most vaguely defined," says Savina Rizova, global head of research at Dimensional Fund Advisors in Austin, Texas.

"Quality seems like a good feature to have in a company—but not quality at any price," she adds.

Some funds, like those at Dimensional, focus on companies' profitability—their operating profit, divided by net worth. That approach has lost less money than the overall market this year.

Other funds also toss in steady earnings growth, high cash flow, low debt or the rate of change in net operating assets, among various measures.

Still others aim to own companies with strong "moats," meaning that they seem likely to be able to outcompete their rivals for years to come.

By the beginning of this year, some quality funds held larger-than-average positions in technology or healthcare stocks. After all, those are among the industries that had shone brightest on these measures over the past few years.

Unfortunately, they also were expensive. "A lot of these great companies are so well-run, efficient and profitable that everyone wants to own them, so they tend to trade at premium valuations," says Brandon Rakszawski, a senior product manager for the VanEck Morningstar Wide Moat ETF.

In a falling market, the easiest and least painful way for investors to raise cash is to sell off their biggest winners first. That's contributed to a wave of selling in some



ALEX INBAUM

of the top-performing—and highest "quality"—stocks of the past few years. Facebook's parent, Meta Platforms Inc., is down 58% so far in 2022; Google's holding company, Alphabet Inc., is off 32%; Abbott Laboratories has lost 28%.

Another disappointment: "You would think that in inflationary environments, companies with high profitability would be able to weather that storm better, but it hasn't really played out here, at least not so far," says Nick Kalivas,

head of factor and core ETF strategy at Invesco.

Over the past three decades, says Ms. Chisholm of Fidelity, quality stocks have outperformed about 80% of the time when economic conditions were deteriorating.

So investors may have come to regard quality stocks as a panacea against bad markets—bidding them up to prices that weren't sustainable.

Even after their recent pounding, quality stocks are still more expensive, relative to the market as a whole, than they've been 90% of the time since 1990, says Ms. Chisholm.

Along with value, momentum, low volatility and several other characteristics, quality is one of the factors that investment researchers say have generated higher performance than the market as a whole in the past.

It's never certain, however, that investing in any particular one of these factors will provide a durably superior return in the future—especially given the perennial tendency of investors to jump in with

both feet after a period of hot performance only to bail out when returns go cold.

If, on the other hand, you own all the factors all the time, then your returns will converge toward those of an index fund that holds the entire stock market—which you could own at a fraction of the cost of most factor funds.

One thing is sure: People who bought quality ETFs at the peak of their popularity haven't gotten the bulletproof performance they hoped for.

As fund companies were launching the first of these portfolios almost a decade ago, I wrote:

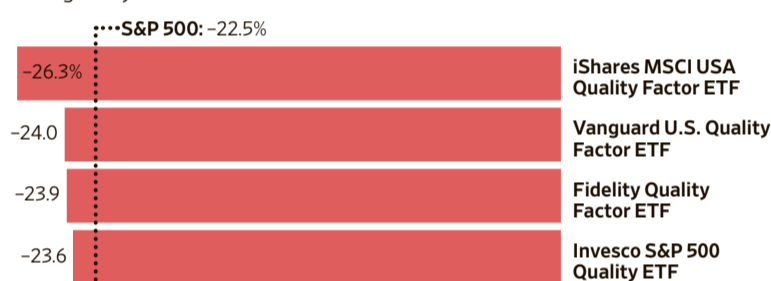
"There's no rush. Let the funds launch and get seasoned. See whether the managers can deliver. Then wait some more, sitting out the inevitable boom in popularity. Before long, investors will be complaining that quality is overrated and that other investing styles work better."

"Mark my words: At that point you will be able to get quality in quantity."

That point is finally getting closer, but we're not there yet.

Quality Time?

Funds investing in so-called quality stocks have underperformed during this year's market decline.



Source: FactSet

Making the Minions Ubiquitous

Continued from page B1

The five movies featuring the Minions have averaged more than \$300 million at the domestic box office, the most consistent hit showing for an animated franchise in recent history. Globally, the franchise has collected more than \$4.6 billion.

Universal's success with the Minions stands in contrast to animation competitors, which have been struggling to connect with audiences. Disney, the longstanding leader in family entertainment, opted to skip theatrical releases for several recent Pixar Animation titles and release them instead on the Disney+ streaming service—a move that drew criticism from fans and some Pixar employees. The studio's most recent exclusive theatrical animated release, "Lightyear," failed to take off this summer and grossed an underwhelming \$118 million in the U.S. and Canada, though the company has seen its own fan-generated phenomena inspired by hit songs like "Let It Go," from "Frozen," and "We Don't Talk About Bruno" from 2021's "Encanto."

The Minions are also a more frequent presence on the pop-culture landscape than many rival characters. Disney has several franchises to manage, and waited 14 years between "The Incredibles" and its sequel, and 13 between "Finding

Nemo" and its followup, "Finding Dory." In roughly that same cycle time, Illumination has released five Despicable Me installments.

When it comes to off-screen appearances that keep Minions in the public eye between installments, Mr. Meledandri said he's tried to find licensing deals that play off the Minions' unique shape—like the Tic-Tac collaboration, or the Minion blimp flown to promote "Despicable Me 2."

"The minute you find that match, you realize that takes off," he said. Mr. Meledandri first heard the story that would become "Despicable Me" after leaving Fox, where he most notably helped develop the "Ice Age" franchise. He met with Sergio Pablos, a Spanish animator who told him about several ideas he was developing. One of those ideas, then called "Evil Me," was about a villain who adopts three young girls to help him commit a crime.

That "Despicable" protagonist, Gru, needed henchmen, and Mr. Meledandri didn't want to go the obvious route and make the sidekicks a bunch of knockoffs of Frankenstein's assistant, Igor. As the movie developed, those sidekicks—the Minions—grew sweeter in appearance and demeanor. An early draft showed their arms dragging across the floor, for instance, before retreating to normal proportions.

Illumination produced "Despicable Me" for about \$70 million, relying on animators in France—roughly a third of what movies at Walt Disney Co. or DreamWorks Animation cost around the same time. The budget made Mr. Meledandri an object of fascination among cost-conscious Hollywood executives, especially when its theatrical release grossed



Illumination's Chris Meledandri led the push to release Minion movies quickly—and find licensing deals that keep them in the public eye between releases.

