



# WSJ

## THE WALL STREET JOURNAL WEEKEND



DOW JONES | News Corp \*\*\*\*\* SATURDAY/SUNDAY, DECEMBER 10 - 11, 2022 ~ VOL. CCLXXX NO. 137 WSJ.com ★★★★★ \$6.00

### What's News

#### World-Wide

- ◆ **Sen. Sinema**, a pivotal centrist, said she was leaving the Democratic Party and would register as an independent, a move that complicates Democrats' narrow control of the Senate. **A1**
- ◆ **The WTO said** its dispute-settlement panels found that the U.S. violated international trade rules with its tariffs on imported steel and aluminum. **A3**
- ◆ **Prosecutors urged** a judge to hold Trump's legal team in contempt for failing to fully turn over all classified documents in the ex-president's possession, a person familiar with the matter said. **A5**
- ◆ **The Biden administration** warned that military ties between Russia and Iran were expanding into "a full-fledged defense partnership." **A7**
- ◆ **China's Xi used** the last day of a visit to Saudi Arabia to pledge more energy deals with big Gulf oil producers. **A9**
- ◆ **Over two years** before a Walmart supervisor killed six workers, Walmart executives investigated employee workplace complaints against him, according to former and current employees. **A3**
- ◆ **Thanksgiving spurred** on more respiratory infections in an already busy virus season, and the coming holidays could be worse, public-health officials say. **A3**

#### Business & Finance

- ◆ **In challenging** Microsoft's acquisition of Activision Blizzard, the FTC is building its marquee anti-trust case of Khan's tenure on expansive legal theories that haven't prevailed in other recent cases. **A1, A6**
- ◆ **FTX's founder said** he would testify next week before Congress, setting up a high-profile discussion with lawmakers he sought to court before his crypto exchange collapsed into bankruptcy. **A1**
- ◆ **U.S. supplier price** increases eased in November from rapid gains in the first half of the year, in a sign that inflationary pressures could be moderating. **A2**
- ◆ **U.S. stocks fell**, with the S&P 500 and Nasdaq both losing 0.7% and the Dow industrials shedding 0.9%. **B11**
- ◆ **Jeep maker Stellantis** said it would stop operations at a 1,350-employee assembly plant in Illinois, citing the need to control costs. **B1**
- ◆ **Juul Labs has agreed** to pay \$1.7 billion in a broad legal settlement covering more than 5,000 lawsuits, according to people familiar with the matter. **B3**
- ◆ **Workers at an Ohio** battery plant co-owned by General Motors voted overwhelmingly to be represented by the UAW. **B3**

#### NOONAN

Only the Voters Can Crush Donald Trump **A15**

CONTENTS		Opinion.....	A13-15
Books.....	C6-16	Sports.....	A12
Business News.....	B3	Style & Fashion.....	D2-3
Food.....	D7-8	Travel.....	D4
Gear & Gadgets.....	D10-11	U.S. News.....	A2-6
Heard on Street.....	B12	Weather.....	A8
Obituaries.....	A10	World News.....	A7-10



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## Britain Faces a Wave of Strikes as Holidays Approach



**DISCONTENT:** Postal employees rally outside Parliament on Friday after about 115,000 workers walked off the job. The U.K. is bracing for widespread strikes as workers push for bigger pay raises amid high inflation and a gloomy economic outlook. **A10**

## Microsoft's Assurances Failed To Persuade FTC on Activision

By SARAH E. NEEDLEMAN

Microsoft Corp. had been working for close to a year to calm regulators' concerns about its acquisition of video-game developer Activision Blizzard Inc., but the Federal Trade Commission's suit to block the deal raised doubts about the company's pledge not to shut out rivals.

The FTC this week took one of its biggest swings ever

against a big technology company and sued to stop the planned \$75 billion acquisition, setting the stage for a court challenge over a deal the law-enforcement agency said would harm competition.

The commission's complaint said the deal is illegal because it would give Microsoft the ability to control how consumers beyond users of its own Xbox consoles and subscription services access Activi-

sion's games. Microsoft has repeatedly said it wouldn't engage in such actions. The FTC's complaint accused Microsoft of reneging on a similar pledge to a European regulator in the past, a criticism the company disputes.

"While we believed in giving peace a chance, we have complete confidence in our case and welcome the opportunity to present our case in court," said Brad Smith, Microsoft vice

chair and president after the lawsuit was filed.

This week, as the possibility of a lawsuit increased, Microsoft argued about the deal's benefits to gamers through an op-ed article in The Wall Street Journal and announced an agreement to give a competitor access to one of Activision's

*Please turn to page A6*

◆ **FTC faces test on 'vertical' mergers.....** **A6**

## Prisons Aim to Prove If Drugs Can Treat Addiction

Medications show early success in putting inmates on path to sobriety

By JULIE WERNAU

Sheriff Peter Koutoujian worked for years to get drugs into Middlesex County jail. Operating the facility northwest of Boston had come to feel like living in a bad rerun, he said. Inmates arrived addicted to opioids, went through detox, lived without drugs and were released. Then they started using again, overdosed and died, or landed back in jail.

Mr. Koutoujian aimed to break the cycle with medication that addiction experts say is the most effective known way to curb opioid use. The results so far are promising.

Out of 230 inmates at Middlesex jail who participated between 2015 and 2019, nearly all of them, 226, were alive six months after re-

lease. Recidivism among the group is one-third that for other inmates, Mr. Koutoujian said. He is continuing to track their success. "We have a window while they're with us that we can help turn their lives around," he said.

Two-thirds of people entering prisons and jails have what the Department of Health and Human Services diagnoses as substance-use disorder. For years, the only treatment in most detention centers was to detox.

Some 630 of the roughly 5,000 jails and prisons nationwide now provide medication treatment for opioid use, according to the non-profit Jail and Prison Opioid Project, up from about 20 in 2015. The drugs include buprenorphine, which tamps cravings for opioids, nalox-

*Please turn to page A11*

## Founder of FTX Set To Testify in House

By PAUL KIERNAN AND CAITLIN OSTROFF

FTX founder Sam Bankman-Fried said he would testify next week before Congress, setting up a high-profile discussion with lawmakers he sought to court before his crypto exchange collapsed into bankruptcy.

Mr. Bankman-Fried said on Twitter he would appear before the House Committee on Financial Services. The committee has a hearing scheduled for Tuesday at 10 a.m. ET to investigate the collapse of FTX. Mr. Bankman-Fried will most likely testify remotely, according to a person familiar

with the matter.

Mr. Bankman-Fried's appearance caps a stunning downfall of an executive who just months ago was showering Congress, including members of the committee, with political donations. He and FTX executives spent about \$70 million ahead of the 2022 midterm elections in an effort to sway the regulation of the nascent crypto industry. Now, Mr. Bankman-Fried is in the hot seat as the committee tries to get to the bottom of what caused the company's implosion last month.

John J. Ray III, the new chief executive leading FTX in

*Please turn to page A5*

### EXCHANGE



#### SEA CHANGE

Companies steer cargo to new ports, toppling the West Coast's reign.

**B1**

## U.S. Adapts to Era Of Hostage Diplomacy

By ARUNA VISWANATHA AND JAMES T. AREDDY

This week's prisoner exchange that freed American basketball star Brittney Griner brings to at least 12 the number of U.S. citizens and residents who have been freed during the Biden administration in confirmed or apparent prisoner trades.

That number reflects a striking shift: More Americans in recent years have been detained by foreign governments than have been taken captive by terrorist groups or criminal gangs, according to U.S. authorities and private assessments.

In response, the U.S. has

become more willing to temper its traditional aversion to negotiating prisoner deals. Unlike with rogue groups, Washington has established diplomatic channels with foreign governments to facilitate deal making over detainees.

Publicly, such swaps look uncomfortably like concessions to hostage-takers. The U.S. in September released an Afghan drug lord serving a life sentence in a New York prison to secure the release of Navy veteran Mark Frerichs by Afghanistan's Taliban government. In other swaps this year,

*Please turn to page A8*

◆ **Tense negotiations led to Griner's release.....** **A8**



U.S. NEWS

THE NUMBERS | By Josh Zumbrun

A Yule-Tree Shortage? Bah, Humbug



A holiday tradition has emerged in recent years. As the last Halloween decorations come down and you start thinking about Christmas, you encounter a story warning of a Christmas-tree shortage.

Such stories have been widespread since at least 2017. “Christmas tree shortage could cost you plenty of green,” declared one such story, on NBC’s “Today” show, in 2019. It drives many in the industry nuts. They worry it might create bad will, stress out shoppers and even push some to buy artificial trees instead.

“Shortage to me means, ‘We don’t have enough, we’re going to come up short.’ We never have,” said Marsha Gray, the executive director of the Real Christmas Tree Board, a U.S. Agriculture Department research and promotion board.

Earlier this year, the board had grown frustrated enough with the drumbeat of shortage coverage, she said, that it issued a warning about “people who cry wolf about the supply of real Christmas trees each season...we’ve never run out of trees.”

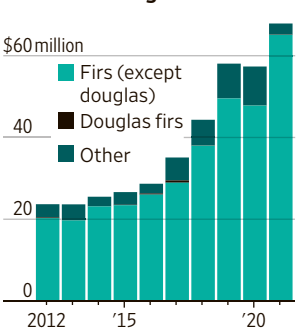
People rarely need to shop around much, she said. Last year, 87% of consumers found the tree they wanted at the first place they looked, according to a survey conducted for the board.

Christmas-tree data aren’t as detailed as for many crops. There are no official annual estimates of sales, Ms. Gray said. Private estimates vary but typically come in around 20 million trees. The numbers that exist don’t confirm the stories of widespread shortage.

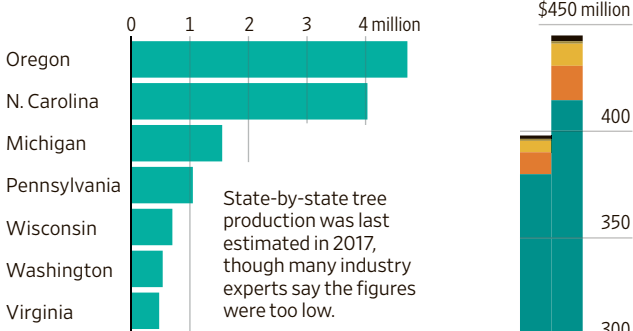
Growers did cut back in the aftermath of the 2007-09

Canada has exported a growing number of trees, helping offset any U.S. shortfalls, while imports of artificial trees into the U.S. have picked up in recent years.

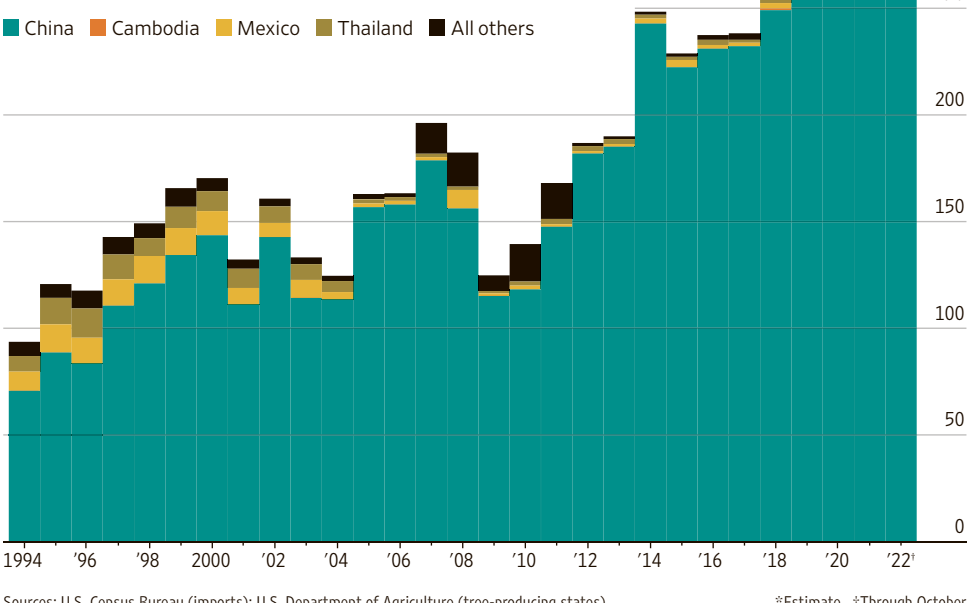
Annual U.S. imports of Canadian evergreen trees



Top tree-producing states in 2017\*



Annual U.S. imports of artificial Christmas trees, by country



Sources: U.S. Census Bureau (imports); U.S. Department of Agriculture (tree-producing states) \*Estimate †Through October

recession because of several years of weak sales and oversupply. By 2017, the number of Christmas-tree farms was down 3% from 2012, and their total acreage was 4% lower, according to the U.S. Agricultural Census, which occurs every five years.

But there is little evidence this translated into trees’ being unavailable.

An annual survey from the National Christmas Tree Association, an industry group of growers, found the me-

dian price was \$74.70 in 2016. In 2017, when stories about the shortage exploded, the price actually fell slightly to \$74.30. The median price was \$69.50 in 2021.

One reason for the mythology might be a disconnect between the Christmas-tree industry that people imagine—relatively small choose-and-cut farms (the sort that feature in Hallmark movies)—and the massive wholesalers that actually provide most real trees.

In 2021, about 27% of

trees came from choose-and-cut farms, according to the NCTA’s survey. In 2017 the Agricultural Census found the smallest 10,000 farms combined had about 34,000 acres and sold 800,000 trees. The largest 400 farms managed 134,000 acres and sold nearly 10 million trees.

Odds are that some of the smaller farms will indeed run out, but that says nothing about the national supply.

“When you talk about undersupply, are you talking

about during Covid when you went to buy toilet paper and it was bare shelves? No, that’s not what we’ve ever seen or encountered,” said Jill Sidebottom, a spokeswoman for the NCTA. “Are you talking about some retail lots selling out early? Sure.”

There is also a distinction between real and artificial trees. The NCTA’s website is realchristmastrees.org, to help distinguish the group from the American Christmas Tree Association, which also represents artificial trees. There’s some tension between the two. A character in this year’s Christmas comedy “Spirited” attempts to turn real vs. artificial trees into a new front in the culture war. Mac Harman, the founder and chief executive of the artificial-tree maker Balsam Hill, which created the ACTA, bemoans the tension: “I think we’re better off inspiring people to decorate for Christmas and then everybody wins.”

Though artificial trees, which are almost entirely imported, faced their own supply-chain problems in recent years, they might help moderate swings in real-tree supply. Some consumers might simply buy, or retrieve from their attic, an artificial tree if they hear stories of shortages.

Another source that keeps trees from running out is Canada, from where imports nearly tripled from \$23.7 million in 2012 to \$67.9 million last year, or around three million trees.

Industry experts also say the Agricultural Census undercounts tree production. Most agricultural commodities are regulated as food and have centralized points to collect data. The experts speculate that some growers underreport production levels to avoid paying the USDA’s 15-cent-a-tree fee that funds the Real Christmas Tree Board. Jeff Owen, an area extension forestry specialist at North Carolina State University, who works with growers in eastern North Carolina, says that is the case in his state. “Even with fairly conservative assumptions, I think the numbers involve one to two million more trees per year harvested than what’s typically been reported” in North Carolina, he said.

For consumers, the veracity of the numbers doesn’t really matter. “Ultimately, there will be trees available of one kind or another,” Mr. Owen said.

Supplier Price Rises Eased in November

By GABRIEL T. RUBIN

U.S. supplier price increases eased in November from rapid gains in the first half of the year, in a sign that inflationary pressures could be moderating.

The producer-price index, which generally reflects supply conditions in the economy, rose 7.4% in November from a year earlier, the Labor Department said Friday. That was down from October’s revised 8.1% increase and well below the 11.7% rise in March, the fastest pace since PPI records began in 2010.

On a monthly basis, the PPI increased 0.3% in November, the same as the prior two months. That was slightly above the average monthly gain in the two years before the pandemic and well below month-to-month gains in the first six months of 2022. Economists polled by The Wall Street Journal had estimated a 0.2% November increase.

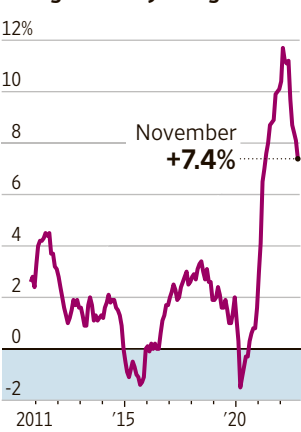
Services and food prices drove the November gain, the Labor Department said, while overall goods prices increased slightly. Consumer inflation moderated in October after hitting a four-decade high over the summer, the Labor Department said last month. It will release November’s consumer-price index on Dec. 13.

The Fed has aggressively raised interest rates this year. Fed officials have signaled plans to raise their benchmark interest rate by 0.5 percentage point next week.

“This is going to be a complicated process, not a flip-the-switch scenario for the Fed,” said Lindsey Piegza, chief economist for Stifel Financial. “We’re consistently under-evaluating, or under-appreciating, the stickiness of inflation.”

—Gwynn Guilford contributed to this article.

U.S. producer-price index, change from a year ago



Note: Measures the prices that suppliers are charging businesses and other customers. Source: Labor Department

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CORRECTIONS & AMPLIFICATIONS

Russia has presented its invasion of Ukraine as an effort to “denazify” the country, falsely claiming that the government is controlled by a cabal of American-sponsored neo-Nazis. A World News article on Thursday about Pope Francis’ comments about the conflict didn’t note the falsehood of Moscow’s claim.

Amado Grill is set to open in early 2023. An article about

chef Ignacio Mattos in the December/January issue of WSJ Magazine gave the opening date as December, which was delayed after the issue went to press.

A photo of the Landwehrkanal was incorrectly identified as the River Spree in a caption with an article in the December/January issue of WSJ Magazine about Berlin’s art scene.

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U.S. NEWS

# U.S. Steel, Aluminum Tariffs Violated Rules, WTO Finds

By YUKA HAYASHI

WASHINGTON—The World Trade Organization said its dispute-settlement panels found the U.S. violated international trade rules with its tariffs on imported steel and aluminum, in a case that pit Washington against China as well as several friendly nations.

Friday's ruling covers the import duties that former President Donald Trump imposed in 2018 on national security grounds, citing the need to protect domestic manufacturers from global overproduction of the metals.

The panels, appointed to address complaints by China, Norway, Switzerland and Turkey, said in reports that the U.S. violated its obligations under WTO agreements. They noted that the tariffs weren't justified under the national-security exceptions because "the measures were not taken in time of war or other emergency in international relations" as argued by the U.S.

The U.S. said it strongly rejected the panels' "flawed interpretation and conclusions," and hinted it would appeal the decision.

"The Biden administration is committed to preserving U.S. national security by ensuring the long-term viability of our steel and aluminum industries," said Adam Hodge, spokesman for the Office of the U.S. Trade Representative. "We do not intend to remove the Section 232 duties as a result of these disputes."

The U.S. thinks that the WTO dispute-settlement process "has no authority" to review national security issues, he added.

The ruling is expected to have little impact on U.S. steel



A steel mill in Cleveland. The Trump administration imposed tariffs on imported steel and aluminum.

and aluminum imports.

Major steel exporters to the U.S. are already largely shielded from the impact of the tariffs. The Trump administration had allowed duty-free imports from a few countries including Mexico and Canada. The Biden administration also has taken steps to address complaints from allies including the European Union, Japan and the U.K.

Even if the U.S. appeals the case, the WTO lacks the ability to handle appeals because its higher court, known as the Appellate Body, has no judges because of the refusal in recent years by the U.S. to approve nominees. The U.S. has said the court has a history of overreach, citing its decisions in past disputes with China.

"China is against unilateral tariffs that violate WTO rules, which serve no one's interest," Mao Ning, a Chinese Foreign Ministry spokeswoman, said at a press conference. "We will take all measures necessary to defend our legitimate rights and interests."

The U.S. steel industry criti-

cized the WTO decision and urged the Biden administration to maintain the tariffs, imposed under Section 232 of the Trade Expansion Act of 1962.

"The World Trade Organization should not get to decide U.S. national security policy," U.S. Steel Corp. said in a statement. "We are confident that this World Trade Organization opinion will not affect the Section 232 policy, and it will remain in place."

Kevin Dempsey, chief executive of American Iron and Steel Institute, an industry group, said the tariffs have helped to reduce repeated surges in imported steel, while incentivizing new investments totaling \$22 billion by U.S. steelmakers to expand domestic production.

Even then, he said, global overcapacity persists, exacerbated by new facilities in Southeast Asia being funded by China's Belt and Road Initiative.

The steel and aluminum tariffs were among the most controversial of Mr. Trump's trade policies. Even as the measure

was taken to address global metals overproduction caused primarily by China, it ensnared a range of friendly countries. Washington's close allies were enraged particularly because the duties were imposed on national-security grounds. The tariffs of 25% on imported steel and 10% on aluminum were unveiled in 2018.

The original complaint to the WTO was brought by China, but eight others, including the EU, had joined the case. Some dropped out after the U.S. offered concessions.

The U.S. said the panel's findings only reinforce the need to overhaul the WTO's dispute settlement system.

"The WTO has proven ineffective at stopping severe and persistent nonmarket excess capacity from the PRC," said Mr. Hodge, referring to China.

WTO member countries have been stepping up discussions to overhaul the group's dispute-settlement system, but their positions remain far apart.

—Bob Tita contributed to this article.

# Virus Risks Seen Rising Over Holidays

By JON KAMP AND BRIANNA ABBOTT

Thanksgiving spurred on more respiratory infections in an already busy virus season. The coming holidays could be worse, public-health officials say.

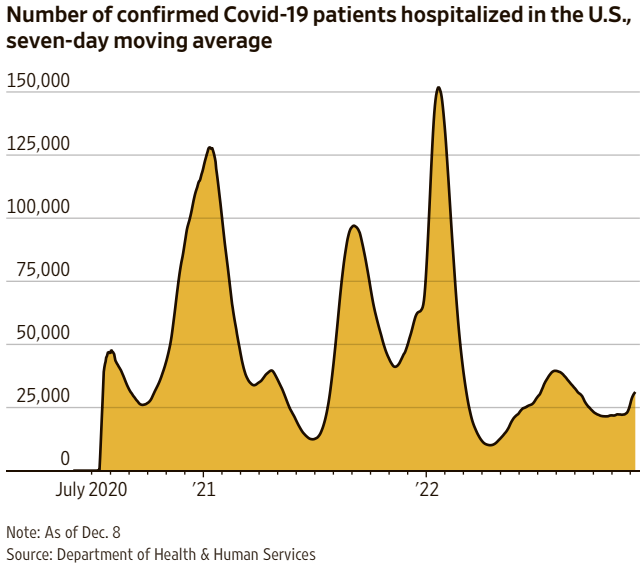
The flu continues to surge at the highest level seen in years and Covid-19 infection levels have recently increased around the U.S. heading into the winter holidays, wastewater and federal hospitalization data show.

The rising viruses increase the risks for vulnerable groups including older Americans following an unusually early season for respiratory syncytial virus, or RSV, which most often impacts small children and has filled beds in pediatric hospitals. RSV infection levels are showing signs of cooling off but remain elevated, as flu and Covid-19 infections spread.

"If you managed to avoid it at Thanksgiving, you may not at Christmas," said Dr. Catherine Troisi, an infectious-diseases epidemiologist with UTHealth Houston School of Public Health.

The cumulative flu hospitalization rate in the Centers for Disease Control and Prevention's surveillance network is the highest it has been for this time of year in more than a decade, according to the CDC.

Federal and local health officials in places including New



## CDC Backs Updated Boosters for Kids

The Centers for Disease Control and Prevention signed off on certain young children receiving an updated Covid-19 booster, clearing the way for the shots to be widely available at pediatricians' offices and other vaccination sites. The agency's move on Fri-

day was the last step before children as young as 6 months could get the shots, which were modified to target offshoots of the Omicron variant.

"COVID-19 vaccines are critical to providing ongoing protection as immunity wanes and the virus continues to mutate," the CDC said. The FDA greenlighted the shots for children who had received two doses of Moderna Inc.'s original shots, or two doses of Pfizer Inc.'s

York, California, Maine and Louisiana have encouraged people to get their shots for flu and Covid-19 ahead of the winter holidays, among other

precautions such as staying home when sick and wearing a mask in public, indoor spaces.

"There's a ton of virus circulating," Sara Cody, health

officer and public health director for the County of Santa Clara in California, said this past week. "If you want to be healthy for the holidays, you need to take action and you need to do it now."

Santa Clara on Thursday moved up to what the CDC deems a high Covid-19 community level, based on case and hospitalization data, which means the agency says people should wear masks in indoor, public settings.

The flu is hitting hard for the first time since the Covid-19 pandemic began. At least 13 million cases, some 120,000 hospitalizations and 7,300 flu deaths, including 21 deaths among children, have occurred this season.

Some of the bump in reported case numbers might be because more people are seeking out tests or healthcare for a cold or flu than before the pandemic, doctors said.

But they also said that they are seeing an uptick in the number of sick patients who need to be hospitalized.

"We are clearly seeing a lot of upper respiratory infections, both in the outpatient clinic as well as being admitted to the hospital," said Dana Mazo, an infectious disease doctor at NYU Langone Hospital-Brooklyn in New York.

"We're preparing for a surge."

—Jimmy Vielkind contributed to this article.

# Walmart Probed Complaints About Shooter

By SARAH NASSAUER

More than two years before a Walmart supervisor shot and killed six workers, Walmart Inc. executives investigated employee workplace complaints against him, according to former and current employees.

Last month, Andre Bing killed six co-workers and left four others injured before fatally shooting himself at the Chesapeake, Va., store where he worked, police say. The 31-year-old had worked at Walmart since 2010 and was the overnight shift manager. A number of the victims were shot in the store's break room.

Walmart's handling of Bing and what it knew about prob-

lems at the store have been raised in two lawsuits brought against the company by employees who survived the attack. Both suits allege Bing demonstrated a pattern of disturbing workplace behavior. A Walmart spokesman said the company is reviewing both complaints and will respond with the court.

In early 2020, Walmart regional managers interviewed members of the store's overnight shift about Bing after several complaints that he was an unkind manager and engaged in threatening behavior, according to the former and current employees familiar with the investigation.

"We were individually interviewed," said Amanda Land, a

former employee at the Chesapeake store. Bing "was not easy to get along with," said Ms. Land, who left the store in 2020. "He thought people were always talking crap about him," she said.

It couldn't be learned which steps Walmart took after the investigation. A spokesman for Walmart declined to comment. Family members for Bing couldn't be reached.

Separately, people who had worked with Bing said in recent interviews that he could be combative and difficult to work with. They said he would cover his cellphone camera with tape because he said he worried the government was tracking him.

"Andre did a lot of weird

things," said Nathan Sinclair, who worked at the Chesapeake Walmart until recently, during an interview soon after the shooting. "Andre was an aggressive person."

Bing bought a 9mm handgun the morning of the attack and left behind a note alleging he was harassed and ridiculed by co-workers, according to police. In it, he wrote, "I was harassed by idiots with low intelligence and a lack of wisdom."

The lawsuits were filed in Chesapeake Circuit Court in the aftermath of the attack by two store workers who survived the shooting, claiming that they had complained to Walmart managers about harassing behavior by Bing months before the incident.

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# GOP Leaders Fight Trump on Early Voting

Many Republicans think party needs to catch up to Democrats on vote by mail

By Alex Leary and Lindsay Wise

WASHINGTON—The issue of mail-in voting has divided Republicans in the wake of disappointing midterm elections, with most key GOP leaders urging the party to embrace the practice and former President Donald Trump continuing to warn against it.

Republicans including Florida Gov. Ron DeSantis say the party has been hurt by relying more heavily on Election Day turnout while Democrats encourage supporters to vote early and by mail. Intraparty criticism intensified following Herschel Walker's loss Tuesday in Georgia's Senate runoff.

"If we don't bank ballots early, we're going to keep losing," Kellyanne Conway, an adviser to Mr. Trump, said Tuesday night on Fox News. Host Laura Ingraham shot back, "But we didn't do it in 2020 because everyone said, 'Don't vote early because that's corrupt.'"

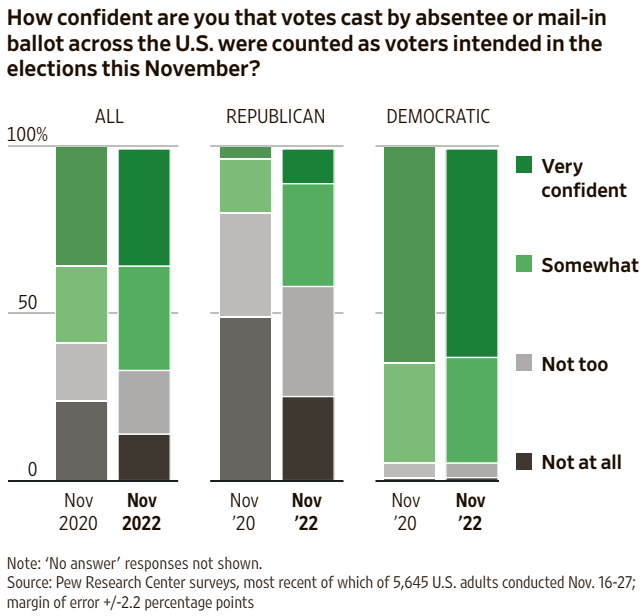
Mr. Trump has criticized mail-in voting relentlessly, both

before and since his 2020 loss. He has spread conspiracy theories alleging fraud with mail-in ballots, which voting experts say is rare. Polls show diminished GOP faith in early voting and party strategists say that has contributed to election defeats, including in gubernatorial and Senate races in Arizona and Pennsylvania.

"REMEMBER, YOU CAN NEVER HAVE FAIR & FREE ELECTIONS WITH MAIL-IN BALLOTS - NEVER, NEVER, NEVER. WON'T AND CAN'T HAPPEN!!!" Mr. Trump wrote Nov. 29 on his social-media platform, not long after announcing his campaign for president.

Charles Stewart III, professor of political science at the Massachusetts Institute of Technology and co-director of the Caltech/MIT Voting Technology Project, said Republicans' aversion to mail-in voting "has become a grass-roots badge of honor." In 2020, he said, 60% of Democrats nationally voted by mail while Republican participation was 30%. In 2016, the two parties were about equal, he said.

Fraud has happened with ballot harvesting—the practice in which political operatives collect absentee ballots from people and drop them off—and



mail-in voting, Mr. Stewart said, "but usually it's local and in small numbers." He added, "It's going to take a Ron DeSantis or someone else with a strong voice to articulate how it's important to win elections."

In Georgia, Mr. Walker won the Election Day vote by 14 percentage points over Democrat Raphael Warnock. But Mr. Warnock eclipsed his rival in mail and early votes by 17 percentage points, according to state data, putting him over the top in the bitterly contested race.

In Pennsylvania, where some Republicans have attacked mail voting, Democrat John Fetterman also lost the Election Day vote to Republican Mehmet Oz in their Senate contest, but he ensured victory by banking about 960,000 mail votes, versus 234,000 for Mr. Oz.

The Republican National Committee has launched a review of the midterm-election performance and will focus in part on ways to encourage

early voting, officials said.

In some places, such as Florida, Republicans have tried to work around the former president's rhetoric. In 2020, the state GOP doctored a tweet by Mr. Trump to remove a negative reference to mail-in voting, while leaving intact his call for absentee voting, even though there is no practical difference.

"Florida has done early voting and absentee for a really long time, so we know how to do it," said Florida Sen. Rick Scott, the departing chair of Senate Republicans' campaign arm. "But the states that haven't, I think Republicans have got to get better at making sure we get our votes out that way."

Mr. DeSantis, who is now seen as the top threat to Mr. Trump's bid for the 2024 nomination, won a second term last month by nearly 20 percentage points and repeatedly called on voters to vote early. "If you wait till Election Day, you get a flat tire, you can't take a mulligan," he said during an October rally.

A spokesman for Mr. Trump didn't respond to a request to comment. Some Republicans support his calls for tighter election laws. "The best voting is in person with an ID," said Sen. Rand Paul (R., Ky.). "That's

the best way to validate that you are who you say you are."

It isn't as simple as just adopting Democrats' tactics, cautioned Josh Holmes, a GOP strategist who previously worked as the chief of staff for Senate Republican Leader Mitch McConnell of Kentucky. While Democratic votes are concentrated in urban areas, the GOP coalition is spread out in rural and exurban areas, making ballot harvesting less efficient for Republicans, he said.

"The sheer manpower that it takes is significantly more than what Democrats have to do," Mr. Holmes said. "It doesn't mean that we should not do that."

He added that the party has a lot of work to do to overcome the damage done in 2020 by Mr. Trump's vilifying mail voting.

There was an enormous effort over the past two years to get Republican voters re-engaged in early voting and mail voting where it is legal, he said. But "there's still an intense resistance amongst a certain segment of the base," he said, "because they've been led to believe the entire endeavor is fraud."

—Katy Stech Ferek contributed to this article.

## Sinema Leaves Democrats

Continued from Page One

an accompanying video. "Nothing's going to change about me."

Ms. Sinema didn't say in her opinion article or the video whether she would caucus with Democrats, but she is keeping her committee assignments controlled by the Democrats and signaled that the move won't change the way she votes or works in the Senate. Sens. Bernie Sanders of Vermont and Angus King of Maine are both independents but caucus with Democrats and are counted as part of their majority.

In an interview with CNN, Ms. Sinema said questions about whether the Democrats' majority would remain at 51-49 or effectively become 50-49 was "kind of a D.C. thing to worry about."

Hannah Hurley, a spokeswoman for Ms. Sinema, didn't answer directly when asked whether Ms. Sinema could still be considered a member of the Democratic caucus.

"She intends to maintain her committee assignments, she is not a Democrat. She is an independent," Ms. Hurley said when asked if Ms. Sinema would be included in Democrats' vote to-

tal the way Mr. King and Mr. Sanders are.

The White House and Senate Majority Leader Chuck Schumer (D., N.Y.) played down the importance of her move and praised the senator's record.

"She asked me to keep committee assignments and I agreed," Mr. Schumer said. "Kyrsten is independent; that's how she's always been. I believe she's a good and effective senator."

Just days earlier, Mr. Schumer celebrated the win of the 51st seat at a press conference, holding up five fingers on one hand and one finger on the other. Even with Ms. Sinema's decision, Democrats will still have more sway in committees and investigations than they did in the current 50-50 Senate.

The White House said it expected Ms. Sinema to continue to join with the administration on its agenda. "We don't see a change in the Democratic majority with her decision to register as an independent," said White House press secretary Karine Jean-Pierre.

While not auguring any immediate shake-up in Senate power, Ms. Sinema's decision softens Democrats' formal majority headed into the new Congress, when Republicans will take control of the House. Deaths or resignations could shift the balance of power, or tempt a lawmaker to try their luck with the other party, as the late Sen. Jim Jeffords did in 2001. Less than six months af-



Sen. Kyrsten Sinema said she changed her registration from Democrat to independent, but she wouldn't change how she votes.

ter GOP President George W. Bush took office, the Vermont Republican declared himself an independent and began caucusing with the Democrats, giving them Senate control.

In the past two years, Democrats have maneuvered some major partisan measures through the evenly divided Senate, but passing legislation required all Democrats to agree if Republicans were united in opposition. That gave effective veto power to Sen. Joe Manchin of West Virginia and Ms. Sinema, who forced the party to make changes and cuts to its tax, healthcare and climate law.

In the next Congress starting in January, any individual Democratic senator had been expected to have less leverage over the agenda, thanks to the Georgia win.

Ms. Sinema has played a central role in efforts to build bipartisan deals on infrastructure spending, gun-control legislation and shoring up same-sex marriage rights. While a reliable vote on Mr. Biden's judicial and executive-branch nominees and routine legislation, she has clashed with fellow Democrats on some major bills and efforts to change Senate rules.

During the months of talks over what became Mr. Biden's tax, climate and healthcare law, Ms. Sinema repeatedly upended Democrats' tax plans. She single-handedly forced the party to abandon its plans to raise the top marginal rates for corporate, capital-gains and individual-income taxes. In the summer, as Democrats finally reached an agreement with Mr. Manchin, Ms. Sinema held out on the deal until Democrats dropped plans to raise taxes on a key source of private-equity managers' income.

Ms. Sinema's stances have regularly angered Democratic activists and sometimes frustrated Democratic colleagues and officials. Earlier this year, her relationship with state Democrats dissolved so completely that there were few Democrats she spoke to in the state, according to several Arizona Democrats.

Arizona Democratic Party Chair Raquel Terán said Ms. Sinema has shown "she answers to corporations and billionaires, not Arizonans."

The business community praised her record Friday. She "has been one of the most effective members" of the Senate, said Danny Seiden, the CEO of the Arizona Chamber of Commerce.

Polls earlier this year showed Ms. Sinema would have a hard time winning the Democratic primary in 2024. Ms. Sinema's spokeswoman said the senator's decision to become an independent wasn't related to a

potential primary challenge.

In this year's midterm elections, Ms. Sinema said she supported fellow Arizona Democratic Sen. Mark Kelly and Secretary of State Katie Hobbs in her governor race, but she didn't appear at public events for them. Ms. Hurley said Ms. Sinema donated to Mr. Kelly's campaign and "helped however he asked."

By becoming an independent, she forces state Democrats to decide whether it is worth running a candidate against her, which could create a three-way race. Such a move could split Democratic-leaning voters and ease the way for a Republican to win.

Rep. Ruben Gallego, who represents central Phoenix, has been making preparations to potentially run against Ms. Sinema, he said in an interview.

"The campaigns that focus on the voters, the working class people of Arizona, are going to win," he said.

Nathan Gonzales, editor and publisher of the nonpartisan publication Inside Elections, said a three-way race likely would benefit Republicans.

Still, "if Republicans nominate someone like Kari Lake, who is not acceptable to all of the Republican Party, then who knows?" he said, referring to the pro-Donald Trump candidate who narrowly lost her bid for governor in November.

—Natalie Andrews, Katy Stech Ferek and Andrew Duehren contributed to this article.

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WORLD NEWS

Founder  
Of FTX  
To Testify

*Continued from Page One*  
bankruptcy—and a sharp critic of Mr. Bankman-Fried—is listed by the committee as a witness for the hearing.  
Mr. Bankman-Fried’s decision follows a back-and-forth on Twitter between him and Rep. Maxine Waters (D., Calif.), the chairwoman of the committee. Earlier this month, he declined to testify, saying he wanted to wait until he finished learning and reviewing what caused FTX’s swift downfall.

Ms. Waters pushed back, tweeting this past week: “Based on your role as CEO and your media interviews over the past few weeks, it’s clear to us that the information you have thus far is sufficient for testimony.”

The FTX collapse has rocked the crypto world. Before FTX’s November bankruptcy filing, the exchange was an industry titan, and Mr. Bankman-Fried its smiling public face. This past spring, Mr. Bankman-Fried’s offers to buy struggling crypto companies were widely compared to actions financier John Pierpont Morgan took more than a century earlier. FTX raised money from some of Silicon Valley’s most sophisticated investors, at a valuation of \$32 billion.

FTX lent billions of dollars worth of customer assets to fund risky bets by its affiliated trading firm, Alameda Research, The Wall Street Journal has reported, setting the stage for its quick collapse.

The Senate Banking Committee also has scheduled a hearing to probe the FTX collapse next week. Its leaders, Sens. Sherrod Brown (D., Ohio) and Pat Toomey (R., Pa.), sought to compel Mr. Bankman-Fried through a subpoena to appear if he doesn’t do so voluntarily.

Lawyers said the threat is likely empty given Mr. Bankman-Fried’s location outside the U.S. Mr. Bankman-Fried is



Sam Bankman-Fried, founder of FTX, sought to influence how the crypto industry would be policed.

living in the Bahamas.

Before the exchange’s collapse, Mr. Bankman-Fried frequently appeared in Washington, testifying before Congress, speaking on panels and mingling with members of Congress and their staffers. Mr. Bankman-Fried sought to influence how his firm and the crypto industry would be policed. Currently, cryptocurrency largely falls outside the rules that govern other aspects of the financial system.

Mr. Bankman-Fried personally gave some \$40 million to politicians and political-action committees ahead of the mid-term elections, according to the Center for Responsive Politics, a nonpartisan group that tracks campaign donations. Mr. Bankman-Fried was the No. 2 overall top donor to Democrats in 2022 election cycle, behind George Soros. Ryan Salame, another top FTX executive, donated more than \$23 million, mainly to Republicans and conservative groups.

Among the lawmakers set to face Mr. Bankman-Fried on Tuesday are several members of the so-called Blockchain Caucus—allies of the crypto industry on Capitol Hill. The committee also includes six of the eight lawmakers who signed a March letter to Securities and Exchange Commission Chairman Gary Gensler questioning the agency’s investigations of crypto firms.

The letter didn’t mention

any specific companies. The Journal has since reported that the SEC is investigating FTX. A person familiar with the matter said that the probe was ongoing in March. An SEC spokesman declined to comment.

On Friday the Journal reported that Mr. Bankman-Fried was part of a Signal group chat, titled “Exchange coordination,” with senior executives at large crypto exchanges, according to people

**‘Stop now, don’t cause more damage,’ the CEO of Binance advised.**

familiar with the chats.

In one of the chats, on Nov. 10, Changpeng Zhao, chief executive of crypto exchange Binance, confronted Mr. Bankman-Fried, according to the people and chats viewed by the Journal.

“Stop trying to depeg stablecoins. And stop doing anything. Stop now, don’t cause more damage,” Mr. Zhao told Mr. Bankman-Fried, according to the messages viewed by the Journal.

The confrontation stemmed from trades by Alameda Research that the Binance CEO and others feared were aimed at destabilizing tether—a sta-

blecoin pegged to the dollar. Because of tether’s importance in crypto markets, a drop in its price could have pushed down other cryptocurrencies.

The industry players believed Alameda was trying to lower its liabilities, much of which are denominated in volatile tokens whose value would have shrunk in the event of a broad market collapse.