\$543 million at the global box office.

Almost immediately, the Minions started to steal the spotlight.

"They weren't the headline of the pitch," said Donna Langley, chairman of Universal Filmed Entertainment Group.

Mr. Meledandri has also delivered other hits for Universal like "Sing" and "The Secret Life of Pets." But while spinoffs like the Minions are nothing new in animation—see "Puss in Boots" from "Shrek," or the "Pen-

guins of Madagascar" from "Madagascar"—it is rare to see a supporting character take center stage as they have.

Soon after the "Despicable Me" release, they were identified as strong contenders for all kinds of consumer products, Ms. Langley said, and Minion tie-in products have since generated more than \$6 billion in sales. A mobile game ("Minion Rush") and TikTok account with more followers than Disney's have followed.

Because they don't speak a coherent language—outside of high-pitched vowel sounds—they can become a blank canvas, she said.

"They have a lot of personality, but you can impose your own emotional life onto them," said Ms. Langley. Mr. Williams offered a technical explanation for the voices' appeal: "When you pitch that up an octave and a half, it's going to read even more melodic to the layman's ear, so it feels funny and ironically soothing to listen to."

With that first movie, Mr. Meledandri started to notice fans were taking Minions into their own hands—creating "user-generated content" that turned the Minions into stand-ins for all kinds of emotions. Soon Minions came in the

form of ice sculptures, fingernail art, pastries and an endless cycle of memes that positioned a wide-eyed, clueless Minion next to phrases such as, "Yuck! I just stepped in a big pile of Monday!" or "Minions don't get vaccinated. Why should your children?" or "Exercise? I thought you said 'Extra Fries.'"

Earlier this year, even Illumination executives were surprised when images circulated showing Ukrainian soldiers around a missile painted to look like a Minion, whose color scheme echoes that of the nation's flag.

None of the fan-generated artwork—which helps keep the Minions in the public eye between releases—was part of Illumination's strategy from the outset, said Mr. Meledandri: "The easiest thing in the world would be for me to tell you this was the plan from the beginning."

Illumination has largely allowed that user-generated artwork to flourish, avoiding a tactic competitors like Disney and Warner Bros. have been known to employ to tamp down on unlicensed or unsanctioned uses of a character, most notoriously threatening to take legal action years ago against daycare centers with popular characters painted on their walls. In Illumination's case, letting fans appropriate the Minions means the company loses out on some potential licensing fees.

And a Minion complaining about traffic or Monday mornings isn't exactly the subversive take that Mr. Meledandri originally sought for the Despicable Me movies, setting up a push-and-pull between the studio and fans who want to take the Minions in a broader direction.

"People make a distinction between what they see in other forms of media and a cinematic experience," said Mr. Meledandri.

This summer saw the latest viral adoption of the characters, when teenagers flocked to the new "Minions" movie dressed up in suits, a phenomenon known as the "Gentleminions." For Mr. Meledandri, it was confirmation that the children who had grown up with the franchise were following it into young adulthood.

It wasn't a campaign orchestrated by Illumination or put through the marketing ringer—which Mr. Meledandri said represents something of an insurance policy.

"If we create stuff and it's lame, it will be held against us," he said. "But when it's just DIY, there's great freedom to it."

U.S. and Canada box office totals, in millions

Despicable Me (2010)	\$251.5
Despicable Me 2 (2013)	\$368.1
Minions (2015)	\$336.0
Despicable Me 3 (2017)	\$264.6
Minions: The Rise of Gru (2022)	\$364.4

Source: BoxOfficeMojo

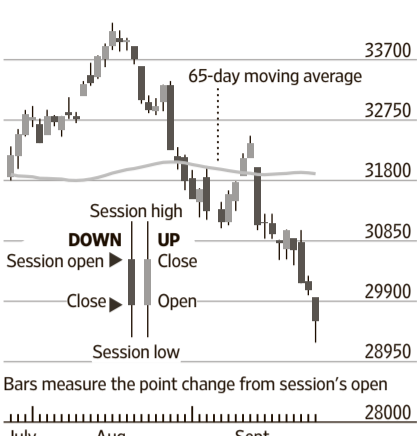


Fans have gotten tattoos of the thumb-shaped, gibberish-speaking klutzes.

MARKETS DIGEST

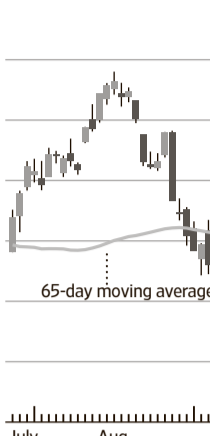
Dow Jones Industrial Average

29590.41 Last Year ago
Trailing P/E ratio 17.42 23.63
P/E estimate* 15.77 18.89
Dividend yield 2.40 1.84



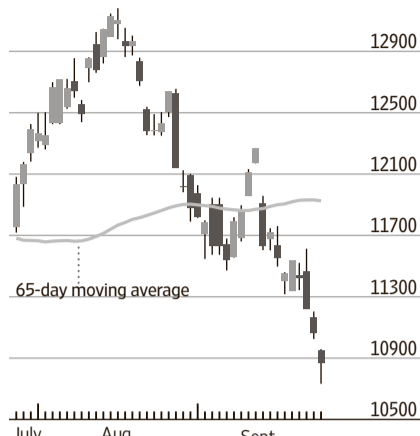
S&P 500 Index

3693.23 Last Year ago
Trailing P/E ratio* 18.09 31.09
P/E estimate* 16.42 22.04
Dividend yield* 1.79 1.34



Nasdaq Composite Index

10867.93 Last Year ago
Trailing P/E ratio** 23.10 35.96
P/E estimate** 20.92 28.82
Dividend yield** 0.99 0.68



Track the Markets: Winners and Losers

A look at how selected global stock indexes, bond ETFs, currencies and commodities performed around the world for the week.

Table listing market performance for various indices, currencies, and commodities. Includes categories like Index, Currency, Commodity, and Exchange-traded fund with their respective percentage changes.