Mr. Bankman-Fried denied the claims in the Signal messages and in a statement to the Journal.

The confrontation shows the scale of the jitters in the crypto market about potential contagion. It also underscores the unconventional business practices in the crypto market. Such a chat group would be unthinkable in the world of traditional exchanges, due to concerns about collusion and potential antitrust violations.

The chat group also included Paolo Ardoino, chief technology officer of stablecoin issuer Tether Holdings Ltd.; Justin Sun, founder of crypto network Tron; and Kraken co-founder Jesse Powell.

—Alexander Osipovich and Alexander Saeedy contributed to this article.

DOJ Urges Contempt  
Order Against Trump  
Team Over Records

By Sadie Gurman  
and Alex Leary

WASHINGTON—Federal prosecutors urged a judge in a closed-door hearing Friday to hold Donald Trump’s legal team in contempt of court for failing to fully turn over all classified documents in the former president’s possession, a person familiar with the matter said.

Justice Department lawyers made the request of U.S. District Judge Beryl Howell in recent days, and left after the hearing without commenting on whether the judge had taken any action. The court made no contempt order public on Friday.

“This afternoon, the Court held a hearing regarding an ongoing and sealed grand jury matter,” said Lisa Klem, a spokeswoman for the court. “This matter remains under seal.”

The request for a contempt order came amid the Justice Department’s escalating battle with Mr. Trump’s lawyers over whether he has surrendered all the documents he took with him when he left the White House. Investigators issued a subpoena for the records in May, and in August, executed a search warrant at Mr. Trump’s Mar-a-Lago estate in Florida believing he hadn’t fully complied with the spring demand.

In recent weeks, Mr. Trump’s lawyers turned over two additional documents with classified markings after hiring a private firm to conduct a search of a storage facility not far from Mar-a-Lago as well as his other properties in New York and New Jersey.

The November search didn’t find any classified documents at the former president’s other properties, The Wall Street Journal reported earlier this week. But the discovery of the two items contradicted a certification Mr. Trump’s lawyers made in June saying all of the

remaining classified government documents in Mr. Trump’s possession had been turned over and contributed to mounting frustration of prosecutors.

The Justice Department’s request to Judge Howell signals that its investigation into the handling of documents at Mar-a-Lago is entering a more aggressive phase in the face of Mr. Trump’s fitful and often delayed cooperation with its probe, which is now being overseen by a special counsel, Jack Smith.

The hearing Friday took place in secret over more than an hour. Three attorneys for Mr. Trump left the courthouse without commenting.

The Justice Department declined to comment. Mr. Trump’s spokesman, Steven Cheung, said the former president and his legal team “continue to cooperate and be transparent,” despite what he characterized as a “political witch hunt” by a “weaponized Department of Justice.”

Attorneys representing a coalition of news organizations, including Wall Street Journal publisher Dow Jones, sent a letter to Judge Howell urging her to open Friday’s hearing to the press and public. The judge gave no response.

In October, prosecutors told Mr. Trump’s lawyers they didn’t believe Mr. Trump’s team had located all of the government documents the former president took with him as he left office. That was despite an attestation signed by one of Mr. Trump’s lawyers, Christina Bobb, who told investigators that a fellow attorney, Evan Corcoran, assured her that he had conducted a thorough search of Mar-a-Lago before asking her to certify in June that all government records requested in a subpoena had been returned.

Yet the certification failed to account for the roughly 100 documents with classified markings the FBI later found in its August search.



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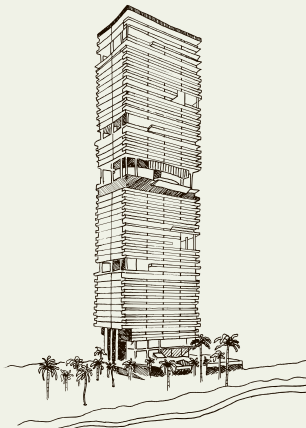
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U.S. NEWS

U.S. WATCH

FTC Faces Test on ‘Vertical’ Mergers

By BRENT KENDALL  
AND DAVE MICHAELS

In challenging Microsoft Corp.’s \$75 billion acquisition of Activision Blizzard Inc., the Federal Trade Commission is building its marquee antitrust case of Chair Lina Khan’s tenure on expansive legal theories that haven’t prevailed in other recent cases.

The lawsuit targets a so-called vertical merger that would combine Microsoft’s software, devices and cloud-computing business with Activision’s library of blockbuster videogames. The FTC argues the deal would give Microsoft the incentive and ability to degrade or withhold Activision’s content on rival systems, principally hurting Sony, its major competitor.

In the typical antitrust case, the government challenges a horizontal merger, or one involving rivals that compete head-to-head. Such mergers, by removing a competitor from the marketplace, can increase concentration, a factor that can be used to infer harmful future effects such as higher prices.

The government has struggled to win cases on vertical mergers because making claims about the potential future harms posed by such deals is less straightforward and can require complex speculation about how market forces might play out. U.S. Dis-



FTC Chair Lina Khan speaks at The Wall Street Journal CEO Council.

trict Judge Richard Leon, presiding in 2018 over the Justice Department’s landmark—and unsuccessful—challenge to AT&T’s proposed vertical acquisition of Time Warner, described one of the government’s central legal theories as a “Rube Goldberg contraption.”

Government agencies have historically policed vertical mergers less forcefully than horizontal ones, under the theory that vertically integrated companies can offer lower prices or better products, including through increased efficiency. Microsoft could, for instance, lower the price for its Xbox gaming console because it profits from selling Activision’s games.

Still, antitrust officials un-

der both Democratic and Republican administrations have recognized some vertical transactions may unlawfully suppress competition. Such harms could come if a merged firm deters the rest of the industry from innovating or denies resources needed by rivals.

Predicting a vertical deal’s effects is tricky, and antitrust authorities don’t have the analytical tools to reliably do it, said Michael Salinger, a professor at Boston University and a former FTC chief economist. “The models are not precise enough to nail down which way the effects go,” Dr. Salinger said. “I think they are going to have a tough time in court.”

Microsoft, which values the

deal at \$68.7 billion after adjusting for Activision’s net cash, has said it would give Sony and others access to Activision games.

Court challenges to vertical mergers have become more likely as antitrust agencies have grown less willing to accept upfront settlements that permit deals to close but put limits on the merged company’s future behavior, said Barry Nigro, a partner at Fried, Frank, Harris, Shriver & Jacobson LLP.

There is less case law to support vertical-merger challenges, but the FTC and Justice Department can change that only by taking more cases to court, Mr. Nigro said.

The FTC’s move under Ms. Khan to block the deal isn’t surprising, given her history of criticizing what she views as worrisome levels of dominance by a handful of giant technology companies. A divided FTC under Ms. Khan last year withdrew previous guidelines on how antitrust enforcers should view vertical mergers, believing they weren’t tough enough. Republican commissioners dissented.

Yet the FTC’s arguments against the Microsoft deal in many ways resemble those made by the Trump-era Justice Department when it sued to block the AT&T-Time Warner deal in 2017. The department argued the merger would give AT&T the power to sup-

press competition because it would be a top distributor of pay-TV service as well as the owner of top content.

Under the Justice Department’s theory, AT&T would have the ability to hobble cable-TV rivals by charging higher prices to carry programming from Time Warner’s networks, or withhold it from the networks altogether.

The AT&T case was the first litigated vertical merger challenge in 40 years—and the Justice Department’s loss before Judge Leon was lopsided.

A handful of other vertical challenges brought since then have met a similar fate. The FTC last year sued to block Illumina Inc.’s planned \$7.1 billion acquisition of Grail Inc., a company developing an early stage cancer-detection test, arguing the vertical deal would diminish innovation in the market for such tests.

The government has prevailed in some investigations of vertical deals after showing the muscle and will to bring the cases to court. Lockheed Martin Corp. and Nvidia Corp. both abandoned planned acquisitions of suppliers this year after the FTC filed suit to block their deals.

The FTC is also seeking to prevent Meta Platforms Inc. from buying virtual reality startup Within Unlimited Inc., with proceedings kicking off this week in a California federal court.

Microsoft Doubted on Activision

Continued from Page One  
most popular games. The FTC filed its lawsuit on Thursday.

“The Proposed Acquisition, if consummated, may lessen competition substantially or tend to create a monopoly,” the FTC said in its complaint against Microsoft.

Executives at the Redmond, Wash., company have said it would take time to get all the approvals needed from regulators around the world, and had given itself close to 18 months for the process. The deal could now miss Microsoft’s mid-2023 deadline, and some analysts said Microsoft may want to drop the acquisition.

Microsoft should “take the hint and give up the deal that, if completed, might end up a Pyrrhic victory of executive distraction and expensive regulatory concessions,” said John Freeman, a vice president at investment-research firm CFRA Research in a note to investors.

At stake is Microsoft’s big ambitions for its videogaming business, which had revenue

of \$16 billion in the last fiscal year. That total represents less than 10% of Microsoft’s overall revenue. The business is a crucial part of Microsoft’s plans to diversify to attract more non-corporate customers.

The FTC’s move came after the company had avoided the brunt of the antitech backlash of recent years.

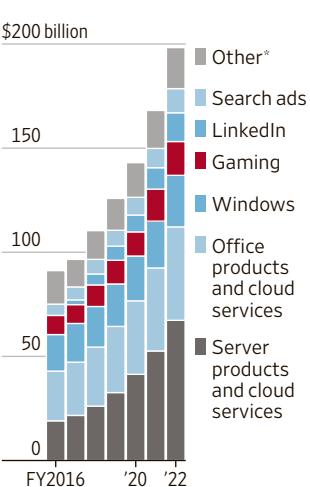
The suit represents a “somewhat meaningful setback” for Microsoft because of the company’s longtime lobbying efforts, said Stifel Nicolaus analyst Brad Reback. “They’ve worked very hard to stay on the right side of government agencies.”

As Microsoft’s representative in Washington, Mr. Smith has been building relationships in the capital for decades. He had helped cultivate an image of the software giant as one of the friendly technology leaders, an enviable position in a regulatory environment that has been increasingly hostile toward tech titans.

One of the longest-serving leaders inside Microsoft, Mr. Smith joined in 1993 and was a legal adviser through its antitrust disputes with regulators around the world in the 1990s.

“We have been committed since Day One to addressing competition concerns, including by offering earlier this

Microsoft revenue by segment



\*Includes enterprise services and devices  
Note: Fiscal years end in June  
Source: the company

week proposed concessions to the FTC,” Mr. Smith said after the lawsuit was filed.

In its complaint, the FTC accused Microsoft of previously suppressing competition from rivals through its 2021 acquisition of ZeniMax Media Inc., parent of “Doom” developer Bethesda Softworks, despite giving assurances to European antitrust authorities that it would do otherwise. Microsoft said the FTC’s ZeniMax allegation is misinformed.

Microsoft officials have expressed confidence in closing the Activision deal, which it has

valued at \$68.7 billion after adjusting for Activision’s net cash. Lawmakers and industry representatives have said it would be hard for any of the biggest U.S. tech companies—including Apple Inc., Amazon.com Inc., Google parent Alphabet Inc. or Facebook owner Meta Platforms Inc.—to win approval for a large acquisition in the current political environment.

As government scrutiny and competition between the biggest tech companies have been increasing, Microsoft has tried to appease regulators.

In May, Microsoft announced a set of principles it would abide by when dealing with cloud-service providers in Europe, hoping to assuage concerns its cloud business was hurting European cloud companies. The principles included pledges to work with European cloud providers and support the success of software vendors running on Microsoft’s cloud.

Amid concern the deal could hurt attempts to unionize at Activision or elsewhere in the gaming industry, Microsoft in June said it was open to working with any labor unions that want to organize.

As PlayStation maker Sony Group Corp. and others said they were concerned the acquisition could leave competitors locked out of Activision’s popular “Call of Duty” franchise, Microsoft

this week said it would make it available for the first time on Nintendo Co.’s Switch gaming consoles for at least 10 years.

Microsoft this week also made its case to the public. “Blocking our acquisition would make the gaming industry less competitive and gamers worse off,” Mr. Smith, said in an opinion article in the Journal on Monday.

“Think about how much better it is to stream a movie from your couch than drive to Blockbuster. We want to bring the same sort of innovation to the videogame industry.”

It is too soon to tell if the FTC can succeed in blocking the deal. The agency will likely eventually have to go before a federal judge, a process that could take months to unfold, said Eric Talley, a professor at Columbia Law School.

The case could be difficult for the regulator to win because courts have traditionally not seen deals among companies that specialize in different phases of the same industry’s production process—so-called vertical mergers—as competitive dangers, he said.

“It may require the commission to convince a judge to change the law somewhat,” he said. “That makes it a difficult case for the FTC to win, though they presumably knew this going in.”

Ex-Officer Sentenced In Killing of Floyd

MINNEAPOLIS

A former Minneapolis police officer was sentenced to 3½ years in prison for state charges over the murder of George Floyd, which led to a summer of protests against racism and police brutality across the U.S. in 2020.

J. Alexander Kueng, a rookie officer on the day of Mr. Floyd’s arrest and murder in May 2020, pleaded guilty in October to aiding and abetting second-degree manslaughter.

Mr. Floyd was arrested on May 25, 2020. Then-veteran officer Derek Chauvin led the other officers in placing a handcuffed Mr. Floyd on the ground. Mr. Chauvin knelt on Mr. Floyd’s neck and back for 9½ minutes.

Mr. Chauvin is serving a sentence of more than 20 years in federal prison after being convicted of second-degree unintentional murder in state court and pleading guilty to federal civil-rights charges.

—Joseph De Avila

MICHIGAN

Charges Dismissed Against Ex-Governor

A Michigan judge dismissed criminal charges against former Gov. Rick Snyder related to his handling of the Flint water crisis.

Genesee County Circuit Court Judge F. Kay Behm said she was dismissing the case against Mr. Snyder because the charges against him weren’t properly brought. Michigan prosecutors charged the former Republican governor in January 2021 with two counts of willful neglect of duty, a misdemeanor.

The water crisis in Flint began in 2014, when officials appointed by the state switched the water source as a cost-saving measure and failed to treat the water properly, causing old pipes to leak lead into the tap water.

Prosecutors said Judge Behm’s decision this week wasn’t surprising and they plan on appealing. Mr. Snyder’s attorney didn’t respond to a request to comment.

—Talat Ansari

KANSAS

Oil Spill Is Biggest In Keystone’s History

An oil spill in a creek in northeastern Kansas this week is the largest for an onshore crude pipeline in more than nine years and by far the biggest in the history of the Keystone pipeline, according to federal data.

Canada-based TC Energy on Thursday estimated the spill on the Keystone system at about 14,000 barrels and said the affected pipeline segment had been isolated and the oil contained at the site. After a drop in pressure on the pipeline that carries oil from Canada to the Texas Gulf Coast, the company said it shut down its Keystone system Wednesday. Oil spilled into a creek in Washington County, Kan.

—Associated Press

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WORLD NEWS

Russia, Iran Deepen Military Ties, U.S. Says

Tehran is considering selling hundreds of ballistic missiles to Moscow as war rages

By Ken Thomas

WASHINGTON—The Biden administration warned that military ties between Russia and Iran are expanding into “a full-fledged defense partnership,” and said the two nations are considering establishing a joint-production line to provide lethal drones in Russia. The U.S. said Friday it believed Iran is considering sell-

ing hundreds of ballistic missiles to Russia, and described the military relationship between the two nations as moving beyond simply Iran’s supplying of drones to Moscow for use in the Ukraine war. The Biden administration announced sanctions against three Russian-based entities it said were at the forefront of the acquisition and use of Iranian drones: The Russian Aerospace Forces, which received the drones; Russia’s 924th State Center for Unmanned Aviation, which has sent personnel to Iran to train on Iranian drones; and Russia’s Command of the Mil-

tary Transport Aviation, which was also involved in the transfer of drones from Iran to Russia. The U.S. also is considering additional steps, such as export controls to restrict Iran’s access to sensitive technologies. “Russia is offering Iran an unprecedented level of military and technical support that is transforming their relationship to a full-fledged defense partnership,” said John Kirby, a spokesman for the National Security Council. “To be clear: this partnership poses a threat, not just to Ukraine, but to Iran’s neighbors.” Military and technical infor-

mation is flowing in both directions between the two countries, Mr. Kirby said. The possibility of a joint production line is based on U.S. intelligence, he said, declining to elaborate. “We urge Iran to reverse course and not to take these steps,” he added. Mr. Kirby said Moscow sought to collaborate with Iran on areas such as weapons development and training, and may be providing Tehran with helicopters and air-defense systems. He said Iranian pilots trained in Russia during the spring to fly the Sukhoi Su-36, a Russian jet fighter, which

could indicate that Tehran “may begin receiving aircraft within the next year.” As part of the U.S. effort to help Ukraine, Mr. Kirby said the Biden administration would be providing Ukraine with an additional security package of \$275 million. “It will provide Ukraine with new capabilities to boost its air defenses and counter the threats that Ukraine is facing from drones,” he said. Tehran and Moscow have long maintained a wary alliance, a relationship fostered in part by mutual opposition to a U.S.-led world order, and fueled by their shared status as primary sanc-

tions targets for Washington. When Western nations representing two-thirds of the global economy levied sanctions against Russia for its invasion of Ukraine in February, Russia took Iran’s pace as the target of the biggest sanction program in modern history, making the two nations pariahs politically and economically. U.S. officials and analysts say Russia’s use of Iranian drones raises the perceived potential threat that Tehran represents to Europe—fears that likely would escalate if Iran were to sell its missiles to Russia for use in Ukraine.

Bloody Battle for Bakhmut Bogs Down for Both Sides

By Thomas Grove

BAKHMUT, Ukraine—Oleksander Matviyenko, a junior officer in the Ukrainian army here on one of the most hotly contested front lines of the war, fights off Russian attacks with other defenders nearly every day. But they keep on coming. “We shoot at them, they send more. It doesn’t end,” said Lt. Matviyenko, 26, a yellow-and-blue Ukrainian flag patched onto his olive-green uniform. “There’s so many of them.” The battle for Bakhmut has become a bloodbath for both sides as Russia steps up its attempts to take what used to be a quaint, tree-lined city. Ukrainian defense officials said Moscow is losing around 50 soldiers a day to maintain a slow, bruising advance to reach the city’s easternmost gates. If the Russians break through to take control of Bakhmut, it would open a path to the political and economic centers of Slovyansk and Kramatorsk in the Ukrainian-held portions of the Donbas area, once one of the country’s main industrial regions. Moscow tried to seize the area in a pincer movement in the early days of the war and into the summer. After a lightning offensive, Ukraine regained

much of the lost ground. Now, as Russia slowly burns through its artillery stockpiles, defense analysts said, its troops are advancing once again but on tank and foot. This time it is so President Vladimir Putin can tout a rare victory to the Russian people after a succession of withdrawals, most recently in Kherson, giving it outsized importance to the Kremlin, some analysts said. “The costs associated with six months of brutal, grinding, and attrition-based combat around Bakhmut far outweigh any operational advantage that the Russians can obtain from taking Bakhmut,” wrote the Institute for the Study of War, a U.S. defense think tank based in Washington. Serhiy Cherevaty, spokesman for the Ukrainian military’s Eastern Group of Forces, said 50-70 Russians were dying a day in the battle. The fighting has ripped through neighborhoods, reducing outdoor cafes to scrap metal. Trenches slick with mud to the city’s east have invited comparison to the bloodiest fighting of World War I. Bakhmut was heavily fortified early on in the conflict, making Russia’s task of taking it harder than elsewhere in



Members of Ukraine's drone-intelligence unit gather outside an abandoned house in Bakhmut.

Donbas. “Even if the city falls, Ukrainians will pull back to the next line of defense, forcing Russia to fight for another kilometer of land,” said Konrad Muzyka, president of defense-focused Rochan Consulting, based in Poland. A Russian prisoner of war who was captured at Bakhmut said his troops would go out

daily on missions to try to draw Ukrainian fire, but they weren’t properly covered by their own forces. He was shot in fighting and taken prisoner on the battlefield. “I only fought for two weeks until I fell,” he said. The Russian Defense Ministry didn’t respond to a request to comment. Casualties are high on the

Ukrainian side as well. The city’s only military hospital, where injured soldiers are stabilized before being sent for treatment in the nearby city of Druzhkivka, is inundated with casualties, and soldiers fresh from the battlefield wait in the clinic’s dimly lighted corridors. Russia’s push to encircle Bakhmut has brought surrounding towns under pres-

sure. Russia’s Defense Ministry said its forces have taken Opytne. In Soledar to the north, their advance has contested Ukraine’s hold on the town, though the Ukrainian military has said it has so far pushed back attacks. In Bakhmut itself, Russians have taken hold of parts of its industrial zone, Ukrainian and Russian military correspondents said. A power plant and the local trash-processing center are already under the control of Russia’s paramilitary Wagner group. Of the several thousand residents still left in the city, many said their nerves had been shot by constant shelling, shooting and missile fire that has pummeled the city’s center. On buildings, signs of resistance show: “Bakhmut is Ukraine, Donbas is Ukraine” or “Die Russian scum.” Still, not everyone blames the Russians. Larisa Vladimirovna, 60, said she didn’t leave the city at first because her paralyzed husband needed care. When he died, she said, she asked the neighbors to bury him in the apartment courtyard. “I wish the Ukrainians would stop shooting, my house is gone, my whole neighborhood is gone,” she said.

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**WARNING**

**DOCTORS WARN CANNABIS (MARIJUANA) CAN CAUSE SERIOUS HEALTH HAZARDS**

**IASIC**, the International Academy on the Science and Impact of Cannabis, is a medical organization of doctors who educate on marijuana based on the scientific and medical literature. IASIC is a non-partisan and non-political group created to facilitate informed decisions when considering cannabis policy and law.

*It is our conclusion, based on review of the scientific evidence, that public health effects of commercial cannabis on Americans health are harmful. These growing negative impacts further strain health care and addiction treatment resources to an extent that far surpasses taxation revenues.*

**EVIDENCE:** Thousands of peer reviewed medical articles have been published on the harms of cannabis and marijuana. Reviews of medical benefits of cannabis published in

- highly ranked journals reveal only limited benefits for a few conditions, and generally do not consider long term consequences, including:
- Emergency Department (ED) Visits
  - Psychosis
  - Suicide
  - Brain Development
  - Neonatal Exposure
  - Opioid Use
  - Traffic Fatalities
  - High Potency, Problematic and Youth Use
  - Cannabis Hyperemesis Syndrome
  - Heart and Lung Disease
  - Testicular Cancer

**CONCLUSIONS:** We recognize that there are many sides to the marijuana debate, and we call attention to the growing science on public health risk. Tobacco was promoted as relatively harmless before nicotine addiction

became ubiquitous and the link to lung cancer was proven. The opioid industry marketed its drugs as non-addictive and safe in the early 1990s, and we are still paying the price. Let’s learn from our historical mistakes and not repeat them with marijuana. Drug addiction and death have increased during the COVID-19 pandemic. We urgently need smart public health policies that follow the science, prevent addiction, and decrease mental illness including psychosis, depression, and suicide.

IASIC, the International Academy on the Science and Impact of Cannabis, hopes lawmakers and voters will follow the science and promote public health.

Visit the IASIC Library to view the research on the harms of cannabis use, translated for public understanding.

Full article: [www.IASIC1.org/doctors-warn-cannabis-can-cause-serious-health-hazards/](http://www.IASIC1.org/doctors-warn-cannabis-can-cause-serious-health-hazards/)



\*Full article with citations

Doctors Medical Society suggest the following warning label:

**Warning: Cannabis THC may cause:**

1. Impaired driving
2. Addiction
3. Psychosis
4. Suicide or self harm
5. Uncontrollable vomiting
6. Harm to developing infant/nursing baby



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WORLD NEWS

Tense Talks Led to Griner’s Release

Negotiations dragged on for months until a final frenetic few weeks that ended in freedom

By VIVIAN SALAMA  
AND LOUISE RADNOFSKY

WASHINGTON—The exchange of detainees went down like a classic Cold War spy scene: Russia and the U.S. facing off from a short distance, ready to whisk their person away. Only instead of a bridge in Germany in 1962, the location was a bright United Arab Emirates air base in 2022, and the trade was women’s basketball star Brittney Griner for Russian arms dealer Viktor Bout.

The monthslong events that led up to that moment reflect the deep-rooted tensions and contradictions in the U.S.-Russia relationship since Moscow’s invasion of Ukraine. For U.S. officials, the 294 days that spanned Ms. Griner’s detention to her release demonstrated both how far Russia was willing to go to punish the U.S. for its support of Kyiv, but also the willingness of Moscow to negotiate, for a price.

When Ms. Griner, 32 years old, was detained after flying into Moscow’s Sheremetyevo Airport on Feb. 17—one week before the Russian invasion—she frantically texted her agent Lindsay Kagawa Colas, telling her she didn’t even know where she was. Ms. Colas, who recounted the episode while recently speaking on a panel, said she told Ms. Griner to use her phone to drop a pin displaying her location, which allowed them to track her to a police station near the airport and dispatch a Russian lawyer.

News of her arrest on drug charges didn’t surface until weeks later when it was reported by Russian state media. By then, the Ukraine war was well under way, and Western allies, outraged by Russia’s aggression, imposed crippling sanctions on the government, its top industries and President Vladimir Putin, throwing diplo-



Basketball star Brittney Griner arrived in San Antonio early Friday after her release from a Russian prison.

matic relations into a tailspin.

During the next several weeks, the State Department and the White House said it was following Ms. Griner’s case closely, working through multiple diplomatic channels, including the downsized U.S. Embassy in Moscow. But the Russian government was uncooperative, often not responding to official U.S. diplomatic visitation requests, said U.S. officials with direct knowledge of the deliberations.

Then, suddenly, there was reason for optimism: On April 28, Trevor Reed, a U.S. citizen and former Marine who was held in Russia since 2019 on assault charges, was released in a prisoner swap for Konstantin Yaroshenko, a Russian pilot convicted of conspiring to import cocaine.

On May 3, the U.S. officially classified Ms. Griner as “wrongfully detained” and vowed to work more aggressively to secure her release even as the legal case against her played out in a Russian court.

Consular officials from the U.S. Embassy in Moscow were able to visit with Ms. Griner

on the margins of her court hearing in Moscow in late May, according to the State Department, but the visits had become too inconsistent.

‘I’m terrified’

By July, the bureaucratic and logistical delays were a growing cause for concern for Ms. Griner and her family. In a handwritten letter to President Biden, Ms. Griner wrote: “As I sit here in a Russian prison, alone with my thoughts and without the protection of my wife, family, friends, Olympic jersey, or any accomplishments, I’m terrified I might be here forever.”

Soon afterward Ms. Griner, on advice of her lawyers, pleaded guilty, hoping for leniency. But in August, she was convicted and sentenced to nine years in prison.

While Ms. Griner’s high profile brought greater awareness about American detainees abroad, it also raised questions about Paul Whelan’s fate. The former Marine, who has U.S., Irish, British and Canadian citizenship, was detained at a Moscow hotel in December 2018 by Russian authorities

who alleged he was involved in an intelligence operation. He was convicted and sentenced in June 2020 to 16 years in prison in a trial U.S. officials denounced as unfair. He denies the espionage charges.

The U.S. had took the extraordinary step of publicly pressing in late July what Secretary of State Antony Blinken called a “significant offer” for Ms. Griner and Mr. Whelan, which people familiar with the matter had said was a proposal to return to Russia the arms dealer Mr. Bout. Russia signaled in response that a two-for-one deal was unacceptable.

Bill Richardson, the former governor of New Mexico who runs a private organization dedicated to hostage negotiations, visited Russia in the fall and discussed the possibility of a two-for-two swap that included Mr. Whelan, according to a person with direct knowledge of the discussions. The Russians came back to American negotiators in and outside the administration insisting that they wanted three or four prisoners released, the person said. “Back and forth it went until it was

one-for-one,” the person said.

Urgency around Ms. Griner’s case was growing. On Nov. 9, a day after the U.S. elections, Ms. Griner’s lawyers confirmed she was being transferred to a Russian penal colony, appearing to mark the start of a perilous new phase in her ordeal. Advocates emphasized the difficult conditions she would encounter there.

On Nov. 29, a federal prosecutor in Manhattan went to a judge there and made an unusual, secret request, according to a subsequently unsealed document. Based on “significant policy interests,” the government asked the court to allow the U.S. Marshals Service to remove Mr. Bout from prison as early as Dec. 2 and hold him for two weeks in case Mr. Biden granted him clemency. If no clemency came in that time frame, authorities would return Mr. Bout to prison.

‘Welcome home!’

Meanwhile, U.S. officials started to shift their tone, no longer emphasizing complaints about Russians refusing to negotiate in good faith. Yet, suspicions that Moscow wouldn’t hold up its end of the bargain remained, and it wasn’t until Thursday, after a plane carrying Ms. Griner landed at a U.A.E. air base, that the conditional grant of clemency was completed, the White House said. With aircraft on opposite sides of the tarmac, Mr. Bout walked across to the Russian plane, and Ms. Griner then crossed to the U.S. plane.

Back in Washington, Cherelle Griner, Ms. Griner’s wife, was at the White House. She was invited there earlier this week for a meeting Thursday with national security adviser Jake Sullivan to get updates.

Cherelle Griner and President Biden were in the Oval Office when Mr. Biden was notified that Ms. Griner was secure. She was then put through to the Oval Office and the president picked up and said “It’s Joe Biden. Welcome, welcome home!”

Kremlin Celebrates Prisoner Exchange

By ALAN CULLISON

President Vladimir Putin said Friday that Russia was ready for more prisoner exchanges with the U.S., but the Kremlin warned that the talks that freed U.S. basketball star Brittney Griner didn’t herald a warming in relations between the two nations.

Russia and the U.S. agreed to exchange Ms. Griner for convicted arms dealer Viktor Bout. Ms. Griner had been detained earlier this year in Russia after she was found carrying hashish oil in her luggage. She was later convicted of drug smuggling and possession.

“Are other exchanges possible—everything is possible,” Mr. Putin said at a press conference in Bishkek, Kyrgyzstan. He said the exchange was agreed upon by U.S. and Russian security services and that “contacts continue.”

“It was not our initiative, it was the initiative of the American side,” he said. “President Biden asked for it, we agreed.”

Moscow portrayed the release on Thursday of Mr. Bout as a victory, and a sign that a resurgent Russia can protect its own citizens despite its isolation over the war in Ukraine. Kremlin-controlled media derided the U.S. for exchanging Mr. Bout for Ms. Griner, whom it frequently notes is a lesbian and admitted drug user.

The head of Russia’s propaganda outlet RT depicted the prisoner exchange for Ms. Griner as a sign of U.S. weakness and fascination with identity politics, noting that a U.S. veteran, Paul Whelan, who has been imprisoned since 2018, remains incarcerated in Russia.

“They wanted to exchange Bout for Whelan, but they exchanged him for Griner,” tweeted Margarita Simonyan, the head of RT.

U.S. Adapts To Hostage Diplomacy

Continued from Page One

the U.S. released two relatives of Venezuelan President Nicolás Maduro convicted of drug trafficking, as well as a Russian cocaine smuggler.

Russia, which had convicted Ms. Griner of possessing a cannabis derivative, on Thurs-

day allowed her to return home in exchange for an order by President Biden to commute a 25-year prison sentence being served by convicted Russian arms dealer Viktor Bout.

The deal sparked new worries that more Americans could be taken into custody by antagonistic governments seeking something from the U.S. The growing practice of what the U.S. has called hostage diplomacy—by China, Russia, Iran, Venezuela and North Korea—prompted Mr. Biden this summer to declare it a national emergency.

Since the president has sole pardoning authority, the decision about a prisoner exchange is ultimately a political one. Robert O’Brien, who served as President Donald Trump’s hostage envoy and later national security adviser, said his view of prisoner swaps gradually changed.

“When I started, I didn’t want to do prisoner exchanges. I viewed it as a concession,” he said. When Mr. O’Brien tried to negotiate the release of Americans in Iran—including Princeton academic Xiyue Wang and Siamak Namazi and his father Baquer

Namazi—Iranian officials relayed through a third country that it would cost hundreds of millions of dollars per hostage, he said.

Mr. O’Brien said he came to see prisoner swaps as a useful tool under the right circumstances. “I had a broad mandate from the president to bring people home,” he said.

Mr. Wang was released in 2019, and the U.S. freed Masoud Soleimani, an Iranian professor held in the U.S. on charges of violating sanctions. Mr. Wang wrote after his return that his Iranian prison interrogator told him he was to be used as one side of an exchange for U.S.-held Iranian prisoners and the release of frozen Iranian assets. In October, Iran granted Siamak Namazi a short prison furlough and allowed his ailing father to depart the country.

Iran has previously denied wrongfully detaining Americans or using American prisoners as bargaining chips.

After the Griner-Bout trade, Debra Tice, whose son Austin, a freelance journalist and former Marine officer, has been detained in Syria since 2012, criticized the U.S. government for telling her it couldn’t negotiate with the Assad regime given its brutality, but was willing to negotiate with Russian President Vladimir Putin. “We’ve heard for 10 years that we can’t make any concessions,” she said. “Then they publicly announced the concessions that could be made.”

In October, the biggest U.S. prisoner swap in recent years took place on an airport tarmac on the tiny Caribbean island of St. Vincent.

After five years of detention in Venezuela and with his wrists still raw from handcuffs, permanent U.S. resident José Pereira, a former senior executive at Citgo Petroleum Corp., led a single-file line of six other people to an American jet. Most had been jailed on corruption charges that U.S. officials said were specious.

The released prisoners passed two nephews of the wife of Venezuela’s president headed the other direction, toward the plane the Americans had just left. The nephews had been convicted of U.S. drug-trafficking charges in 2016.

A senior Biden administra-

more than a year captive in North Korea before his death at age 22 in 2017. Mr. Trump also approved prisoner swaps.

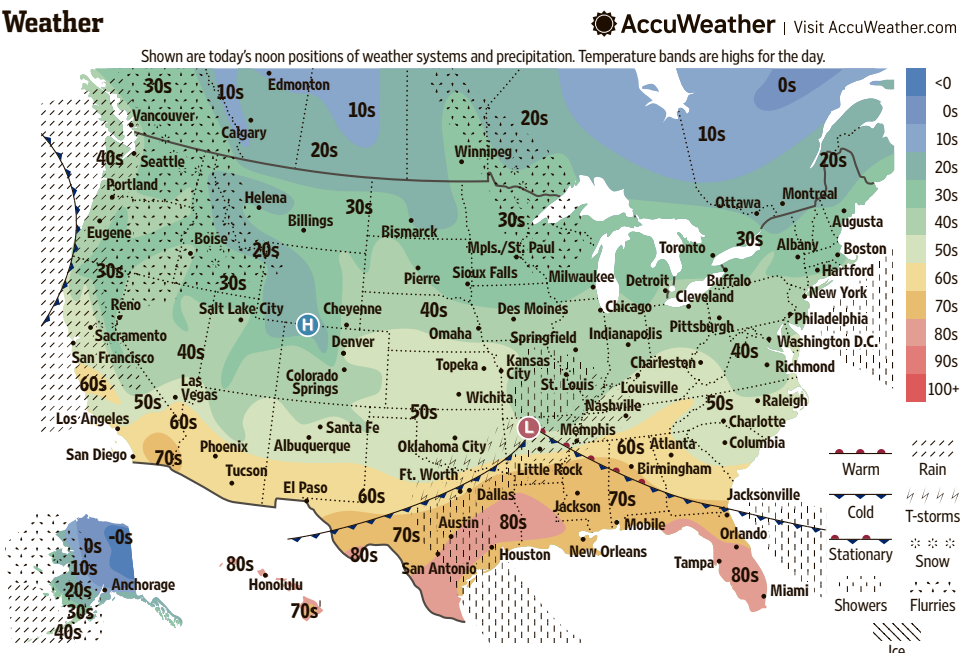
In 2020, Congress codified in U.S. law the term “wrongfully detained,” defining it to include citizens held specifically because of their U.S. nationality. Human-rights groups say more than 50 Americans are currently being wrongfully detained, according to the criteria in the law.

Joint lobbying by the families of detainees has helped build political support for prisoner swaps. Texans Joey Reed and Paul Reed pressured Biden administration officials and Republican lawmakers to help free their son, Trevor Reed, from a Russian labor camp.

In April, Mr. Reed was released in exchange for a Russian pilot serving a 20-year prison sentence in the U.S. for conspiring to import \$100 million worth of cocaine.

On Thursday, lawmakers in both parties celebrated Ms. Griner’s release, though some quickly shifted focus to Paul Whelan, an American whom U.S. officials had also hoped to free from Russia.

A decline in the number of Americans taken hostage abroad, including aid workers and journalists, has been offset by longer ordeals and rising cases of wrongful detention by foreign governments, according to the James W. Foley Legacy Foundation. The hostage-advocacy group counts an average of seven Americans held hostage each year in the past decade compared with an annual average of 34 people considered wrongfully detained by governments.



Forecasts and graphics provided by AccuWeather, Inc. ©2022

U.S. Forecasts

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

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	11	8	pc	23	21	sn
Atlanta	63	49	c	56	48	r
Austin	80	60	t	72	57	c
Baltimore	46	37	pc	47	36	c
Boise	42	34	sn	40	30	c
Boston	36	28	c	35	28	c
Burlington	29	21	s	32	22	sn
Charlotte	54	44	c	50	41	r
Chicago	42	35	c	42	33	pc
Cleveland	43	37	c	43	34	c
Dallas	69	52	r	62	51	pc
Denver	51	29	c	61	34	s
Detroit	42	34	c	43	31	sf
Honolulu	83	73	s	83	73	s
Houston	79	65	t	76	62	pc
Indianapolis	46	36	c	45	32	pc
Kansas City	52	26	pc	49	39	pc
Las Vegas	59	45	c	55	36	c
Little Rock	53	47	r	54	43	pc
Los Angeles	62	53	r	59	43	r
Miami	82	66	s	83	66	s
Milwaukee	40	35	c	41	32	c
Minneapolis	34	26	c	35	26	c
Nashville	56	48	r	54	42	pc
New Orleans	77	64	c	73	63	r
New York City	43	36	s	42	36	r
Oklahoma City	50	38	r	53	42	s

International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	38	29	sh	36	27	sf
Athens	67	64	c	66	57	sh
Baghdad	69	46	s	68	43	s
Bangkok	91	76	pc	92	74	pc
Beijing	39	16	s	37	17	pc
Berlin	31	26	pc	29	27	c
Brussels	34	28	pc	33	25	c
Buenos Aires	80	72	pc	84	66	t
Dubai	81	69	pc	80	63	s
Dublin	35	29	pc	38	26	pc
Edinburgh	36	27	sh	36	24	pc

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Frankfurt	37	27	pc	34	25	c
Geneva	40	23	sn	33	17	sf
Havana	85	57	pc	83	59	pc
Hong Kong	71	57	s	68	55	pc
Istanbul	63	60	c	67	58	sh
Jakarta	90	75	sh	91	75	sh
Jerusalem	65	49	s	67	51	s
Johannesburg	78	61	t	76	59	t
London	38	27	pc	35	29	sn
Madrid	54	41	pc	45	40	r
Manila	86	77	t	85	77	c
Melbourne	76	59	s	80	55	c
Mexico City	71	49	s	70	50	s
Milan	44	35	c	46	25	r
Moscow	31	24	sn	28	25	sn
Mumbai	89	71	pc	91	74	pc
Paris	37	28	pc	35	27	c
Rio de Janeiro	84	75	s	84	75	pc
Riyadh	62	49	t	67	49	s
Rome	63	49	r	58	41	r
San Juan	85	74	pc	84	74	s
Seoul	46	23	pc	42	24	s
Shanghai	56	43	c	55	39	c
Singapore	86	75	sh	86	75	sh
Sydney	71	60	pc	81	70	r
Taipei City	69	62	r	64	60	pc
Tokyo	58	47	s	58	41	pc
Toronto	33	29	pc	36	25	sn
Vancouver	44	38	r	44	31	pc
Warsaw	33	28	pc	31	25	sn
Zurich	36	23	sn	29	19	sn



Russian state media image said to show Brittney Griner, left, and Viktor Bout, second from right.



WORLD NEWS

Inflation Slowed In China as Covid Lockdowns Spread

By JASON DOUGLAS

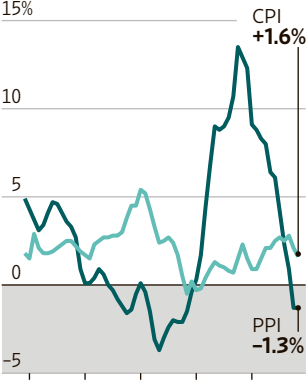
SINGAPORE—Inflation in China slowed sharply in November as widespread Covid-19 lockdowns battered spending, emphasizing the economic cost of a strict coronavirus strategy that the government has begun to relax. Economists expect China's move away from using lockdowns and mass testing to snuff out even tiny outbreaks would be a gradual, and possibly bumpy process, likely meaning growth and inflation will remain subdued well into 2023.

That may ease inflationary pressure on the world economy, but add to global growth troubles as the U.S. and Europe teeter on the edge of recession.

Consumer prices in China last month were up 1.6% from a year earlier, the National Statistics Bureau said Friday. That was the slowest pace since March, down from October's 2.1%, but slightly above the 1.5% expected by economists polled by The Wall Street Journal.

Producer prices—those charged by companies at the factory gate—fell for the second straight month, down 1.3% from a year earlier, a reflection

China's producer- and consumer-price indexes, change from a year earlier



Source: National Bureau of Statistics

of weak spending in China and fading demand for exports.

China's economy is expected to eke out modest growth this year, hit by repeated lockdowns and a deep and continuing real-estate slump.

Forecasts compiled by the Journal suggest 2022 growth is expected to come in at about 3%. Setting aside 2020, when the pandemic held economic expansion to 2.2%, that would be the weakest annual growth since the early 1990s.

Chinese imports in November fell at their steepest annual pace in almost three years as spending collapsed. Factory activity sputtered.