Major U.S. Stock-Market Indexes

Table showing performance for Dow Jones, Nasdaq Stock Market, S&P, and Other Indexes. Columns include High, Low, Latest Close, Net chg, % chg, High, Low, % chg, YTD, and 3-yr. ann.

Trading Diary

Table detailing trading volume, advances, decliners, and block trades for NYSE and NYSE Arca.

International Stock Indexes

Table listing international stock indexes by region/country, including MSCI ACWI, STOXX Europe 600, Nikkei 225, etc.

Percentage Gainers...

Table listing top percentage gainers in the market, including Golden Sun Education, Snow Lake Resources, and Global Cord Blood.

Percentage Losers

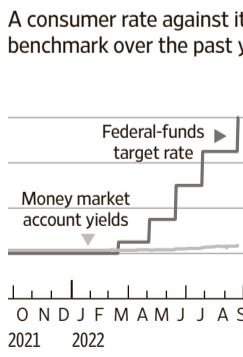
Table listing top percentage losers in the market, including Ucommune International, Presto Technologies, and Heliogen.

Most Active Stocks

Table listing the most active stocks by volume, including Amer Virtual Cloud Techs, ProShares UltraPro QQQ, and ProSh UltraPro Shrt QQQ.

Consumer Rates and Returns to Investor

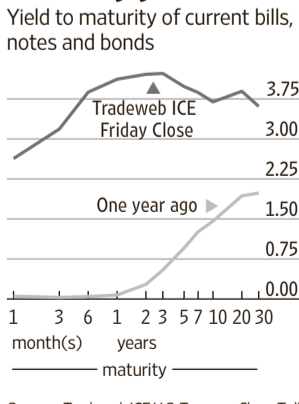
U.S. consumer rates



Selected rates

Table listing selected rates for various banks and products, including Bankrate.com avg, Colorado Federal Savings Bank, and TAB Bank.

Treasury yield curve



Forex Race



Corporate Borrowing Rates and Yields

Table showing corporate borrowing rates and yields for various bond indices, including U.S. Treasury, Aggregate, and High Yield 100.

Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Table listing U.S.-dollar foreign-exchange rates for various countries and currencies, including Argentina, Brazil, Canada, etc.

Commodities

Table listing commodity prices and changes for various goods, including DJ Commodity, Refined/CC CRB Index, Crude oil, etc.

MARKET DATA

Futures Contracts

Metal & Petroleum Futures						
Contract	Open	High	Low	Settle	Chg	Open interest
Copper-High (CXM) -25,000 lbs.; per lb.						
Sept	3.4880	3.4890	3.3645	3.3715	-0.1270	1,075
Dec	3.4640	3.4725	3.3270	3.3430	-0.1820	114,362
Gold (CME) 100 troy oz.; \$ per troy oz.						
Sept	1667.00	1667.00	1645.30	1645.30	-25.50	1,329
Oct	1670.10	1674.50	1636.10	1645.30	-26.10	41,825
Nov	1674.60	1674.60	1642.70	1650.00	-26.10	354
Dec	1680.10	1685.00	1646.60	1655.60	-25.50	376,833
Feb'23	1692.50	1695.60	1660.00	1668.80	-25.70	31,424
April	1706.70	1709.40	1676.00	1682.30	-25.60	6,775
Palladium (NYM) -50 troy oz.; \$ per troy oz.						
Sept	2173.00	2174.00	2061.50	2056.50	-104.30	5,965
Platinum (NYM) 50 troy oz.; \$ per troy oz.						
Sept	859.30	859.30	853.80	858.50	-47.30	36
Jan'23	898.20	902.40	850.60	856.50	-42.00	43,343
Silver (CME) 5,000 troy oz.; \$ per troy oz.						
Sept	19.5100	19.5100	18.7800	18.8411	-0.7077	107
Dec	19.6600	19.7400	18.9100	19.0811	-0.7077	116,464
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.						
Nov	83.54	83.92	78.04	78.74	-4.75	261,864
Dec	83.54	83.45	77.64	78.25	-4.75	236,911
Jan'23	82.32	82.70	77.00	77.53	-4.74	90,029
March	80.80	80.82	75.57	75.95	-4.44	73,077
June	78.22	78.43	73.58	73.88	-4.06	118,938
Dec	74.42	74.60	70.54	70.77	-3.38	148,081
NY Harbor ULS (NYM) -42,000 gal.; \$ per gal.						
Oct	3.4112	3.4115	3.2059	3.2371	-1.744	31,588
Nov	3.3224	3.3246	3.1281	3.1575	-1.632	68,444
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.						
Oct	2.5258	2.5283	2.3433	2.3830	-1.327	33,839
Nov	2.4341	2.4459	2.2690	2.3081	-1.235	84,863
Natural Gas (NYM) -10,000 MMBtu.; \$ per MMBtu.						
Oct	7.182	7.282	6.737	6.828	-26.21	21,577
Nov	7.274	7.374	6.867	6.992	-20.1	158,227
Jan'23	7.642	7.692	7.199	7.366	-1.56	87,560
March	6.402	6.444	6.013	6.174	-1.35	72,594
April	5.147	5.147	4.931	5.021	-1.20	76,461
May	5.008	5.011	4.776	4.911	-0.07	79,574

Lumber (CME) 110,000 bd. ft., \$ per 1,000 bd. ft.						
Contract	Open	High	Low	Settle	Chg	Open interest
Nov	451.80	455.00	▼ 430.10	435.00	-25.20	1,935
Jan'23	480.00	480.00	▼ 455.00	456.00	-24.00	290
Milk (CME) -20,000 lbs., cents per lb.						
Sept	19.85	19.88	19.85	19.87	---	4,337
Oct	21.55	21.63	20.78	20.90	-5.56	5,688
Cocoa (ICE-US) 10 metric tons; \$ per ton.						
Dec	2,310	2,315	▼ 2,242	2,247	-74	142,615
March'23	2,310	2,316	▼ 2,242	2,244	-76	72,404
Coffee (ICE-US) -37,500 lbs.; cents per lb.						
Dec	222.40	223.40	217.25	220.45	-3.10	94,002
March'23	216.00	217.00	211.30	214.10	-3.15	47,806
Sugar-World (ICE-US) -112,000 lbs.; cents per lb.						
Oct	18.50	18.55	18.04	18.28	-21	74,986
March'23	17.97	17.98	17.45	17.64	-36	350,230
Sugar-Domestic (ICE-US) -112,000 lbs.; cents per lb.						
Nov	35.00	35.00	35.00	35.00	55	1,662
March'23	35.00	35.00	35.00	35.00	35	2,585
Cotton (ICE-US) -50,000 lbs.; cents per lb.						
Oct	98.26	98.26	94.19	94.49	-2.34	18
Dec	96.30	96.50	92.54	92.54	-4.00	108,179
Orange Juice (ICE-US) -15,000 lbs.; cents per lb.						
Nov	182.00	184.50	181.85	184.00	2.85	7,756
Jan'23	176.00	177.75	175.90	177.65	2.05	1,386