Easing Covid controls will eventually revitalize China's economy, but the months ahead will be tough, economists say, as a likely tide of infections sickens chunks of the workforce and strains the healthcare system.

Friday's data showed November food prices up 3.7% from a year earlier, barely half October's 7.0% pace. Nonfood prices were up 1.1%, while a gauge of consumer-price inflation that excludes volatile categories such as food and energy prices was up just 0.6% from a year earlier.

Subdued inflation in China has allowed the country's central bank to keep its policy settings loose to underpin economic growth. By contrast most other central banks, trying to subdue galloping price increases, have been boosting interest rates aggressively.

But repeated lockdowns mean consumers and businesses in China have shown little interest in taking advantage of low borrowing costs. Now that Covid policy is easing, central-bank policy will become more effective if confidence improves and economic growth picks up, said Katrina Ell, senior economist for China at Moody's Analytics in Sydney. She still anticipates disruption as the economy shifts from strict controls.



China's President Xi Jinping met with Middle East leaders, vowing to buy more oil and paying for some of it with Chinese currency.

Xi and Arab Leaders Bolster Links

By STEPHEN KALIN

RIYADH, Saudi Arabia—Chinese leader Xi Jinping used the last day of a visit to Saudi Arabia to pledge more energy deals with big Gulf oil producers, promising to buy more crude and start paying for some of it with Chinese currency.

Using the Chinese currency, the yuan, for oil deals would chip away at the supremacy of the U.S. dollar, which is used in most oil contracts worldwide and underpins most Gulf state currencies. The Saudis on Friday declined to confirm they would carry out yuan oil deals.

China will "continue to import large quantities of crude oil from the GCC, expand imports of liquid natural gas, strengthen oil and gas upstream development, storage, transportation and refining cooperation," Mr. Xi said Friday during a summit of the six Gulf Cooperation Council countries. He said it would use the Shanghai Petroleum and Natural Gas Exchange—a national energy trading center—to "carry out yuan

settlement of oil and gas trade."

It is possible the Saudis could back off from an idea that likely would cause a new rupture in relations with the U.S.

Mr. Xi's meetings with Arab leaders were billed by both sides as a milestone for relations with the Middle East. His trip came as longtime American partners in the Middle East, such as Saudi Arabia and the United Arab Emirates, strengthen ties with U.S. rivals amid a global reshuffling of power accelerated by the Ukraine war and heightened tensions under the Biden administration.

The energy-rich region is witnessing growing competition between Beijing and Washington, long the region's dominant security force. Analysts say China, a top economic partner for many Arab nations, isn't trying to replace the broad American role in the Middle East, but is betting that its hands-off approach to local domestic politics would resonate in a region that bristles at what it considers U.S. moralizing on human rights.

The Saudi Arabia and China signed dozens of commercial agreements Thursday, initially valued at more than \$29 billion, in sectors such as clean energy, technology and manufacturing. Mr. Xi held talks with Crown Prince Mohammed bin Salman, and signed a strategic partnership pact with Saudi King Salman, affording Riyadh top-tier status in China's foreign relations.

On Friday, the Chinese leader attended broader meetings with regional leaders, where discussions touched on a long-awaited free-trade deal and setting up a joint-investment committee with the Gulf countries.

A refrain of the summits was noninterference in countries' internal affairs. Arab states including Saudi Arabia have publicly defended China's policies in its western region of Xinjiang, giving cover to Beijing's treatment of the Uyghur Muslim minority, and supported China's position on Taiwan.

The West is scrutinizing Mr. Xi's visit for clues about Saudi foreign policy and China's

place in the Middle East.

Prince Faisal bin Farhan Al Saud, the Saudi foreign minister, brushed off repeated warnings from U.S. officials that certain types of cooperation with China would put a ceiling on Washington's ability to cooperate with its partners in the region. "We are very much focused on cooperation with all parties," he said. "We don't see it as a zero-sum game by any means."

He said weapons deals weren't discussed in Mr. Xi's talks with Prince Mohammed. In recent years, China has sold drones, helped manufacture ballistic missiles and aided in the construction of a facility to fabricate uranium yellowcake—an early step along the path to developing a nuclear-energy program or nuclear-arms capability. The countries have discussed building a naval base on the Red Sea.

Mr. Xi said Friday that China would set up a nuclear-security center with the Gulf, without providing details.

—Liyan Qi contributed to this article.

Herbal Treatments Sell Out Ahead of Expected Infections

By LIZA LIN

SINGAPORE—Sales of popular traditional Chinese medicine are surging as Chinese buyers rush to stock up on Covid-19 treatments after China announced it would ease its strict pandemic restrictions.

The scramble to secure supplies has reignited a debate among public-health experts about an aggressive push by China's government to promote traditional remedies in the fight against Covid-19, even as it declines to approve wide use of foreign-made mRNA vaccines.

Prices of Lianhua Qingwen, a herbal preparation endorsed by senior health officials as a prophylactic for Covid, have spiked in recent days, prompting the drug's manufacturer to issue a statement committing to price and supply stability. Shares of its parent company, Shijiazhuang Yiling Pharmaceutical Co., also hit a record high this week, with investors speculating demand for its products would surge.

On popular e-commerce platforms such as Alibaba Group Holding Ltd.'s Taobao, some online merchants have limited the sale of Lianhua Qingwen to two boxes per buyer. As stocks online and in stores ran low Friday, China's market regulator issued a statement warning retailers against hoarding and driving up the cost of the remedy and other Covid-relief drugs.

Two pharmacies in Beijing visited by The Wall Street Journal on Friday were sold out of Lianhua Qingwen, and a third was limiting purchases.

The emptying shelves are a testament to how heavily China's government has promoted traditional remedies as a defense against Covid-19—a campaign that has delighted advocates of traditional Chinese medicine, worried skeptics and drawn warnings from health regulators elsewhere in the world.

"There is some evidence that traditional Chinese medicine does add some benefit to existing Western medicine, but



Anti-Covid drugs are inspected at a pharmacy in Shandong province.

the evidence is not strong and maybe prone to bias," said Paul Hunter, a professor of medicine at the University of East Anglia in England. "So Western medicine has to be the mainstay."

In July 2020, the U.S. Food and Drug Administration issued a warning letter to a website selling Lianhua Qingwen as a Covid-19 remedy, pointing to rules outlawing the promotion of products that claim to cure, treat or

Beijing aggressively has pushed traditional remedies to fight Covid-19.

prevent disease without clinical trials as evidence.

Chinese officials have nevertheless continued to say traditional remedies are vital to the fight against the coronavirus.

"Combining Chinese and Western medicine is very important in order to cure the disease, and both medicines should be given equal emphasis," Guo Yanhong, a director at China's National Health Commission, said in a news briefing Wednesday where the relaxation of zero-tolerance Covid measures was announced.

The government's adherence to that message is set to

take on added significance in the coming months with China likely to be swamped by a Covid wave that public-health experts say the country is poorly prepared for.


Traditional Chinese medicine has been the subject of debate for decades. Practitioners of the medicine believe that disease arises from imbalances in the body due to unhealthy factors in one's environment or lifestyle and seek to strengthen the body rather than treat the disease itself, as in Western medicine. Underlying such treatments is the idea that people have "hot" or "cold" constitutions that make them prone to ailments in parts of the body.

Western science, however, has little data to support claims of the effectiveness of traditional Chinese medicine. Critics say advocates overlook the toxicity of such cures.

Since coming to power in 2012, Chinese leader Xi Jinping has thrown his personal support behind efforts to promote traditional Chinese medicine globally.

The pandemic accelerated and expanded that promotional effort. Since the early days of the Covid outbreak, teams of Chinese health experts have traveled to Zimbabwe, Italy, Cambodia and other countries offering treatment plans that mix Chinese vaccines and traditional remedies.


—Qianwei Zhang in Beijing contributed to this article.



## REVERED AMERICANA PAUL REVERE SILVER

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This exceptional communion dish was crafted by beloved patriot Paul Revere for the First Church of Beverly in Massachusetts. Forged in an impressive scale, the dish is a premier example of Revere's expertise. He was the only American silversmith to master all the steps to turn raw silver ingot into beautifully finished objects. This superb dish was displayed in an exhibition of American Church Silver at the MFA Boston and is pictured in the book *The Old Silver of American Churches*. Famous for his "Midnight Ride," Revere's works are prized by connoisseurs of silver and American history buffs alike. Marked "REVERE." Dated 1801. 13 3/8" d. #31-5449



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OBITUARIES

FRANK MORI  
1940 — 2022

CEO’s Push Helped Make  
Donna Karan a Star

By JAMES R. HAGERTY

Frank Mori, whose previous experience included selling bras, Jell-O and Dixie cups, arrived as chief executive of Anne Klein & Co. in 1975 with a mission some industry people saw as impossible: Keeping a fashion house relevant after the death of its namesake designer.

Ms. Klein had died in 1974. Taki-hyo, a Japanese firm that owned a large stake in her company, recruited Mr. Mori to try to save its investment. “A fashion house usually dies when the founder dies,” Mr. Mori said later. “We knew that. But the business was still functioning.”

Mr. Mori imposed tighter controls on inventories and accounts receivable. More important, he and Tomio Taki, the head of Takihiyo, encouraged Ms. Klein’s assistant, Donna Karan, to stay on and create new styles along with a partner, Louis Dell’Olio. Anne Klein sales surged during Mr. Mori’s first three years at the helm.

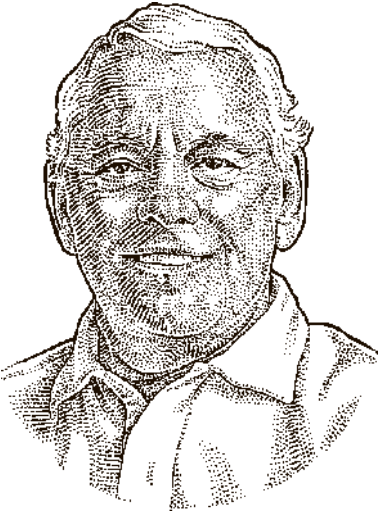
In the mid-1980s, Messrs. Mori and Taki prodded a reluctant Ms. Karan into striking out on her own to create a brand with their financial backing. Though Ms. Karan initially had doubts about her ability to succeed outside the Anne Klein umbrella, she swiftly became one of the biggest names in fashion.

“I have to say I wouldn’t be who I am if it wasn’t for Frank and Tomio Taki,” Ms. Karan told WWD last month.

Mr. Mori died Nov. 22 at his home in Westport, Conn., of what his family described as a long illness. He was 82.

Frank Richard Mori was born Oct. 9, 1940, and grew up in Verona, N.J. As a high-school student, he excelled in soccer and was named to an all-state team. He studied economics at Dartmouth College, where he played varsity soccer and was described as “a hustler and scrapper.” He earned an M.B.A. degree at Harvard in 1964.

Mr. Mori’s early business experi-



ence included stops at General Foods Corp., where he was a product manager for Jell-O; American Can Co., where he worked with products including paper cups, and Hanes Corp.’s Bali unit, a maker of bras.

Though he knew the Anne Klein job was a risk, Mr. Mori, in his mid-30s, was eager to run something. “I couldn’t quite see myself waiting out the years to get to the top” at a larger company, he told United Press International. “Every year the job was the same, looking for new ways to promote the same products.”

At Anne Klein, one of the challenges was to hold on to Donna Karan as her renown and ambitions grew. In 1976, Mr. Mori splurged to let her present the latest Anne Klein collection at the Winter Garden Theatre on Broadway, where models strutted on stage to the strains of Ravel’s “Boléro.” The spectacle won a standing ovation.

By the mid-1980s, Ms. Karan was eager to start her own line of clothing but also wanted to hang on to the security of her Anne Klein job. Messrs. Mori and Taki pressed her to give up her Anne Klein position and devote herself full time to running a separate

business under her own name.

Finally, she wrote in her 2015 memoir, “My Journey,” Messrs. Mori and Taki forced the issue by firing her from Anne Klein. “This is difficult for us,” she recalled Mr. Mori saying, “but it’s clear your soul isn’t here anymore.”

Though initially “numb with shock,” Ms. Karan finally agreed to create a company under her name, in which Takihiyo held a 50% stake.

Her success made the partners happy for a while, but they scrapped over strategy in the 1990s. One issue was the role of her husband, Stephan Weiss, a sculptor who insisted on creating an in-house beauty-products unit rather than licensing out the rights, as many other designers did.

Mr. Mori suggested that her company should go public with an initial public offering. “It was obvious he wanted out, and going public would be a smooth and profitable way to break the partnership,” Ms. Karan wrote. The company went public in June 1996.

In 1999, Takihiyo sold Anne Klein to Kasper A.S.L. Ltd.

Messrs. Mori and Taki remained friends and played golf together. They had complementary styles, Mr. Taki said. Mr. Mori had strong communication skills and knew how to work smoothly with employees, while Mr. Taki was more aggressive. Mr. Mori hated firing people and relied on Mr. Taki to handle that chore. When Mr. Mori wanted to hire a new driver, Mr. Taki fired his old one.

Mr. Mori is survived by three children and four grandchildren. His three marriages ended in divorce or annulment.

As a fashion executive, Mr. Mori told WWD in 1984, “my job was to be the orchestra leader” rather than a meddler in design and sales. “I had good people to do all that. My job was to be Leonard Bernstein and to make sure everyone was playing the same tune.”

◆ Read in-depth profiles at  
WSJ.com/news/types/obituaries

JIM STEWART  
1930 — 2022

Stax Records Founder  
Nurtured Soul Sound

Jim Stewart, a bank employee who moonlighted as a fiddle player in a country band, realized in the late 1950s that he was never going to hit the big time as a musician. The next best thing, he figured, was to become a record producer.

With makeshift equipment and no training as an audio engineer, he launched his own Satellite label. The first two discs, a cloying country ballad and a rockabilly number, went nowhere. His sister Estelle Axton mortgaged her home to provide more capital, and they founded what became Stax Records, housed in a former movie theater in Memphis.

Then came something they hadn’t anticipated. Though the founders were white, Black artists began showing up to offer their

services. Stax lurched into an astonishing run of success in the 1960s and early 1970s. Embracing Black R&B music wasn’t a strategy. It just happened.

Stax released 800 singles, including classics like “These Arms of Mine” and “Green Onions,” between 1960 and 1975, according to “Respect Yourself,” a history of the label by Robert Gordon. The label nurtured the careers of Otis Redding, Isaac Hayes, the Staple Singers, Sam & Dave, Booker T. and the M.G.’s, Wilson Pickett and Albert King, among others.

Mr. Stewart died Dec. 5. He was 92.

“We were looking for good talent,” he told Peter Guralnick, a music historian. “It didn’t matter how old, how black, how white.”

—James R. Hagerty

BENJAMIN ZACKS  
1946 — 2022

Executive Expanded  
Use of Profit Estimates

Benjamin Zacks and his brother started a financial-data firm that would help change the way the stock market evaluates public companies.

Mr. Zacks and his older brother, Len, collected Wall Street analysts’ predictions for companies’ quarterly profits and distilled them into consensus estimates. Zacks Investment Research Inc., the company they started, said it was the first in the U.S. to distribute quarterly consensus estimates to investors in the early 1980s. The company’s calculations for per-share profits or losses gave investors a handy comparison to actual results and provided a catalyst for stocks to rise or fall in the aftermath of quarterly results.

“It changed the way corporations managed themselves,” said Mitch Zacks, Len’s son. “Compa-

nies are now managed to meet Wall Street’s expectations, for better or for worse.”

The consensus estimates became the foundation for Zacks’ investment strategies, company rankings and software programs that the firm began selling to customers during the 1980s. Ben Zacks used the firm’s investment strategies and data to start the company’s asset-management business in 1992. The company said it now has more than \$12 billion under management and advisement.

Mr. Zacks, who retired as president of Zacks Investment Management in 2019, died Nov. 28 at a hospice facility in Charleston, W.Va., after a long battle with Parkinson’s disease, his family said. He was 75.

—Bob Tita

In Memoriam

For more information:  
wsj.com/inmemoriam

Vincent Murray  
November 25, 2022



NEW YORK, N.Y. - Vincent Paul Murray died on November 25th, 2022, at the age of 71, surrounded by family and loved ones. Vincent spent a lifetime building relationships. His piercing blue eyes, dapper style and kind heart will leave an enduring legacy with everyone he touched.

Vincent was born in the Riverdale neighborhood of the Bronx, NY to parents Rita and Matthew Murray, as the youngest of his five siblings, Dr. Thomas Murray, Rita (Dennis) Meyer, Matthew (Hazel) Murray, Peter (Abigail) Murray, and Christopher (Carlotta) Murray. His early education was at St. Gabriel’s School in Riverdale before attending Loyola High School in Manhattan, where he competed in track and basketball. Vincent received a B.A. in Business from Georgetown University in 1973. Following graduation, he returned to New York taking a job with Manufacturers Hanover, before entering the Salomon Brothers training program where he was hired as a bond trader in 1977, commencing his 44-year career on Wall Street. He loved the business but, even more, he loved the people.

Vincent’s passions were his family, horses and the New York Giants. A devoted Giants fan from childhood, he was a season ticket holder since they moved from Yankee Stadium. Vincent’s love for horseracing was as a spectator, dedicated owner and breeder. By age 14 he was working at the New York racetracks as a hot walker and warmup rider in the mornings, and parking cars for his father’s Olympic Parking in the afternoons. As a fan, he attended 36 of the 39 Breeders Cup Championships and could be found every August at the place he called “heaven”, Saratoga Racetrack. With his brother, Dr. Thomas Murray, Vincent bred and raced horses, including Montauk Stakes winner, Here Comes Rita.

Vincent is survived by his life partner, Mary Jo Fitzpatrick (affectionately known as Jody), his children Vincent (Tricia) Murray, Michael (Caitlin) Murray, and Rita (Jared) GeBauer, his grandchildren, Caroline, Robert, Calum, Faye, and Luke, the mother of his children, Rita Gardner Murray, and his life partner’s children, Kelly (Chad) Fitzgerald, Alissa Fitzpatrick, and Laura (Rob) Cranford along with Jody’s four grandchildren and Vincent’s many beloved nieces and nephews.

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WORLD NEWS

U.K. Braces for Major Holiday Strikes

By MAX COLCHESTER

LONDON—The U.K. is set to face some of the worst strikes in at least a decade, raising fears that a “winter of discontent” will hit the country as workers push for bigger pay raises amid double-digit inflation and a gloomy economic outlook.

University professors, teachers, railway staff and even security guards at the luxury department store Harrods have held strikes recently. Nurses for Britain’s state health service are threatening their first-ever strike on selected days near Christmas, and ambulance drivers have voted to walk out for the first time in 30 years. Passport-control officials also

announced a strike in December at several U.K. airports.

On Friday, about 115,000 staff at the Royal Mail walked off the job, the first of six strike days planned ahead of Christmas that will disrupt postal service across the U.K.

The labor strife underscores the challenge for governments across Europe as inflation hits its highest levels in decades due in part to Russia’s invasion of Ukraine, which sent energy prices soaring and added to pressure from pandemic supply-chain disruptions. Governments and companies say much of the inflationary impact should begin easing in coming months, and warn that large pay increases could entrench infla-

tion. Unions argue that workers face a cost-of-living crisis and can’t afford to see their inflation-adjusted wages fall.

The situation is particularly bad in the U.K., which has Europe’s second-highest rate of inflation after Germany, and is facing a recession that economists expect to last a year or possibly two. Disposable household income adjusted for inflation is set to fall 7% over the next two fiscal years, the biggest drop in records dating to the 1950s, said the Office for Budget Responsibility, an independent budget watchdog.

For months, trade unions have been locked in a strong-arm contest with employers and the British government as

they look to boost wage offers that they say are well below the current 11.1% pace of inflation. Average pay growth for the U.K. private sector was 6.6% in July to September 2022, compared with 2.2% for the public sector, according to the U.K.’s Office for National Statistics.

Some unions estimate more than a million working days will be lost to strike action this year.

So far, the U.K. government has tried to resist the unions’ calls for wages moving in line with inflation, saying the country’s finances can’t take the strain. Prime Minister Rishi Sunak has announced spending cuts and tax increases as the government looks to begin lowering its debt in coming years.

WORLD WATCH

BELGIUM

EU Lawmaker Held  
In Corruption Probe

Belgian police detained for questioning a senior European Parliament lawmaker and four other people on Friday in connection with an alleged influence campaign that prosecutors suspect was orchestrated by a Gulf state and targeted the European Union’s legislative body.

Two people familiar with the case said the country was Qatar.

A Qatari official said the government wasn’t aware of any details of an investigation and its engagement was in full compliance with international laws and regulations.

Belgium’s federal prosecutor’s office said that investigators suspect a Gulf state of attempting to influence decisions by paying money or offering gifts to people connected with the European Parliament.

A person familiar with the case said the lawmaker was Eva Kaili, a Greek lawmaker and the vice president of the center-left political grouping, the Socialists & Democrats group. There was no comment from her offices.

—Kim Mackrael



A worker at a terminal in Uiwang, South Korea, wept on Friday after the truckers union ended a weekslong nationwide strike.

SOUTH KOREA

Truckers End Strike  
Over Wage Demands

South Korea’s truck drivers, under pressure from the government to return to work, ended a weekslong strike over wage demands that had disrupted economic activity and supply chains in one of Asia’s major export hubs.

The truckers union voted in favor of ending the strike Friday, a day after the South Korean

government widened the scope of a back-to-work order to include the steel and petrochemical industries, in addition to the cement sector.

The decision to call off the strike was supported by about 62% of the members who had participated in the vote, according to the truckers union.

Thousands of unionized truck drivers in South Korea had been on strike for more than two weeks. The union had sought to expand and make permanent a policy that guarantees minimum

freight rates for container and cement truck drivers.

—Jiyoung Sohn

AFRICA

Biden Backs AU for  
Permanent G-20 Slot

President Biden plans to announce during a summit with African leaders next week that he supports the African Union becoming a permanent member of the Group of 20 advanced and developing economies.

National Security Council spokesman John Kirby announced the president’s intentions Friday, saying that it was “past time that Africa has permanent seats at the table in international organizations and initiatives.”

The president’s plans were earlier reported by the Washington Post.

South Africa is the only African member of the G-20.

Mr. Kirby said the call to make the African Union a member builds on the president’s strategy for the region and is a response to requests from South Africa and the African Union presidents.

—Catherine Lucey



FROM PAGE ONE

# Prisons Try Addiction Medicines

*Continued from Page One*  
one, which reverses their effects, and methadone, which eases withdrawal symptoms. Some are taken daily, others can be taken once a month in extended-release versions. The Biden administration said it wants medication available for every drug user in federal custody and at half of state prisons and jails by 2025.

That expansion is a vast real-time test of whether wider access to medications can help put a dent in America's drug crisis. Drug fatalities hit a record of more than 108,000 in 2021.

Mr. Koutoujian is an evangelist in the movement. Researchers say medication with or without counseling is more effective than counseling alone. "This disease is so powerful and the biology is so powerful that without the medications we're kind of struggling," said Josiah Rich, professor of medicine and epidemiology at Brown University and attending physician at The Miriam and Rhode Island hospitals in Providence, R.I.

Skeptics say the treatments swap one drug for another because the medications are themselves opioids. Some prison and jail officials have long resisted providing treatment drugs that can become contraband. And some treatment experts say abstinence is the only solution to drug use.

Just one-tenth of opioid users nationwide receive treatment medications, which can be used for the short or long term, according to a recent study in the International Journal of Drug Policy.

Some advocates for therapy are concerned that medications will replace, rather than supplement, counseling services, for a population that struggles with trauma and mental illness.

And upfront costs for the programs can be high. In 2015, Rhode Island's governor allocated \$2 million for the state's unified jail and prison system to create a medication program, pay staff for a year and purchase medication, according to Linda Hurley, president and CEO of CODAC Behavioral Healthcare, the vendor awarded the contract. With recent enhancements, the program costs \$2.5 million annually, she said, out of an overall Department of Corrections budget of \$241 million and a healthcare services budget of \$25 million.

Many state and local programs are being funded with settlement money from companies that made and distributed prescription opioids.

## Flood of fentanyl

The need for effective treatments is more important than ever as Mexican cartels flood the U.S. with fentanyl, infiltrating virtually every channel of the illicit drug supply and turning it more toxic than ever.

Early results suggest prisons' efforts are making rare progress. California said overdose deaths among prisoners using contraband drugs dropped by more than half in the year after the state introduced medication treatment in late 2019. Overdose



Jason D'Alencar, an inmate at the Middlesex County jail near Boston, receives medication for opioid dependency. Morgan Grubb, below, shared a family meal in November after a jail treatment program.



Keeping inmates in treatment after release is a challenge. Some programs give inmates a few weeks of medication for them to use on their own and an appointment with a treatment provider, and help to get Medicaid reinstated after their release.

## Condition of release

But follow-up can be limited, and some leave care. Some judges are making continued treatment a condition of release.

Frank MacDonald, 39, an energetic wire of a man, left Allegany County Detention Center in Cumberland, Md., in October to continue the treatment he began in prison under court supervision at a long-term, live-in rehabilitation center. The alternative was serving out a 10-year maximum prison sentence.

"When I've got structure, I'm cool," he said. If he slips, he said, at least the buprenorphine-naloxone medication he is on will prevent him from overdosing and dying. The treatment center updates a judge on his progress. If he flees, a warrant would be issued for his arrest.

Dan Lasher, a captain at the Allegany County Sheriff's office who wears cowboy boots with his khakis, said he was skeptical of his 2019 assignment to start treatment in the jail, which was

mandated by the state. The program would consume a quarter of his \$1 million medical budget, for the sake of some inmates he said he had seen in custody dozens of times.

But he said he quickly saw a change in people who began treatment. "They're not sick, they're not irritated, they're not agitated and they're not continually trying to get something in here," Mr. Lasher said.

The jail said that as of mid-October, 58 out of 72 inmates who completed the program at Allegany filled prescriptions within two weeks of discharge to continue treatment.

Medication treatment has broad support, but there is disagreement among users around the best path for ending drug use. Many 12-step programs consider medication to be a replacement for drug use, and some ask that the medication users not speak at meetings.

Joshua D'Atri said he was surprised how much had changed on what he estimated was his 30th arrival at the Allegany jail last year on driving-under-the-influence and assault charges. Officials offered him counseling, group sessions and buprenorphine that he said he had planned to illicitly buy from other inmates to avoid painful withdrawal symptoms. "How

can you rehabilitate when you're worried about being sick all the time?" he said. "It puts you at an animalistic level."

When he was released in July after two months in jail, officials gave him an appointment to get monthly injections of Indivior PLC's Sublocade, an extended-release version of buprenorphine, which he said he has taken without fail.

Mr. D'Atri kept going to a local 12-step group at a tire shop where he works with a friend,

## 'We see progress inside our facility every day...Recovery is possible'

Andrew Viney, whom he met in the jail program. "Now that I don't wake up and take something every day, I really don't feel like I'm a drug addict," said Mr. Viney, who is also on the extended-release treatment.

Belen Waybright, 37, said she arrived at the Allegany jail in April emaciated and so high on meth and fentanyl that she couldn't see straight. The day before her release in October, she sat in the jail's library mak-

ing plans with Morgan Grubb, whom she befriended in the program. Ms. Grubb talked about losing a child and giving in to addiction. Ms. Waybright talked about being abused and raped.

Ms. Waybright held up her arm to reveal her intake photo on the security bracelet around her wrist, a shadow of the sober woman she had become. "I'm starting to finally feel beautiful," she said.

The pair were released days apart in October. Ms. Grubb, who is taking the extended-release buprenorphine shots, talked about how good it felt to host her son's ninth birthday party and remember the whole day. "I feel like I got my life back," she said.

Ms. Waybright was arrested this week for violating probation. Speaking by phone from inside Allegany jail, she said it was too hard to stay away from drugs. Her mother died shortly after her release, and she said she didn't think she should be in jail since her drug use wasn't hurting anyone but herself.

## Help to 'turn a corner'

At the Middlesex jail, Mr. Koutoujian said his first attempt in 2013 to treat inmates with medication failed because he hadn't made sure former inmates were connected to treatment providers on the outside.

He said he knew that detox alone hadn't worked, and he wanted a program that included medication, counseling and guidance for help after release.

In 2015, he began to hire qualified staff to figure out how to track progress and set up relationships with programs outside the jail, a red-brick campus with beds for 1,150 inmates, most of them awaiting trial or with short sentences.

Jason D'Alencar lined up recently behind fellow inmates at the jail for his daily dose of the buprenorphine-naloxone combination. A nurse ground a pill—an effort to keep inmates from trading them as contraband. He gulped it down and waited for a corrections officer to check his mouth to make sure it was all swallowed.

When he was held at the jail in 2017 on charges of possession with intent to distribute, the medication wasn't available. He didn't sleep for 15 days, he said, and slammed his arms and legs against the walls of his cell.

He said he believed now the medication would help him turn a corner. "It keeps me at a stable level," he said. "Ultimately, this disease wants you dead."

Louie Diaz, who works for the treatment program and keeps tabs on participants after their release, said connecting inmates to care after their release has become even more important as fentanyl has taken a greater share of the drug supply.

When detoxed inmates are released and start using again, they are 40 times as likely as the general population to die of an overdose, according to a 2018 study in the American Journal of Public Health, because their tolerance to opioids is low.

Mr. Koutoujian said the program is reducing the challenges that disrupt recovery after inmates leave the jail, and is proving his belief that inmates can make changes in their life that persist after their release.

"We see progress inside our facility every day," he said. "Recovery is possible...We've seen it, and we know this program is making a difference."

# How Punny Is A Robot?

*Continued from Page One*  
a limerick about the Cold War? It can rhyme "tensions ran high" with "nuclear sky." Could it match the wit of a human pun champion? I was about to find out at Punderdome, a pun contest that draws big crowds to a venue in Brooklyn.

A skillful pun competition between two people sounds more like a conversation with a heaping dose of puns about a topic slipped in. In one YouTube video I watched the night before the event, two punners faced off on the topic of dog breeds. "I found that some instruments you can carry with you everywhere. But a bass? Set it down," one said (basset, get it?). The other shot back: "Does that bass play a sharp A?" (Shar Pei, obviously.)

I asked the chatbot for help. "Tell me a pun," I typed

in. "Why was the math book sad? Because it had too many problems," it answered. More of a dad joke than a pun, I thought. It was the first of many times the bot would spit out that answer.

Before Allison Fisher started competing at Punderdome under the name Rhyme & Punishment five years ago, she went to a coffee shop with a friend. They went back and forth practicing two-minute monologues the way they're done in the show. She won three times. "It's really all about noodling around the ideas in your head," said Ms. Fisher, a software engineer. "After thinking for 15 seconds orzo, I'll take a penne to paper. I'll come up with a fu-silli ones."

During the week before she competes under the stage name "When Wit Hits the Fan," Emma Taylor Miller plays a Punderdome card game that contains prompts to get the mind punning.

Fred Firestone co-founded the Punderdome in 2011. When I called him on behalf of the robot, he was game for testing out its chops, so we designed an experiment. He sent my pun topic to my colleagues the



Ben Eisen at Punderdome, a pun competition in Brooklyn, N.Y.

afternoon before the show: cities and states. They asked ChatGPT to generate a bunch of puns and put them in a sealed envelope. Mr. Firestone told the audience of 250 about this unusual plan, and made clear I wasn't a ringer. "Ben, just to be clear, brother," he asked me on stage, "Are you a punner at all? You have any proclivities, any abilities in the punning arena, yes or no sir?"

"Absolutely not," I replied.

A bit weak-kneed, I opened the envelope. I had 20 minutes

during the intermission to read through the ChatGPT's results and select the best puns. ChatGPT didn't have much to offer. "In Peoria, the corn is so sweet it's almost sinful." Huh?

I wrote a few passable puns on a whiteboard along with some that were so bad that maybe they'd draw chuckles.

Next, I had to pick my competitor. Mr. Firestone invited up any past winners who wanted to participate. Quite a few rushed to the stage. "Any

other champs want a piece of this guy?" Mr. Firestone asked.

He asked me to choose who I wanted to play against. I figured, if I was going to lose, I might as well lose to the best. I chose Nikolai Vanyo, a writer and filmmaker who onstage goes by Daft Pun. He was one of the top three biggest winners ever. "This is for all of you humans," he told the crowd. The spotlights were on us as we took position at twin mics. We would be going back and forth in a pun-off for two minutes. I held my breath.

"I'm not from the shore, but I Jersey know how to have a good time." The crowd chuckled. Why? I don't know. I was so nervous I transposed shore and Jersey.

Mr. Vanyo shot back: "I don't like to not drink. I hate to Miss-is-sippi." The crowd laughed louder. I had that state on my whiteboard. "Oh, how I Mississi-thee," I said. The robot was vaguely getting the hang of it.

Or was it? I found myself saying soon after: "New York City is the big apple. New Jersey is just another basket." "What?" someone from the audience shouted. I was so

embarrassed, I felt the need to add: "Chatbot speaking."

Mr. Vanyo was picking up steam: "I was given the choice recently between a bag or a little mint—a sack-or-a-Mento." (Say it again, slowly.)

I decided to use the robot's best pun: "What's the state where common sense is in short supply? Flori-duh." The crowd loved it. I was enjoying myself. I can't speak for the robot.

Once the time ran out, a designated audience member came out, put on a blindfold and wore a "clap-o-meter" to judge which contestant got the most applause. The winner was obvious. I blamed my master, the robot, for giving me such thin material. The audience seemed sympathetic.

"You just work here!" someone shouted.

As it turned out, I wasn't the first one to try to get a computer to do my punning. Max Parke, a Punderdome and software engineer, once tried to write a program that could get a computer to make puns. He gave up pretty quickly. "Maybe a computer can server up some good puns," Mr. Parke said. "But the ones I C? PU!"



# SPORTS



FRANCK FIFE/AGENCE FRANCE-PRESSE/GETTY IMAGES

England's Harry Kane, right, and France's Olivier Giroud, left, during a friendly match in 2017.

## A Blockbuster Clash at the Cup

England and France have never met in the knockout rounds of a major soccer tournament

By JOSHUA ROBINSON

**B**efore England's round of 16 victory over Senegal was even over, the players already knew who was waiting for them in the next round. Defending world champion France—England's neighbor across the Channel, one of its main purveyors of cheese and the butt of its favorite jokes—was about to make this the Three Lions' hardest tournament quarterfinal in 20 years.

"England versus France in the World Cup quarterfinal, it doesn't get bigger than that. The world will be watching," England and West Ham midfielder Declan Rice said. "These are the games we want to

play in, they only come around once."

For two countries that have spent entire centuries thinking about each other—including the time they fought for 116 years and rounded it down to the Hundred Years' War—they are almost perfect strangers on the soccer field. They have never met in a win-or-go-home match at the World Cup, and the last time they met in any major tournament was in a 1-1 draw in the group stage of Euro 2012.

What's strange about it is the mutual influence they have exercised on each other at the club level. In 1994, France's Eric Cantona became the first player from outside Britain or Ireland to win the Premier League player of the year award. And in 1998, a French

manager, Arsenal's Arsene Wenger, was the first non-British coach to win a Premier League title. Since then, France has been one of English soccer's favorite places to shop.

But the era when it seemed every title contender in England needed at least a couple of Frenchmen now seems as passé as a Serge Gainsbourg LP. And at the international level, where the two nations have only ever met in four competitive matches in 40 years, France and England have spent at least a decade growing apart.

England has tried to fix this by conducting a deep-dive into France's success at the World Cup four years ago. What it found was almost like looking in the mirror. Here was a country also experiencing a glut of attacking talent and

looking for solutions to cram it all into the same lineup, without compromising on defense.

England manager Gareth Southgate realized that his French counterpart, Didier Deschamps, had gotten it just right.

France won the 2018 World Cup by building on a defense that sat back and played a more conservative style than many would have liked for such a flamboyant collection of attackers. Possessing the ball for long stretches was no longer everything. It wasn't always easy to watch, but it worked.

France won the World Cup—and England took notes.

"We just spoke about how good their defensive record has been and how clinical they have been at the other end of the pitch," England

midfielder Calvin Phillips said of the team's meeting this week to discuss the France game. "We all know that conceding goals isn't what we want to do."

The similarities between the sides, and their lack of shared history at World Cups, means that the rivalry with France doesn't come with as much animosity as many of England's familiar nemeses. Germany, Argentina, and Germany again have been responsible for decades of national panic, jingoistic freakouts, and a generational fear of penalty shootouts. England fans love to hate their soccer rivals so much that it's almost surprising the country across the Channel isn't on the list.

"The rivalry exists in rugby," France goalkeeper Hugo Lloris said. "But an event like this one, a France vs. England, has its own particular flavor."

Lloris is one of the few members of the France squad who is currently based in England, with Tottenham Hotspur. But for nearly 20 years, Les Bleus often resembled a collection of Premier League all-stars.

After French soccer hit its first peak by winning the 1998 World Cup with three England-based players, French talent became all the rage. Thirteen members of that squad would go on to play in the Premier League at some stage of their careers, including Deschamps, who had a spell at Chelsea.

By 2002, more than a third of Les Bleus' World Cup squad were on Premier League clubs and that number hit 10 in 2014. But in Qatar, it's back down to five, with only two starters. France's English contingent is now outnumbered by its players in Spain and Germany. For insight into England's best player, Harry Kane, it has to rely on Lloris, his teammate at Spurs.

"He has the ability to score from anywhere," Lloris said on Friday. "And he's one of the best at penalty kicks."

Still, even against an opponent it has rarely faced, England knows *exactly* what will happen if it comes down to that. The Three Lions have been eliminated from major tournaments in penalty shootouts six times since 1990.

"It's the biggest test that we could face," Southgate said.



PAUL ELLIS/AGENCE FRANCE-PRESSE/GETTY IMAGES

Lionel Messi and Argentina beat the Netherlands in a shootout.

## Argentina, Messi Advance To the Semifinals

By JOSHUA ROBINSON AND JONATHAN CLEGG

**THE WORLD CUP QUARTERFINAL**

**Lusail, Qatar**

between Argentina and the Netherlands was the sort of matchup that required little explanation. Here was the nation that invented modern attacking soccer vs. one of the greatest individual attackers ever to play the game—tactics vs. inspiration.

And for 100 minutes on Friday night, inspiration was winning.

With a game-changing assist pulled out of thin air and a goal from the penalty spot, Lionel Messi had Argentina 2-0 up and seemingly cruising into the World Cup semifinals. Even when the Netherlands pulled a goal back with 7 minutes to go, Messi and his teammates remained in control. But in the 11th minute of stoppage time, Dutch tactics struck back with a vengeance. The Netherlands tied the game at 2-2 with one of the most stunning trick plays in World Cup history.

Argentina had it all to do again, and in a rare display of total calm, it did. The team finally managed past the Dutch 4-3 in a penalty shootout to reach the semifinals for the first time since 2014. Goalkeeper Emiliano Martinez saved the first two efforts from the Netherlands, Messi rolled in his, and Argentina had survived.

But fans inside the stadium here Friday had already begun celebrating an hour before kickoff, because Croatia's quarterfinal victim hap-

pened to be Argentina's most hated rival, Brazil.

So instead of an all-South American semi, Argentina will take on the side that defeated it 3-0 in the group stage at the 2018 World Cup in Russia.

The circumstances in 2022, though, are a little different.

This time, Argentina isn't having an existential crisis. The team got that one out of the way two weeks ago with its opening-match upset loss to Saudi Arabia. What remains is a picture of solidity built around a happy and confident Messi, who is reminding the world that when the games get tighter and the stakes higher, he only becomes more dangerous.

As time was expiring, the Netherlands won a free kick 25 yards from the goal. The plan involved lining it up as if it were a traditional shot. Dutch midfielders Cody Gakpo and Teun Koopmeiners stood over the ball. But instead of bending it at the goal, Koopmeiners disguised his run up and poked a low pass to Wout Weghorst who was spinning away from his marker in the box. Koopmeiners found Weghorst and in one swift motion, Weghorst turned, shrugged off Enzo Fernandez, and fired low into the corner of the Argentine net.

Argentina's players had no idea what hit them. But over the next 30 minutes, they recovered from the sucker punch. And when the game gave Messi's teammates another chance to repay him, they didn't blow it again.

## Brazil Loses to Croatia on Penalty Kicks

By ANDREW BEATON

**Al Rayyan, Qatar**

**B**razil arrived in this tiny emirate accompanied by a level of unmatched hysteria before this tournament even began. The country is always crazy about its soccer team. It's even crazier when the team is the World Cup favorite.

When the games actually kicked off here, that mania shifted into overdrive. First, there was a national freakout after superstar Neymar injured his ankle in the opening game. Then bleak reports about the health of Pelé put the entire country on the verge of national mourning. Suddenly, the Seleção faced the added pressure of trying to win the tournament for perhaps the most revered figure in soccer history.

Somehow the Brazilians survived all of that. Neymar returned. Pelé, in stable condition, wished the team luck from the hospital. The team slowly began to look as dominant on the pitch as it was supposed to.

What they couldn't survive was a never-say-die Croatia.

The drama ended with an appropriately wild finish, as Brazil lost to Croatia in penalty kicks after one of the most exhilarating endings in recent World Cup history.

After a 1-1 draw through 120 minutes, Croatia prevailed 4-2 in the shootout, which stunned a pro-Brazil crowd that was still reeling from the Croatian equalizer in the 117th minute. The smattering of fans in red-checked outfits and water polo caps, celebrated their latest stunning reversal.

The country with a population under four million is heading to the semifinals for the second World Cup in a row—and the Brazilians once again delivered disappointment. The loss will extend Brazil's World Cup drought to 24 years, tying the country's longest winless streak in the tournament's modern history.

Brazil's players slumped to the ground at the center of the pitch after Marquinhos saw his final penalty kick ricochet off the post to give Croatia the victory. Teary-eyed, they buried their faces in the pitch, their hands and their grass-stained jerseys. When they eventually made their way to the corner of the stadium to thank their fans who had stuck around, Neymar bawled.