Interest Rate Futures						
Contract	Open	High	Low	Settle	Chg	Open interest
Ultra Treasury Bonds (CBT) -\$100,000; pts 32nds of 100%						
Dec 140-020	141-280	138-080	140-250	20.0	1,392,820	
Treasury Bonds (CBT) -\$100,000; pts 32nds of 100%						
Dec 128-080	129-120	126-290	128-250	18.0	1,218,411	
March'23	127-000	129-010	127-000	128-200	18.0	34
Treasury Notes (CBT) -\$100,000; pts 32nds of 100%						
Dec 112-225	112-305	111-250	112-200	-4.0	3,711,510	
March'23	112-225	113-045	112-005	112-255	-7.0	165
5 Yr. Treasury Notes (CBT) -\$100,000; pts 32nds of 100%						
Sept 108-012	108-042	107-132	107-252	-8.7	1,642	
Oct 107-267	107-312	107-052	107-185	-9.5	3,952,546	
2 Yr. Treasury Notes (CBT) -\$200,000; pts 32nds of 100%						
Sept 102-303	103-020	102-247	102-273	-4.4	1,450	
Oct 102-251	102-270	102-170	102-198	-5.4	2,038,511	
30 Day Federal Funds (CBT) -\$5,000,000; 100% -daily avg.						
Sept 97.4425	97.4450	97.4425	97.4425	0.000	205,784	
Oct 96.9150	96.9150	96.9050	96.9050	-0.050	474,303	
10 Yr. Del. Int. Rate Swaps (CBT) -\$100,000; pts 32nds of 100%						
Dec 91-255	92-040	91-045	91-265	5.5	13,761	
Three-Month SOFR (CME) -\$100,000; 100% -daily avg.						
Sept 96.5650	96.5675	96.5450	96.5525	-0.100	665,647	
March'23	95.3750	95.4150	▼ 95.2800	95.3200	-0.450	1,069,015
Eurodollar (CME) -\$1,000,000; pts of 100%						
Oct 96.0050	96.0100	▼ 95.9700	95.9825	-0.075	99,996	
Dec 95.3150	95.3400	▼ 95.2300	95.2500	-0.050	1,578,700	
March'23	95.1150	95.1500	▼ 95.0500	95.0500	-0.050	1,005,136
Dec 95.4750	95.5050	▼ 95.2800	95.3600	-1.150	959,649	

Currency Futures							
Contract	Open	High	Low	Settle	Chg	Open interest	
Japanese Yen (CME) -¥12,500,000; \$ per 100¥							
Oct 7038	7068	6986	6989	-0.044	1,842		
Dec 7090	7117	7024	7038	-0.044	245,710		
Canadian Dollar (CME) -CAD 100,000; \$ per CAD							
Oct 7422	7424	▼ 7347	7347	-0.063	224		
Dec 7413	7425	▼ 7347	7348	-0.062	136,614		
British Pound (CME) -£62,500; \$ per £							
Oct 1.1250	1.1278	▼ 1.0845	1.0853	-0.040	565		
Dec 1.1279	1.1298	▼ 1.0840	1.0861	-0.043	277,689		
Swiss Franc (CME) -CHF 125,000; \$ per CHF							
Dec 1.0314	1.0331	1.0243	1.0250	-0.044	46,762		
March'23	1.0388	1.0419	1.0340	1.0342	-0.041	386	
Australian Dollar (CME) -AUD 100,000; \$ per AUD							
Oct 0.6655	0.6658	▼ 0.6514	0.6516	-0.124	471		
Dec 0.6653	0.6665	▼ 0.6521	0.6523	-0.124	154,955		
Mexican Peso (CME) -MXN 500,000; \$ per MXN							
Oct 0.4937	0.4945	0.4857	0.4920	-0.0074	25		
Euro (CME) -€125,000; \$ per €							
Oct 0.9854	0.9867	▼ 0.9685	0.9688	-0.160	7,450		
Dec 0.9898	0.9913	▼ 0.9728	0.9732	-0.160	634,390		

Agriculture Futures						
Contract	Open	High	Low	Settle	Chg	Open interest
Corn (CBT) -5,000 bu.; cents per bu.						
Dec 687.00	688.00	669.50	676.75	-11.50	720,874	
March'23	693.25	693.25	674.75	681.75	-11.50	222,579
Oats (CBT) -5,000 bu.; cents per bu.						
Dec 417.00	417.50	392.25	395.00	-22.00	3,219	
March'23	416.75	416.75	397.00	399.75	-20.25	447
Soybeans (CBT) -5,000 bu.; cents per bu.						
Nov 1455.00	1456.00	1420.50	1425.75	-31.25	130,938	
Jan'23	1460.25	1463.25	1427.25	1431.75	-31.50	128,950
Soybean Meal (CBT) -100 tons; \$ per ton.						
Oct 446.00	446.00	437.40	439.90	-6.00	26,166	
Dec 428.90	429.00	420.20	423.30	-5.60	194,694	
Soybean Oil (CBT) -60,000 lbs.; cents per lb.						
Oct 69.32	69.40	66.80	67.00	-2.48	31,038	
Dec 66.30	66.40	63.60	63.68	-2.73	150,614	
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.						
Nov 17.40	17.42	17.36	17.38	-0.1	8,285	
Jan'23	17.65	17.67	17.67	17.67	-0.1	586
Wheat (CBT) -5,000 bu.; cents per bu.						
Dec 908.75	913.00	876.00	880.50	-30.25	155,439	
March'23	920.25	924.00	889.50	893.75	-28.25	53,197
Wheat (K) -5,000 bu.; cents per bu.						
Dec 976.75	980.00	945.75	950.50	-29.00	91,695	
March'23	973.00	976.25	943.25	942.25	-28.25	33,923
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.						
Sept 178.700	178.800	177.575	178.125	-0.75	1,552	
Nov 178.525	178.950	177.575	178.250	2.00	17,844	
Cattle-Live (CME) -40,000 lbs.; cents per lb.						
Oct 144.850	144.925	144.100	144.250	-6.00	49,928	
Dec 149.150	149.175	148.150	148.550	-8.00	119,305	
Hogs-Lean (CME) -40,000 lbs.; cents per lb.						
Oct 94.025	94.125	92.525	92.625	-1.500	27,276	
Dec 85.100	85.250	82.600	82.800	-2.875	93,553	