It leaves Brazil reckoning with yet another failure at the World Cup—and wondering how they lost



LAURENCE GRIFFITHS/GETTY IMAGES

Brazil's players slumped to the ground after a shootout loss to Croatia.

a game that looked in the bag just minutes earlier.

Neither side managed to score in regulation, but only one side was surprised. The Croatians have turned themselves into international soccer's masters of extra time. Seven of their previous eight knockout matches at major tournaments had required more than 90 minutes, stretching all the way back to Euro 2008.

Croatia has achieved this over the past 15 years by perfecting the art of draining the electricity from its opponents. The Brazilians, who can dart around soccer pitches like yellow blurs when at their best, had none of the offensive spark that had come easily to them through the early parts of the tournament.

Croatia is more than happy when their games get stuck in neutral. That's when they're at their best. They were executing that plan yet again—until Neymar rapidly shifted the match into gear.

Neymar gave Brazil a 1-0 lead in the 105th minute with a brilliant goal that sent the fans here into a frenzy. The strike ended a stalemate after the two teams went through regulation scoreless, and the biggest question left in Education City Stadium seemed to be who the Brazilians might meet in the semifinal.

For Neymar, the goal looked like a signature moment. It was his 77th score for his country, matching none other than Pelé. And eight years after Neymar missed the team's semifinal match against Germany with an injury—a game that without him turned into a nation-

ally embarrassing 7-1 loss on home soil—he appeared to have lifted his team into the semis here in Qatar.

Croatia had other plans. After the team hardly generated any opportunities all game, Bruno Petkovic fired home a 117th minute equalizer.

The Croatians got to go to penalties. Again.

During Croatia's run four years ago, it won its first two knockout games in shootouts. This year, it dispatched Japan during the Round of 16 in yet another one. Dominik Livakovic's three saves against Japan instantly made him a national hero. Livakovic stayed just as hot to start this shootout. After Nikola Vlasic put the first one home, Livakovic dove and stopped the first one off the foot of Rodrygo. Croatia immediately had the lead. It never relinquished it.

After four Croatians had stepped up to the penalty spot and executed every time, Croatia was just one Livakovic save away from a trip to the semis. But this one, from center back Marquinhos, got past him. Then it slammed off the post—and the Croatian players immediately sprinted from midfield to celebrate. For Croatia, the outcome marks the type of delirious finish they've grown accustomed to.

They had just ended Brazil's dream and got within two wins of their own.

For the Brazilians and Neymar, 30, they will now spend four years wondering if they wasted the prime of one of the best soccer players the country has ever produced.



OPINION

Why the ‘Smart’ Party Never Learns

By Barton Swaim

The most obvious change in American politics this century is the sorting of voters along educational lines. The Democrats are increasingly the party of educated urban elites; the GOP belongs to the white working class. The dispute is over suburban and minority voters. The latter still plump mostly for Democrats, although the party’s social radicalism is pushing them toward the GOP. Voters with impressive educational credentials tend to be Democrats, and those without them lean strongly Republican.

That one party is the educated party—that its members see themselves, in some respects accurately, as more cultured and informed than their opponents—has generated an intellectual pathology that is obvious to everyone but themselves. Adherents of the smart-people party have lost the capacity for self-criticism. Which on its face makes sense. If your views are by definition intelligent, those of your critics must be dumb. Who needs self-reflection?

We can start to understand the Democrats’ predicament by ridiculing ourselves of a set of metaphors. For a decade or more, we’ve been told that left and right live in “silos” or “bubbles” or “echo chambers” or “information cocoons.” The left watch MSNBC and read the New York Times, and the right watch Fox News and listen to talk radio.

If your views by definition are enlightened and progressive, why should you bother understanding those of the other side?

Exacerbating this state of affairs, we’re told, are social-media platforms whose algorithms give politically attuned users only content they’re likely to agree with. Facile claims to the contrary, Facebook, Twitter and similar platforms don’t have this effect. A 2019 study, “Are Filter Bubbles Real?” by Axel Bruns of Queensland University Technology in Australia surveys a wide array of evidence and finds that social-media users on all sides get plenty of exposure to content with which they disagree. “Ironically,” Mr. Bruns writes in an aside, “echo chamber and filter bubble concepts may have become so popular with some journalists, media critics, and politicians because members of these professional classes are genuinely more likely to inhabit an information cocoon of sorts.”

In any case, the silo/bubble metaphor doesn’t describe American politics in the 2020s for the simple reason that there is no silo or bubble. Or if there is, it’s very large and almost exclusively populated by adherents of the smart-people party.

If you’re on the right, you simply can’t isolate yourself from the habits and attitudes of left-liberal

progressivism. They are everywhere. The most determined imbibers of right-wing opinion still watches television and movies and reads the mainstream press. The left-liberal outlook is expressed everywhere in these media, and generally it isn’t expressed as viewpoint but as established fact.

The conservative voter who follows nothing but right-wing accounts on social media still sees CNN as a captive audience at airports. He advises his college-age children as they negotiate campus environments in which they’re expected to state their “pronouns” and declare themselves “allies” of the “LGBTQ2SIA+ community.” However scornful of left-wing opinion he may be, his employer still subjects him to diversity training. He attends a concert by the local symphony orchestra and has to listen to a four-minute lecture about systemic racism or climate change before the music starts. He can’t watch a pro football game without enduring little pronouncements of weakness. The right-winger may get 100% of his news from Republican-leaning news sites but still has to be vigilant as his 5-year-old browses the children’s section of the local public library.

There is no bubble, no silo, for such a person.

The urban-dwelling knowledge-class progressive experiences few such dissonant moments. So pervasive are the opinions of left-liberal progressivism throughout American culture that the adherent of that worldview may roam freely in it with minimal disquiet. The TV ads that subtly legitimize the latest sexual identity; the lefty sermonettes intoned at public events; the movies and sitcoms that virtually all accept trendy orthodoxies; the race-fixated version of American history promoted in public schools—these the holder of conventional progressive opinions can absorb almost without noticing it.

The left-liberal outlook has triumphed across American culture—in corporate boardrooms, in government agencies, in sports and entertainment institutions, in K-12 education bureaucracies, in universities and in media organizations. But that is precisely what has robbed progressives, especially those in the political class and in the media, of any ability to criticize themselves or doubt their own righteousness. They don’t engage with serious arguments advanced by the other side. They live in a world in which it is possible to pass through a month without encountering much in the way of serious conservative opinion. When they do encounter a conservative view, it is precategorized as “fringe” or “extreme” by the calm, omniscient NPR voice that relates its content.

And so progressives have become, if I could put it bluntly, incurious and lazy. Every conservative journalist born in the last 70 or 80 years has, early in his career, come to the sad realization that liberal writers and intellectuals, the people conservatives are so careful to read and react to,



DAVID KLEIN

don’t actually read conservatives or know much about the right. Their attitude recalls that wonderful line in “Casablanca” when Ugarte (Peter Lorre) asks Rick (Humphrey Bogart), “You despise me, don’t you?”

Rick’s answer: “If I gave you any thought, I probably would.”

In the early 2000s, the Bush administration’s critics in Congress and the media showed no interest in understanding the neoconservative outlook that supposedly drove the Iraq War. Preposterous caricatures and badly informed theorizing were enough. Today, the left’s politicians and journalists, with a small number of exceptions, have still made no effort to understand the strangest and most surprising turn in politics in many decades: the election of Donald Trump.

Russian meddling, “collusion” with Vladimir Putin, fear of nonwhite people, the ignorant reaction of poor white opium addicts, a resurgence of fascism—any explanation was OK as long as it didn’t involve self-reflection.

Something about Mr. Trump gave Democrats and liberal journalists all the emotional license they needed to discount, once and for all, any possibility that a Republican might have a point. No party that could nominate Mr. Trump deserved further thought; the GOP had, in their eyes, defenestrated what was left of its legitimacy.

Consider the past two years of Democratic governance. A slender majority in the U.S. House and a 50-50 tie in the Senate somehow led Democrats to believe they had no opposition to speak of. At times they seemed literally to believe this, as when Sen. Bernie Sanders and others fulminated against his Democratic colleagues Joe Manchin and Kyrsten Sinema for resisting President Biden’s so-called Build Back Better bill—as if the bill had two opponents and not 52.

Democrats and their backers in the news media, insisting on the infallibility of science, doubled down on onerous Covid restrictions

long after it was clear that shutdowns, school closures and mask mandates were futile and destructive. In July of this year Anthony Fauci said his only regret is that he didn’t recommend “much, much more stringent restrictions” in the spring of 2020. Even now, long after the views of antimasking and antishutdown protesters have been largely vindicated on the available evidence, long after fans of China’s draconian restrictionism have been disgraced by the reality of China’s failure, no one has offered an apology or an admission of error.

The pullout from Afghanistan was a stupendous debacle, but virtually no Democrat in Congress or the administration could be found to hint that the thing had been less than ideal. Violent crime has returned to major cities, but the Washington Post, the New York Times, CNN and elected Democrats have treated the matter as though it were an invention of conservative media. Massive levels of illegal immigration at the southern border, too, are treated by Democrats as though the whole business is made up.

On economics, Republicans warned the administration in early 2021 about the danger that trillions in spending would inflate the currency. Their warnings were ignored. Inflation exploded, and the administration denied it. In August 2022 President Biden asserted that inflation was “zero percent.” He was, absurdly, comparing that month’s prices to the previous month’s, ignoring everything that happened before July.

A global energy shortage has sent gas and electricity prices skyward. Congressional Democrats and the administration might easily have backed off their green commitments, promoted fracking and increased domestic oil production, at least on a temporary basis. That would have brought prices down, which was the only outcome Mr. Biden and other elected Democrats appeared to care about. I am not aware that such a policy change was ever considered.

Rarely in politics does anyone admit fault. You don’t expect high-ranking members of either party to acknowledge straightforwardly that they were wrong about anything. But people sometimes adjust, even if they don’t admit they’re adjusting. After the 2022 midterm elections, in which Democrats outperformed expectations but still lost the U.S. House, the president was asked what, in light of the fact that three quarters of Americans say the country is headed in the wrong direction, he plans to do differently in the future. His reply: “Nothing.” You can discount Mr. Biden’s words for senescence, but that answer expressed perfectly the solipsistic self-confidence of his party.

Even if the Democrats had been crushed in the 2022 midterm elections, they would have been unable to adjust. Their cultural dominance discourages them from changing course, which is why they can be counted on to invent exogenous reasons for electoral defeats: an allegedly racist TV ad in 1988, shenanigans in Florida in 2000, faulty voting machines in Ohio in 2004, collusion with Russia in 2016. Mr. Trump adopted this custom with abandon in 2020, but Republicans, who aren’t encouraged by elite culture to think themselves infallible, usually blame each other for electoral losses. Hence the 2013 autopsy, as wrongheaded as it was. There is no Democratic correlative to such a document.

Democrats will hotly contest this analysis of their mindset and behavior. They will note that Republicans, too, think themselves infallible, and conservatives discount the views of their critics.

And they do—sometimes. But Republicans and conservatives, when they are empowered and can make decisions, can’t depend on elite society backing them up. If a Republican official somewhere expresses a view falling outside the liberal conventional wisdom, that official can expect opposition from every segment of educated elite society—Hollywood actors, Fortune 500 boardrooms, university-based experts and so on. Blowback from so many sources isn’t easy to take, and in that case the Republican official will often, perhaps usually, back down.

But this objection—the objection that Republicans often behave peremptorily—misses the point. The GOP is, increasingly, the party of the uneducated, of the uncredentialed worker who lacks proper data and nuance. Surely it is the educated voter, the respecter of scientific argumentation and informed debate, who bears a special responsibility to consider contrary views. It’s the smart person, not the stupid or ignorant one, who holds the gravest obligation to respect views other than his own. Yet owing to his status as a smart person, respecting other views is precisely what he can’t do.

*Mr. Swaim is an editorial page writer at the Journal.*

A Small Texas City Gets a Drag-Queen Parade for Christmas



CROSS COUNTRY  
By Kevin E. Stuart

In small towns across America, the Christmas parade is often the most charming and unifying event of the year. Young and old alike gather to sing carols, wave at Santa and celebrate the birth of Jesus Christ. Such has always been the case in this city of around 17,000, where the annual Christmas Parade of Lights is traditionally organized by the Taylor Area Ministerial Alliance, a consortium of local churches. Last year, however, the Christmas parade turned into something different. This year things have spiraled completely out of control.

My wife and I moved to Taylor, about 35 miles northeast of Austin, to raise our three children in a community dedicated to protecting children and supporting families. Historically a farming and rail town, Taylor is about as far from the front lines of the culture war as it is possible to imagine. Last year an organization called Taylor Pride submitted an innocuous-sounding application to sponsor a parade float featuring “a rainbow Christmas tree” and “probably 10-15 adults.” The Taylor Area Ministerial Alliance granted approval immediately. Evidently no one at the church group—which exists to unite the Christian ministers of the Taylor area in fellowship and to enrich the spiritual life of the community through united ministry

and evangelistic outreach—realized that Taylor Pride was the town’s “hub of the LGBTQ community.” The ministers naively thought a group calling itself Taylor Pride was simply proud to be Taylor.

That’s life in a small town. But if the members of the parade committee were quaintly unfamiliar with the vernacular of modern identity politics, they for sure weren’t prepared for what happened next. Taylor Pride was planning something slightly more adult than a rainbow Christmas tree. Its parade float featured drag queens—men dressed as busty women in short skirts.

Unsurprisingly, parade-goers grumbled that this wasn’t the sort of thing they expected from a small-town Christmas parade organized by churches and aimed at families. To ensure it didn’t happen again, the Taylor Area Ministerial Alliance decided to change the wording on this year’s application to make clear that Christmas parade floats mustn’t contradict “traditional and biblical family values.” Taylor Pride interpreted the rules to mean it wouldn’t be allowed to sponsor a float this year, so it complained to the staff in City Hall about the application’s “exclusionary” language.

I’m a father, a Christian, and a Taylor resident. I followed the parade flap closely for those reasons. But I’m also a political scientist, so for me this is where the story really gets interesting. Without public notice or deliberation, and without consulting the Taylor City Council, the elected representatives of the

people, the professional staff at City Hall created a new event—a second parade to be held on the same night immediately following the traditional parade.

I emailed the city’s clerk, communications director and manager of events to ask who made the decision to create the new parade and what the process was for doing so. Communications director Stacey Osborne replied that they acted on their own authority. Taylor’s part-time five-member City Council so far hasn’t weighed in on the flap. It has a habit of rubber-stamping staff recommendations.

When townspeople objected, municipal staffers short-circuited the democratic process.

This is a problem with roots that go deep into American history. Beginning in the Progressive Era, citizens increasingly farmed out local decision-making to experts and professionals. This happened in part because of an emerging cult of expertise but also because high levels of social cohesion made it reasonably safe to trust permanent staff to reflect the values of the town. Eventually, most of the important decisions about the way cities and small towns work were handed off to “experts” and Americans became less a self-governing people.

There is now a yawning ideological gap between the people who live in American towns and the professionalized cadre of city staff who pass through those towns on their way up the career ladder. Those on the professional municipal management career track often see small towns like Taylor as the first step in a climb toward bigger cities with larger budgets and fatter staff salaries. The bigger the city, the more likely it is to be progressive. Thus, small towns with city staffers on the make are often governed by bureaucrats who work with an eye to what will please not the town they work for, but the big city they want to work for.

Professional bureaucrats run small towns such as Taylor like ideological colonizers. They should behave more like hired hands doing the work the people have assigned them through democratic deliberation. Subject-matter experts have something to contribute to the running of modern towns and cities, but the preponderance of experts has created a marked democratic deficit. That deficit is now a grave threat to the vitality of American civic life.

Some fault lies with the residents of towns like Taylor. By ceding too much political power to officials they can’t trust, they’ve allowed a civic culture that doesn’t match their values to take hold. When they finally have to stand against the dictates of the experts, too many citizens these days discover that their self-governance muscles have atrophied. They are intimidated and

cowed by unelected officials who tell them that they lack specialized knowledge, that progressive political change is inevitable, and that they can’t do anything about any of it.

As Ms. Osborne told me in an email: “City Management, who has the administrative authority to handle the day to day activities for the City of Taylor, made the decision to create the new parade. It was not discussed in a council meeting and there was no council vote, although Council was notified of the decision.”

The new parade ran right behind the traditional parade on Dec. 3. It featured even more drag performers than last year, including one called Sedonya Face. Most of the floats were sponsored by Taylor Pride and city employees. National media outlets descended on Taylor, pumping out stories implying that local residents are bigots and tying what happened here to events like November’s mass shooting at an LGBT nightclub in Colorado Springs, Colo.

These civic and cultural battles are sure to become more frequent and more intense. For those who simply want to work, worship God and raise their families in peace, this news is unwelcome. I sympathize. But communities can’t remain strong if they are unwilling to defend common sense and get involved in the political process. Politics can’t be left to the experts.

*Mr. Stuart is assistant professor of political science at the University of St. Thomas and a founding member of Strong Families of Taylor.*



OPINION

REVIEW & OUTLOOK

Biden Bails Out the Teamsters

Centers for Disease Control and Prevention director Rochelle Walensky this week pleaded with Congress for more money for Covid. How about asking the Teamsters to share some of their \$36 billion pension bailout that President Biden announced Thursday?

Democrats sold their \$1.9 trillion spending bill in 2021 as Covid “relief,” but it included some \$86 billion to shore up more than 200 ailing union multi-employer pension plans. The \$36 billion for the Teamsters’ Central States Pension Fund is the largest tranche awarded so far, but Mr. Biden assured his labor friends on Thursday that more is on the way.

Multi-employer pensions were common after World War II in trucking, construction and manufacturing. They let employers with a common union like the Teamsters offer collective plans that are jointly administered and collectively bargained by unions and management. They operate much like state plans for teachers and local government workers.

High labor costs have driven many unionized companies bankrupt, however, forcing surviving employers in the plans to pick up more of the cost of the generous benefits. Yet contributions negotiated by unions haven’t been enough to fund benefits, especially as more workers retire. Teamsters in the Central States plan can retire at age 57.

Central States last year was only 17% funded and projected to collapse in a few years. The federal Pension Benefit Guaranty Corp. (PBGC) insures pensions up to \$12,870 a year for participants with 30 years on the job. But it, too, is under-funded. If Central States failed, its liabilities

could have taken down the PBGC, which insures multi-employer pensions for 11.2 million workers and retirees.

Congress in 2014 acted to prevent this death spiral by passing bipartisan legislation that let sick plans reduce benefits and make other changes to avoid insolvency. Eighteen plans took advantage of the law, but Democrats then had second thoughts and decided to ding taxpayers instead.

Central States’ overseers proposed modest pension cuts that would have spared nearly half of participants. But progressives howled, and the Obama Administration rejected the reforms. At their first opportunity, Democrats rushed through a bailout. Last year’s union, er, Covid relief bill lets the PBGC make lump sum payments to keep some sick 200 multi-employer plans solvent through 2051 and fully restore benefits in the 18 plans that had cuts.

Notably, the law prohibits the PBGC from conditioning aid on governance reforms or funding rules. But it doesn’t forbid benefit increases. So the failings that got these plans in trouble will continue and may lead to future bailouts. Government unions with under-funded pensions in New Jersey and Illinois will surely demand one too.

Meantime, Democrats are calling Republicans stingy for refusing to spend more on Covid, including treatments for the uninsured. But Democrats appropriated a mere \$24 billion for vaccines and treatments in last year’s Covid bill and none in the Inflation Reduction Act, which included \$369 billion of climate pork. Maybe Covid patients would have received more help if they paid union dues.

The \$36 billion for the union’s pensions was sold as Covid ‘relief.’

Much Ado About Kyrsten Sinema

Arizona Sen. Kyrsten Sinema’s decision Friday to leave the Democratic Party and become an independent looks like a shrewd political move if she wants to run for reelection in 2024. What is less likely is that it will make much difference to Senate governance for the next two years.

Democrats cemented their Senate majority with their victory in Georgia’s runoff on Tuesday, and Ms. Sinema’s departure doesn’t jeopardize that. Majority Leader Chuck Schumer said Ms. Sinema will keep her committee assignments, and she’ll still vote for President Biden’s nominees. So what’s changed apart from the political label? Vermont Sen. Bernie Sanders and Maine’s Angus King are also nominally independent, but the next time they defy Democrats on a crucial vote will be the first.

Ms. Sinema voted for President Biden’s priorities some 90% of the time this Congress. Where her independence has mattered in the last two years is preserving the Senate filibuster and opposing the worst elements of the Build Back Better plan, especially its tax-rate increases. That enraged the unforgiving left that now dominates the Democratic Party.

That may explain her decision to leave the party as she looks toward a possible re-election campaign in 2024. She is being threatened with a primary campaign from the left, and her ap-

proval rating among Democrats is low. She may figure that she stands a better chance of winning by running as an independent.

Democrats could now face the question of whether to support another candidate on their party line, or endorse Ms. Sinema on the independent line. The former might divide center-left voters and help a Republican take the seat, assuming Arizona Republicans have learned from their debacle of nominating flawed candidates this year. (Kelli Ward is still the Arizona Republican Party chair, so don’t count on it.)