Exchange-Traded Portfolios WSJ.com/ETFResearch						
ETF	Symbol	Price	Chg	YTD	Chg	YTD
CmsrDiscSelSector	XLV	146.42	-2.30	-28.4		
CnsStapleSelSector	DFAC					

BIGGEST STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE.

The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more from their previous closing price was \$2 or higher.

Footnotes: h-Does not meet continued listing standards. n-Temporary exemption from Nasdaq. FD-Friday of trading. v-Trading halted on primary market. j-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Table with columns: YTD %Chg, 52-Week High, Low, Stock, Yld, Sym, PE, Last, Net Chg. Includes sub-tables for Friday, September 23, 2022 and YTD 52-Week %Chg HI Lo Stock.

Table with columns: YTD %Chg, 52-Week High, Low, Stock, Yld, Sym, PE, Last, Net Chg. Includes sub-tables for Friday, September 23, 2022 and YTD 52-Week %Chg HI Lo Stock.

Table with columns: YTD %Chg, 52-Week High, Low, Stock, Yld, Sym, PE, Last, Net Chg. Includes sub-tables for Friday, September 23, 2022 and YTD 52-Week %Chg HI Lo Stock.

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OPQ

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JKL

Table with columns: YTD %Chg, 52-Week High, Low, Stock, Yld, Sym, PE, Last, Net Chg. Includes sub-tables for Friday, September 23, 2022 and YTD 52-Week %Chg HI Lo Stock.

RS

Table with columns: YTD %Chg, 52-Week High, Low, Stock, Yld, Sym, PE, Last, Net Chg. Includes sub-tables for Friday, September 23, 2022 and YTD 52-Week %Chg HI Lo Stock.

WXYZ

Table with columns: YTD %Chg, 52-Week High, Low, Stock, Yld, Sym, PE, Last, Net Chg. Includes sub-tables for Friday, September 23, 2022 and YTD 52-Week %Chg HI Lo Stock.

Mutual Funds

Top 250 mutual funds listings for Nasdaq's published share classes by net assets.

e-E-X-Distribution; F-Footer; s-Footer; p-Distribution; q-Distribution; r-Distribution; t-Distribution; u-Distribution; v-Distribution; w-Distribution; x-Distribution; y-Distribution; z-Distribution.

Not available due to incomplete price, performance or cost data. NE-Not released by Lipper; data under review. NN-Fund not tracked. NS-Fund didn't exist at start of period.

Friday, September 23, 2022

Table with columns: Fund, NAV, Chg, %Ret, Net YTD, Fund, NAV, Chg, %Ret, Net YTD, Fund, NAV, Chg, %Ret, Net YTD, Fund, NAV, Chg, %Ret, Net YTD.

Friday, September 23, 2022

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BUSINESS & FINANCE

Debt-Funded Life Insurance Get Costly

Multimillion-dollar policies are supposed to pay for themselves but come up short

By LESLIE SCISM

Rising interest rates and a falling stock market are putting pressure on a popular strategy of borrowing to fund the purchase of multimillion-dollar life-insurance policies.

Even before rates started to rise, consumers were being forced to make big payments when strategies failed to deliver the promised returns. Many sued their agents and insurers.

So-called premium financing has been around for decades. It was mostly used by the super rich to fund large policies that act as tax shelters and offer death benefits worth tens of millions of dollars. When interest rates hit

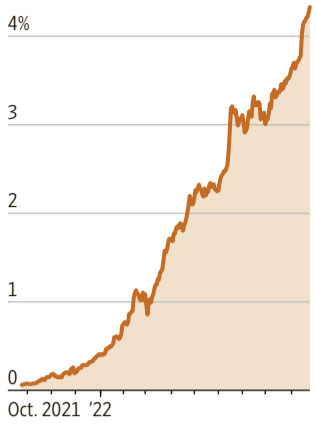
zero, many more people borrowed to fund their policies.

The lawsuits claim that agents misled them about the strategy's risks. The policies are supposed to generate enough income to repay the loans, which can also be repaid through the death benefit. People often take out one- to five-year loans, with interest rates that reset annually. They also face risk of loans not being renewed.

California entertainment-industry executive Gary Marenzi and his wife, Rebecca Prange, said that one of the agents assured them in 2018 that a financed transaction would provide \$40 million "of essentially free life insurance indefinitely," according to a lawsuit they filed in a state court last year. The agent said they "were lucky to be wealthy enough to qualify for this program."

Over the next two years, the couple was hit with additional collateral requirements

CME Group's 12-month Term SOFR, a benchmark for borrowing costs



Source: CME Group's Term SOFR via FactSet

they suffered more than \$1.1 million in damages.

"It's disappointing and disturbing," said Mr. Marenzi, who is 66 years old. "You feel violated because you were brought down a garden path by someone you trusted."

In court filings, the agents and insurers, Pacific Life and Lincoln National, deny the allegations, which include misrepresentation. Chad Weaver, an attorney for Wayne L. Weaver, one of the agents, said "the premium-financing strategy was implemented after numerous meetings and disclosures, and was completely consistent with [Mr. Marenzi's] objectives and financial situation at the time of purchase."

Since rates started to rise, a benchmark used in many premium-finance transactions, the 12-month Secured Overnight Financing Rate, has jumped from less than half a percent a year ago to more

than 4% now. Borrowers pay 1.5 percentage points to 3 percentage points above this rate, advisers said.

Agents often promote the loans to fund indexed universal life policies, a combination death-benefit and savings product with crediting pegged to stock-market indexes. Insurers typically credit a policy with a designated portion of the index's annual gain. They provide protection in years when the index declines.

Declining stocks and higher borrowing costs will mean "more cash out of pocket, more collateral required, and threatens the viability of some policies," said Bill Boersma, a Michigan-based independent

Mr. Boersma said he has provided second opinions on more than 20 policies. "There was only one that I thought was built conservatively enough to actually work," he said. In some arrangements he

nixed, the lending rate was assumed to be 3% indefinitely.

Annual premiums for policies with death benefits of \$20 million typically run \$1.5 million or more for people in their 60s, brokers said.

Insurers don't release information on the use of premium financing. The Life Product Review, an industry publication, said a 2021 survey of about 60% of the premium-financing market identified \$800 million of loans at those firms to pay for policies taken out in 2020.

Some people in the premium-financing industry worry about the proliferation of loans. "There are far too many people that have hung their shingle out to be premium-financing experts after writing one or two policies," said Samuel Watson, chief executive of Tennessee-based Cool Springs Financial Group, which has been in the business since 2000.

New Highs and Lows

Table with columns: Stock, 52-Wk % Change, 52-Wk High/Low, and 52-Wk Low/High. Lists various stocks and their performance metrics.

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ADVERTISEMENT

The Marketplace

To advertise: 800-366-3975 or WSJ.com/classifieds

Real estate advertisement for 'The Historic Honnet House' in Wilmington, North Carolina. Features a large photo of the house and text describing its features and location.

Real estate advertisement for 'Alliance Mortgage Fund' offering a 7%-8% return on real estate secured fixed income funds.

Real estate advertisement for 'Alliance Mortgage Fund' featuring a sale of a turnkey business with 75% margins and \$1.5 million net.

Real estate advertisement for 'Alliance Mortgage Fund' offering 8.5% notes on 1st deeds of trust.

Real estate advertisement for 'Oil/Gas Production Company for Sale' with a turnkey business and 11M+ bbls/5 fields.

Real estate advertisement for 'Commercial Real Estate' featuring various properties for sale.

Real estate advertisement for 'Business For Sale by Owner' featuring a turnkey roll off dumpster rental business.

Real estate advertisement for 'Business Opportunity' featuring an excellent business opportunity in the ADJOY, INC DBA 'DABBL'.

Real estate advertisement for 'Business Opportunity' featuring a secured, collateralized investment opportunity with 9-10% annual returns.

Real estate advertisement for 'Interluxe' featuring online auction beginnings on Oct. 10th with various property listings.

Real estate advertisement for 'For Sale' featuring 8.5% notes on 1st deeds of trust.

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MARKETS

Oil Drops Below \$80 on Recession Fears

By ANNA HIRTENSTEIN AND JOE WALLACE

U.S. oil prices fell below \$80 a barrel for the first time since January, dragged down by mounting fears of a global recession and a rapidly strengthening U.S. dollar.

West Texas Intermediate crude futures dropped 5.7% to close at \$78.74. The main U.S. oil price is down about 36% from its June peak and nearly to where it began the year.

Behind the slide: A string of major central banks—including the Federal Reserve, the Bank of England, the Swiss National Bank and Norway's Norges Bank—raised interest rates this week. Tightening financial conditions on a near-global basis have ratcheted up fears about a widespread economic slowdown, which would also mean lower energy demand. Business surveys Friday



Prices on Friday fell to their lowest level since January. Storage tanks are seen in Carson, Calif.

showing weakening U.S. fuel demand helped push prices lower. A looming recession in Europe is expected to damp energy consumption further, though high natural-gas prices are encouraging some industrial companies to burn diesel instead.

The Energy Information Administration this week said that total products supplied, a gauge of demand, averaged 19.6 million barrels a day over the past four weeks, down 6.7% from the same period of last year. Gasoline demand was down almost 8%, and consumption of distillates, which include diesel, fell by 16%.

Meanwhile, the Energy Department said this week it plans to sell up to 10 million barrels of oil from the Strategic Petroleum Reserve in November. That will add to supply and tamp down prices, traders said.

"You've got the Fed raising rates. You've got the DoE swamping the market with crude oil," said Robert Yawger, executive director for energy

futures at Mizuho Securities.

In one sign of falling demand for fuel, profit margins from refining gasoline, known as crack spreads, have dropped in the U.S., Europe and Asia in recent weeks. "The cracks are getting destroyed," said Greg Newman, chief executive officer at London-based oil-trading firm Onyx Capital Group.

U.S. crude prices have fallen to a discount of almost \$7 a barrel compared with Brent, likely encouraging energy traders to send crude across the Atlantic. In part, Mr. Newman said, that reflects expectations that Europe will need to import more U.S. oil to replace Russian crude when the European Union bans Russian crude shipments from Dec. 5 as part of sanctions on Moscow for the invasion.

Some traders say there are reasons to believe oil prices could recover. The EU ban is likely to lead Russian oil production to fall, leaving a hole in global supplies. Spare production capacity in most members of the OPEC cartel is limited.

Dow Sinks To Lowest Of 2022

Continued from page B1

second consecutive week in a selloff that has dragged down the S&P 500 by 9.2% and the Dow by almost 8%. That marked their worst two-week declines since June. The Nasdaq has fallen more than 10% over the past two weeks, its biggest such decline since March 2020, during the pandemic-induced market crash.

The sharp selloff this week continues a stretch of turbulence since Federal Reserve Chairman Jerome Powell's speech in Jackson Hole, Wyo., in August. There, he reiterated the central bank's resolve in fighting inflation through a series of interest-rate increases. The comments helped smash a short-lived summer rally.

Many investors are bracing for more volatility after the Fed's commitment to combatting inflation grew even clearer this week. The central bank on Wednesday approved its third consecutive interest-rate rise of 0.75 percentage point. That raised the benchmark federal-funds rate to a range last seen in early 2008 and continued the most aggressive path of increases in decades.

Moreover, Fed officials project rates rising even more than previously expected, alarming investors who had been wagering on a shift in policy next year. Many worry that the Fed's swift rate increases will tip the U.S. into recession.

"It's been a very difficult week," said Mike Smith, a portfolio manager at Allspring Global Investments. "Everybody's feeling pain."

Mr. Smith said that rising bond yields have rapidly changed how much investors are willing to pay up for stocks across the U.S. stock market, leading to the sharp swoon.

Business surveys Friday showed economic activity in Europe declined sharply in September, highlighting how growth outside the U.S. has also been knocked off course. Meanwhile, the U.S. dollar is experiencing a once-in-a-generation rally that threatens to worsen the slowdown in global growth and effectively export inflation around the globe.

Central banks around the

world, including policy makers in Norway, Switzerland and South Africa, have lifted borrowing costs. The global commitment to policy tightening has further eroded hopes among investors for a soft landing, or only a modest hit to growth instead of a full-blown recession.

"All central banks are singing from the same hymn sheet: They're trying to get on top of inflation no matter what," said Antoine Bouvet, a senior rates strategist at ING. "The Fed set the tone very clearly. ... They will continue regardless of the economic pain inflicted on the economy."

The pan-European Stoxx Europe 600 slid 2.3%, dropping to its lowest level since December 2020.

Usually, when stocks fall, bonds offer a haven to nervous investors. But prices have been dropping for both this year, an unusual coupling that highlights just how anxious many buyers are, and how starkly different the investing environment has been in the first nine months of the year. Yields on the 10-year Treasury and two-year Treasury once again roamed near levels not seen in more than a decade.

The 10-year U.S. Treasury yield rose to 3.695% this past week, notching an eighth consecutive week of gains. Two-year Treasury yields climbed to 4.212%, the highest since October 2007. Yields rise as bond prices fall.

"There is a regime change under way," said Micky Jagirdar, a co-portfolio manager at Ariel Investments. "In the previous regime, risk-taking was rewarded."

That doesn't seem to be the case anymore, he said, because the Fed is less likely to step in to backstop markets.

U.S. companies including auto maker Ford and delivery giant FedEx have issued profit warnings in recent weeks, sparking concerns that inflation and slowing growth are beginning to eat into corporate profits. Earnings have held up better than expected for most of this year, helping underpin markets.

European government bonds were also swept by selling.

Some analysts questioned if investors had grown too negative about the stock market after a selloff that has dragged the S&P 500 down about 23% this year. "I would just lean the other way and say maybe, just maybe, we're seeing the peak of negativity," Mr. Smith said, pointing to depressed levels of consumer and investor sentiment.

Low-Volatility Funds Back in Vogue

By ERIC WALLERSTEIN

Investors are flocking to funds that tout their ability to shelter investors from major market swings even though they didn't perform exactly as advertised during the height of the Covid-19 pandemic.

Roughly \$6.5 billion has poured into low-volatility mutual and exchange-traded funds this year, putting the funds on track for their first annual inflows since 2019, according to Morningstar Direct. Low-volatility funds promise a smoother market ride by holding stocks with the smallest one-day swings—higher or lower. That bias often lends itself to shares of utilities, consumer-goods and real-estate companies that tend to be less sensitive to economic booms and busts.

The iShares MSCI Min Vol USA ETF—the largest low-volatility fund—has raked in more than \$1 billion in assets in the past month, according to FactSet. Those inflows make the fund among the most popular of all U.S. equity ETFs as worries of more aggressive monetary tightening by the Federal Reserve have marred the outlook for stocks. The S&P has fallen 5% in the past month, extending its losses for the year to 21%.

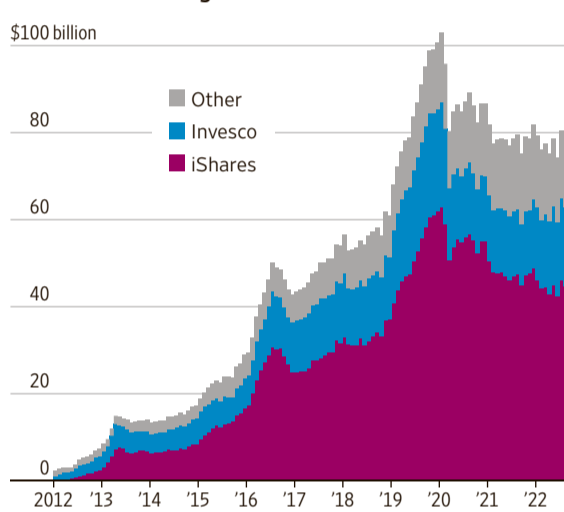
Assets under management at the iShares fund have climbed to \$28 billion, though that is down from a peak of \$40 billion in February 2020.

Low-volatility funds sprouted up in the wake of the financial crisis of 2007-2009 and grew exponentially in the years following. But that came to a halt at the start of the pandemic when the funds tumbled sharply in conjunction with the market's broad-based selloff, failing to provide a haven for investors.

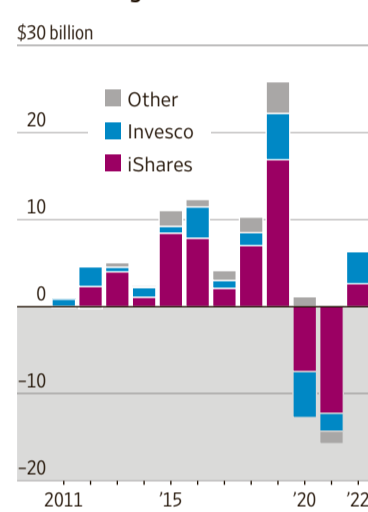
Even when markets began their furious rebound, low-volatility funds didn't take part. The stocks that led the way were in sectors like e-commerce, which traditionally are more susceptible to market swings and thus less represented in low-volatility funds. Frustrated with underperformance during both the market downturn and rally, many investors headed for the exits.

"The troubling thing with low-volatility strategies is what we experienced in 2020, an episodic and extreme bout of volatility," said Matthew Bartolini, managing director at State Street Global Advisors and head of SPDR Americas Research. "Everything dropped significantly, all at the same

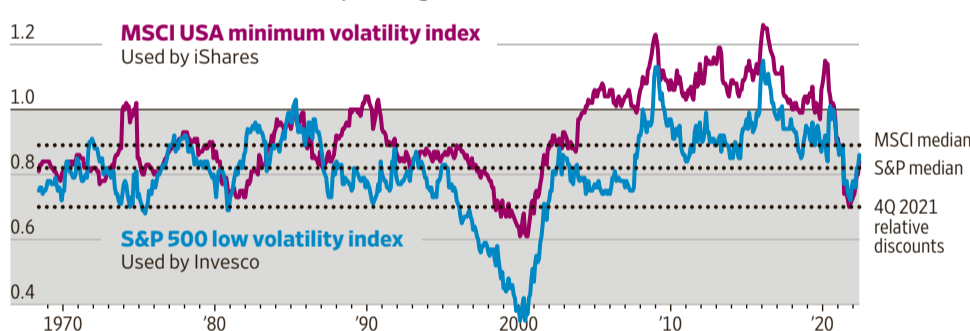
Assets under management, low-volatility mutual and exchange-traded funds*



Annual flows, low-volatility mutual and exchange-traded funds*



Relative valuation of low-volatility strategies to the market*



*As of Aug. 31. *Recent valuations as of June 30. Sources: Morningstar Direct (assets under management, flows); Research Affiliates Smart Beta Interactive online tool (relative valuation)

time. Then there was a big rally in higher-risk stocks, but not so much for lower-risk stocks."

Low-volatility funds face another issue common among ETFs: Although many advertise similar strategies, some investors warn that it is important to look under the hood of the funds because their compositions—and performance—can vary widely.

For example, the iShares fund from BlackRock Inc. follows an MSCI index that selects stocks not only based on volatility, but also their correlation to other stocks. Further constraints, such as preventing sector weightings from straying more than 5% from that of the index, result in a fund that resembles the broader market. The iShares fund counts tech stocks such as Cisco Systems Inc. and Texas Instruments Inc. among its top holdings.

On the other hand, the Invesco S&P 500 Low Volatility ETF tracks the 100 stocks in the S&P 500 with the lowest variation in returns over the past year irrespective of their sector. With \$11 billion in assets under management, Invesco's fund is the second largest low-volatility fund on the market. "Low-volatility ETFs can end

up with very different outputs," said Corey Hoffstein, chief investment officer of Newfound Research. "Sometimes investors want a specific exposure, but then select a specific manager without realizing how much performance can differ—and that dispersion can be 10s of percentage points."

In 2022, both funds are beating the S&P 500. The iShares fund is down 15%, while the Invesco fund has

their historical volatility.

For Rob Arnott, founder and chairman of Research Affiliates, it is all about relative valuation, or whether an asset is cheap or expensive with regard to the broader market.

Mr. Arnott, a pioneer of strategies like low volatility that attempt to beat standard market-tracking funds, said the recent rebound is no coincidence. He said those strategies fell in the fourth quarter of 2021 to their widest discount relative to the broader market since 2000.

"Valuations are fairly in line with historical averages, so I would not say to avoid low volatility, as I did in 2016," said Mr. Arnott. "But as people who are fearful about the market turn to low-vol rather than exiting all together, we could expect those flows to push valuations much higher."

Some strategists say inflows may not abate anytime soon, either.

"These strategies are working this year, and that is part of why people are moving money," said Todd Rosenbluth, head of research at VettaFi. "But it is a fair expectation that the remainder of 2022, and into 2023, is going to remain volatile."

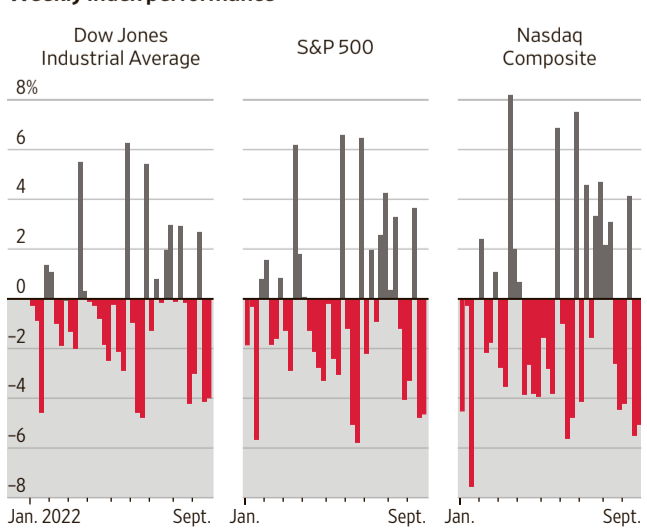
\$11B

Assets under management for Invesco's low volatility ETF

fallen 11%. Back in 2020, both funds significantly underperformed the broader market. The iShares fund returned 3.5% and the Invesco fund lost 3.6%, while the S&P 500 gained 16%.

Wall Street appears to lack consensus on the outlook for low-volatility strategies. Some say the uncertain macroeconomic environment gives those funds more room to run. Others question the efficacy of picking stocks based solely on

Weekly index performance



Source: FactSet

Binance Hires Compliance Chief From Rival

By MENGQI SUN

Binance, the world's largest cryptocurrency exchange by spot-trading volume, has snatched up the chief compliance officer from rival Kraken, as the industry continues to ramp up its compliance efforts.

Steven Christie, who oversaw global compliance at Kraken for more than four years, joined Binance as its senior vice president of compliance

in May, a Binance spokesman said Thursday.

Mr. Christie leads Binance's global compliance team of more than 750 people, including its cyber investigations team, the spokeswoman said. Mr. Christie has worked in the crypto industry since 2015, previously serving as the compliance chief at bitcoin custodian Xapo Bank, according to a biography from a 2019 blockchain event in which he participated.

San Francisco-based Kraken said Wednesday that it expects to hire a new chief compliance officer in the next few weeks. The company also said co-founder Jesse Powell plans to step down from his role as chief executive but will remain chairman.

Kraken said Dave Ripley, its current chief operating officer, will succeed Mr. Powell after the company completes a search for a new COO. Kraken is

the fourth-largest crypto exchange by spot-trading volume, according to cryptoassets price-tracking website CoinMarketCap. Representatives for Kraken didn't immediately respond to a request for comment.

The demand for compliance and legal talent in the crypto industry has continued in recent months, despite tumbling crypto prices and layoffs, as the industry faces increased regulatory pressure.