With Republicans narrowly controlling the House next year, the political action to watch in the Senate will be whether bipartisan coalitions can get 60 votes. There won’t be any 50- or 51-vote Senate majorities using budget reconciliation as with the egregious Inflation Reduction Act that Ms. Sinema voted for. This could give Ms. Sinema some running room on issues like spending and raising the debt limit if she can form a centrist coalition.

Senate Democrats will be defending 23 seats in 2024, many of them in swing states like West Virginia, Montana and Ohio. Republicans will be defending only 11, most of them safe. Ms. Sinema may think even Republicans might be able to retake the majority given that imbalance, in which case she’d have more influence in her second term as an independent.

A New Financial Threat Emerges

Persistent inflation and a return to quasi-normal monetary policy have exposed a growing list of financial vulnerabilities, from bad hedging at British pension funds to reckless management in a major cryptocurrency exchange. Now comes word of another danger that could dwarf the others.

The global financial system is bloated with some \$65 trillion in hidden dollar debts, a recent report from the Bank for International Settlements warns. This takes the form of foreign-exchange swaps that entail a currency trade made today with a commitment to reverse it in the future. Those future commitments constitute a form of debt, but they often aren’t recognized as such by accounting rules for banks or other companies. This level of off-balance-sheet forex-swap debt dwarfs the \$28 trillion in on-balance-sheet swap liabilities that BIS tabulates.

The BIS notes that this form of credit has exploded in recent years, rising from \$37 trillion in off-balance-sheet obligations on the eve of the 2008 panic. A variety of factors explain the increase, most tracing to the consequences of 15 years of unnaturally low interest rates around the world.

Asset managers such as pension funds and insurers in developing economies have expanded investments in dollar-denominated assets as part of a search for yield amid lower interest rates globally. The fund managers then must enter into foreign-exchange swaps to hedge currency mismatches between their assets and liabilities. These swaps are a form of liability that entail liquidity and counterparty risks but aren’t recorded as credit or debt on the balance sheet.

Abracadabra, a new financial risk is born. This off-balance-sheet debt poses several threats to financial stability. No one knows for sure where all of this debt is lurking. And many events could trigger a cascading crisis.

One vulnerability is exchange-rate volatility. Sudden swings up or down in the value of the dollar relative to other currencies can trigger short-term collateral calls and liquidity

crunches. This appears to have been part of the panic that struck British pension funds in September, as a sharp decline in the pound led to margin calls on forex hedges on top of the collateral calls pension managers faced related to their interest-rate derivatives.

Interest-rate risk is another danger. One reason the forex-swap market grew so fast in recent years is that a steeper U.S. yield curve compared to other major economies—relatively lower short-term interest rates and relatively higher long-term rates—essentially allowed banks and other firms to borrow short and lend long in dollars. As the U.S. yield curve has inverted, investors must roll over their short-term swap arrangements at much higher rates.

Meanwhile, dollar-denominated foreign-exchange-swap debts are overwhelmingly held outside the U.S.—American banks and companies tend to be creditors in these arrangements—and this exacerbates the liquidity risk. The Federal Reserve isn’t able to act as a lender of last resort to foreign banks or other institutions that face dollar liquidity squeezes arising from their swap positions. This leaves foreigners dependent on their local central banks’ currency swap arrangements with the Fed to provide dollar liquidity.

Because the Fed can’t and shouldn’t put itself and American taxpayers on the hook to bail out a market of this size, the world can only hope that these swap positions unwind smoothly as central banks return to less abnormal monetary policy. But the BIS report on these hidden debts serves as a warning for the future.

The Fed has become so focused on managing inflation (which it does badly) and domestic employment (which it may not be able to do at all) that officials tend to ignore asset prices and other evidence of financial risks—which they wouldn’t even be able to measure in this case were it not for the BIS. Perhaps we’ll all get lucky and this forex-swap bomb won’t detonate. But it’s dangerous for the Fed to keep counting on luck when its easy money policies create new financial risks.

Forex swaps amount to unprecedented hidden debt.

LETTERS TO THE EDITOR

Noonan, Musk and the Other Side of Idealism

Regarding Peggy Noonan’s “Psychos in the C-Suite” (Declarations, Dec. 3): Elizabeth Holmes is a convicted fraudster. Sam Bankman-Fried has misplaced more than \$8 billion of customer money at FTX. Elon Musk has built two world-changing companies, Tesla and SpaceX. The outcome of Mr. Musk’s Twitter acquisition cannot be known at this time.

Ms. Noonan chooses to write an article about business psychopaths, and her three subjects are Ms. Holmes, Mr. Bankman-Fried and Mr. Musk? That is about as unfair an attack on Mr. Musk as I can imagine.

DAVID HADLEY  
Manhattan Beach, Calif.

Ms. Noonan overlooks politics in her assessment of psychopaths in our midst. Schemers and dreamers have no doubt abounded since time immemorial, but politics hasn’t always concluded with them to bilk people of tax and investment money. I don’t know if Ms. Holmes or Mr. Bankman-Fried is a psychopath, but I know Ms. Holmes rode to power on a fervent desire by liberals to promote a female tech wunderkind. Mr. Bankman-Fried rode a similar desire for a king of altruistic ESG capitalism. Both were able to use true believers in left-wing political dreams to obtain entrée to financing opportunities. Mr. Musk, too, rode left-wing politics to fund his electric-car factories. Mr. Musk has

mostly delivered, but he too may fall hard on his latest acquisition due to political interference—investigations, regulation and cancellations by left-leaning journalists and pundits.

MARTIN CONNOR  
Bettendorf, Iowa

Ms. Noonan suggests that there are many “subtle psychopaths” among successful business executives. Indeed, a 2016 study of 261 business executives found that 21% had “clinically significant levels of psychopathic traits,” a figure comparable to the prison populations that Ms. Noonan references. For readers who have worked with a large number of executives, that percentage will surely strike them as an underreporting.

MICHAEL O’NEILL  
Greenwich, Conn.

Ms. Noonan’s plea for better consciences and fewer psychopaths trying to help people brought to mind T.S. Eliot’s observation, which wasn’t limited to those occupying corporate C-Suites: “Half the harm that is done in this world is due to people who want to feel important. They don’t mean to do harm; but the harm does not interest them. Or they do not see it, or they justify it because they are absorbed in the endless struggle to think well of themselves.”

RICH BEDONT  
Des Moines, Iowa

Pope Francis’s New Excuse for Russia’s Crimes

We, the Buryat Democratic Movement *Erkheten*, consider it imperative to express concern regarding “Pope Defends Leaving Putin’s Name Out of War Blame” (World News, Nov. 29), in which Pope Francis is quoted as saying: “I have much information about the cruelty of the troops that come in. Generally, the cruelest are perhaps those who are of Russia but are not of the Russian tradition, such as the Chechens, the Buryati and so on.”

Buryats and Chechens—and other nationalities of “non-Russian” ethnicity living in the Russian territory of different republics—have been suffering from Russia’s policy of colonialism for centuries. Russia forces the people in our republics into conscription first to allow them to die for imperial ambitions, as is happening now.

Russia is trying to take over Ukraine, just as it took over non-Rus-

sian republics such as Buryatia and Chechnya centuries ago. And just as it forces the Buryats and other non-Russian ethnicities to fight against Ukraine, Russia forces the Ukrainians in its occupied territories to take up arms against their own countrymen.

Our racial differences and minority status make us easy fodder for hatred and racism. Left unchallenged, the pope’s mysteriously generated and unsubstantiated words mislead the citizens of the U.S. and extend a myth about our people across the world.

MARINA KHANKHALAEVA  
Buryat-Mongolian Democratic  
Movement *Erkheten*  
Boston

VLADIMIR KHAMUTAEV  
President of the Congress of the  
Buryat People  
New York

Maricopa Troubles and Kari Lake’s Big Loss

Regarding your editorial “Kari Lake Is the New Stacey Abrams” (Dec. 3): After my first ballot failed to scan at a Maricopa County polling site, I was allowed to void it and issue a second ballot, which also didn’t scan. Then, I was told I could submit my absentee ballot and chose to sign it and seal the envelope. To my surprise, my vote was listed as “canceled” when I logged into my.arizona.vote.

I am disgusted with what occurred. Many others at the polling place had similar issues with scanning. I accept the outcome of fair elections, but what transpired in Maricopa is unacceptable and lends itself to malfeasance.

STEFAN BRETTFIELD  
Cave Creek, Ariz.

For the Palestinian Plight, Blame Their Own Leaders

In “Behind the Global Surge in Anti-Semitism” (Global View, Dec. 6), Walter Russell Mead deftly portrays the dramatic increase in the world’s oldest existing hatred. Sadly, however, he also drums up the seemingly obligatory comments about Israeli treatment of the Palestinians. I’d like to know what treatment he means.

After every conflict initiated by its Arab neighbors, Israel has offered to negotiate and exchange land for peace. While agreements were reached with Egypt (1979) and Jordan (1994), the Palestinian leadership has rejected every attempt to end the conflict. The “plight of the Palestinians” is a product of their leaders’ belief that with time they will get everything, an attitude enabled by the blind support of their European and other apologists.

RICHARD S. LAUB  
Buffalo, N.Y.

Everyone’s Election Problem

Regarding your editorial “‘Jim Crow 2.0’ Dies Again in Georgia” (Dec. 8): What is the difference between President Biden’s claims of voter suppression and President Trump’s claims of voter fraud? Both are based on unsubstantiated reports and presumptions.

HENRY BARRON  
Denver, N.C.

My relationship with Mr. Trump is sort of like a divorce after the marriage had produced several good children. Mr. President, we are getting a divorce.

AL BROWN  
St. Simons Island, Ga.

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Pepper ... And Salt

THE WALL STREET JOURNAL





OPINION

Only the Voters Can Crush Donald Trump



DECLARATIONS  
By Peggy Noonan

Georgia’s Republican Gov. Brian Kemp won re-election last month by 7.5 points. Republican Secretary of State Brad Raffensperger won re-election by 9.2. Republican Senate candidate Herschel Walker lost his Tuesday runoff by 2.7. Neither Mr. Kemp nor Mr. Raffensperger was a Donald Trump ally; both resisted his demands to alter the state’s 2020 election tally. Mr. Walker was handpicked by Mr. Trump, and all in on his issues. The GOP is strong in the Peach Tree State; its turnout in November was high. But the party is full of Republicans and conservatives who won’t back strange and unqualified candidates simply because they have the Trump imprimatur. Some were repelled by that imprimatur.

Party professionals and elders have a role to play in making it easier. The first step: Narrow the field.

Mr. Trump has looked bad since his weak and formless presidential announcement last month—dining with anti-Semites and white supremacists, meeting with Q supporters, calling for the Constitution to be waived to return him to office. He appears to be deliberately marginalizing himself. There is a debate whether we are witnessing the end of Mr. Trump. But here is the truth: Only the voters can crush Mr. Trump. It’s good if senators come forward and deplore his latest antics, if party operatives cast doubt on his viability and writers and thinkers on the right deplore him. But it doesn’t really matter. What matters is that voters on the ground turn away

from him. That is how it ends. Any other way and he says the swamp did him in. Voters have to show no, it was us, and we’re not the swamp. In a populist movement especially, it’s the populace that has to turn. In 2024 Mr. Trump will have to be crushed in Iowa, New Hampshire and South Carolina and on Super Tuesday, if that is still the Republican schedule. If that happens, he is revealed as without clout or muscle, and disappears as a force. For those who wish the continuance of the Republican Party there are two big jobs ahead. For party elders, to the extent they still exist, and for donors and operatives and professionals, that means doing everything you can to make sure the 2024 primary field isn’t a crowded one. In 2016, there were 17 candidates for the GOP presidential nomination. In early contests Mr. Trump consistently won with about a third of the vote, more than enough to dominate a field that size. He won New Hampshire with 35%, Vermont with 33%, Virginia with 35%. He had a tight moment in Iowa, with 24% to Ted Cruz’s 28%. But not until April did Mr. Trump get to 50% in any state’s primary. A year ago, Mr. Trump still scared people out of the field. Now he doesn’t. They’re starting to line up. Responsible candidates should come forward only if they satisfy two requirements. One is that they have a real shot, a significant base of support. The other is that they are saying something so singular, so necessary to the debate, so pertinent to the moment that their absence would be a form of dereliction. Candidates for president are notoriously bad at judging their own motives and prospects. They’re gamblers looking to win; gamblers tell themselves stories. “They start with belief and end with hunger,”



The Nov. 15 presidential announcement

the veteran New York political strategist David Garth said to me once of politicians. Donors, however, can be cooler. This year they should function as clear-eyed political cops and not let a crowd form. The job of state and local party leaders is to persuade Trump supporters on the ground to turn their energy toward candidates who can win. Trump supporters are proud people who are protective of their despised champion, but they are by definition politically engaged, and the vast majority love their country. The party divide between Trump and not-Trump is a human problem and must be solved by humans. Tact never hurts in a tight spot. Local leaders should go, regularly, to Trump people—asking for their time, conceding they are a significant part of the base, emphasizing areas of policy agreement. The spirit should be “acknowledge, don’t avoid.” Republicans can’t win on their issues if they don’t do it together. The independents of America, the suburbs, the moderates by thinking and temperament—they won’t vote for Mr. Trump again, if they ever did. His numbers are sinking; he

can’t put wins on the board. If both sides don’t drop their anger and resentment, they’ll wind up living together in Loserville, like the Hatfields and McCoys spending all their time shooting at each other from behind boulders while the Democratic Party thrives. Mr. Trump undid a party establishment nobody liked, stomped it and threw it out the window. Acknowledge that. The Democrats and Republicans together played with illegal immigration as an issue, while Mr. Trump treated it with respect, at least up to a point. He appointed conservative judges. Twenty sixteen can fairly be called a policy breakthrough time, but now the party is gearing up for a presidential election that is eight years beyond it. History moves only forward. If you want progress on the border, you can get it—by voting for the person who succeeds Mr. Trump. Trump supporters need to hear they can be a constituent group within a party, or they can be a death cult hurtling down a highway in the dark. The conversation needs to be had and the above doesn’t begin to cover it. It will be a long, person-by-person,

group-by-group slog, precinct to precinct, internet site to internet site. Not-Trump party officials have to speak the truth as they see it, and explicitly speak the logic of unity. They should take all questions and comments and laugh when they make fun of you, which they will. But it’s a necessary slog. I end with the observation that it is still a matter of belief among Mr. Trump’s followers that he was a transformational figure in the Reagan mold. Of the differences between them—fidelity to the Constitution, seriousness about and knowledge of the issues, and personal dignity among them—the most obvious is this: Reagan transformed the party without splitting it. He changed its nature while uniting it. He took a party that had grown vague and formless and, to put it in broadest terms, split between New England Yankees and Southern California right-wingers and blended them together. He made what endured for two generations: a united conservative party. He didn’t kill the liberal New Englanders; he blended them in. He didn’t kill the Birchers; he allowed them to blend in as if they had no recourse but to join him. He did this in part through temperamental moderation—he was a person you could cut deals with, who’d understand your starting principles. But he did it primarily through electoral force—two historic landslides, including a 49-state sweep. Every politician realized: You better jump aboard the Reagan Express because your own voters already have. Mr. Trump had no interest in unifying, never saw its purpose—never won a landslide or attracted broad public support. He broke the party with an adolescent glee. See what I destroyed! But he never built anything that would last in its place. The next two years is about rebuilding.

For a Quicker End to the Russia War, Step Up Aid to Ukraine

By Boris Johnson

I don’t care how often I have to say it: The war in Ukraine can end only with Vladimir Putin’s defeat. Russian forces must be pushed back to the de facto boundary of Feb. 24. There is no way Volodymyr Zelensky or the Ukrainian people could conceivably accept another outcome, not after the savagery they have endured. There is no land-for-peace deal to be done, even if Mr. Putin were offering it and even if he were to be trusted, which he is not. Since the war can end only one way, the question is how fast we get to the inevitable conclusion. It’s in everyone’s interest, including Russia’s, that the curtain come down as soon as possible on Mr. Putin’s misadventure. Not in 2025, not in 2024, but in 2023. The world can’t continue to watch as the Ukrainians are terrorized with missiles and drones. It is a moral abomination that millions are being left night after night without heating or light or water—to say nothing of the continuing and indiscriminate

murder of civilians. And the longer Mr. Putin continues with his senseless attacks, the longer the global economic hemorrhage will continue as well. There is a serious danger of complacency about the consequences of delay. For all who rely on supplies of Russian gas, this winter will be very tough, though thanks to prodigious organizational efforts to store gas supplies we will get through it. The bigger problem is next winter—2023-24—when those stocks will have been run down and become harder to replenish. Newly commissioned liquid natural gas terminals won’t yet be online. Some European countries are rushing to build more offshore wind capacity, but that won’t be ready either; and we certainly won’t have any more civilian nuclear reactors. Are we really going to wait and let this thing drift until Mr. Putin has regained some of his leverage? It is time to look urgently at what more the West can do to help the Ukrainians achieve their military objectives, or at least to kick the

Russians out of all the territories invaded this year. That’s the only plausible basis on which a conversation about the future could begin. The Ukrainians have the valor necessary to succeed. They have shown it. They just need the equipment.

No negotiated settlement is possible, and the longer the conflict goes on, the costlier it becomes.

The American contribution has already been prodigious—at least \$17 billion in military aid. The U.K. has committed about £2.3 billion. Other countries have been stepping up. I know these expenditures are painful at a time of fiscal restraint, but time is money, and the longer this goes on the more we will all end up paying in military support. So let’s share the burden and accelerate the denouement. First let’s give the Ukrainians the help they

need against aerial attacks. Kyiv needs unmanned aerial vehicles to detect the launch sites of drones and missiles, as well as anti-aircraft missiles to take them out. The drones have the same engines as Vespa scooters, so planes to shoot them down don’t have to be fast. As one Ukrainian put it to me, “Spitfires would do.” We don’t make Spitfires in the U.K. anymore, but plenty of countries have planes that would do the job. Mr. Putin has reportedly taken to attaching conventional warheads to nuclear cruise missiles, which may indicate that he is running low on drones and missiles. This is just a guess, but we can’t afford to wait to find out. As former U.S. national security adviser H.R. McMaster recently told me, the Ukrainians need to be able to take out the arrows, and they need to be able to take out the archer as well. They need the longer-range systems, such as ATACMS, that would enable them to target launch sites, and they need armored cars and tanks to retake ground quickly.

I know the wearying counterargument that stepping up supplies to Ukraine risks escalation. We dare not risk “poking the Russian bear.” Surely to goodness, after almost a year of this hideous conflict, we can see what total nonsense this is. Mr. Putin knows he can’t use nuclear weapons or other weapons of mass destruction. He knows the consequences. The truth is that he’s the one who fears escalation. It wasn’t a threat from the North Atlantic Treaty Organization that “provoked” him to invade. It was decades of Western lassitude and irresolution about Ukraine’s status that enticed the bully to make his mistake. The West has atoned for this failure with a stunning display of coherence and unity since February. We must be stronger and bolder. This thing is only going one way. For the sake of the world, let’s help those brave Ukrainians finish the job, and the quicker the better. Mr. Johnson served as British prime minister, 2019-22.

The Cryptocurrency Adventures of Mark Zuckerberg and SBF



BUSINESS  
WORLD  
By Holman W. Jenkins, Jr.

Back in 2019, Facebook wanted to promote a new digital currency, Libra, to customers around the globe, many of them young people entering the cash economy for the first time through their smartphones. It seemed then a promising innovation and still does now. The proposal sadly landed at a moment when the tech giants were coming under political assault. A spirit of “let’s stop trying new things” was invading both political

parties. CEO Mark Zuckerberg quickly retreated when he might have put Libra out there in defiance of the politicians to let a global public decide if it was useful. “You believe you’re above the law,” ranted liberal Democratic Rep. Maxine Waters in a hearing in which, for once, she was seconded by moderate and even conservative colleagues. Result: Libra was stillborn for two years and essentially abandoned by Facebook. Other experiments such as bitcoin have continued, of course, serving, like porn in the 1990s, as a test bed for new enabling technologies. But none have caught on as a truly popular medium of exchange

and store of value: too volatile, too esoteric, more like a tulip bulb you might buy hoping it will go up for no good reason. The rise and fall of Sam Bankman-Fried and his FTX exchange may be the biggest news in cryptocurrency, but it has done nothing to answer basic questions. Will cryptocurrencies ever be useful? Is blockchain an important innovation? The episode does say something that hardly needed saying about depositories or other businesses that promise to keep your assets safe and don’t. If Mr. Bankman-Fried sold you a bike lock and later was stealing your bike and getting in accidents with it, you’d have the same grievance that customers of his now-bankrupt cryptocurrency exchange have. The rest of the story doesn’t ring any bells for novelty or originality either—the superficial fascination with a young face and his short-lived, overnight wealth based on gee-whizzery that nobody really could explain. Yawn. The irony that strikes me as interesting is the way Mr. Zuckerberg was treated vs. the way Mr. Bankman-Fried was treated. When Mr. Zuckerberg attempted to launch his cryptocurrency, he placed his valuable, established, heavily scrutinized company behind it, deployed armies of lawyers and had every corporate and personal incentive to do a responsible job, if

only to protect his own reputation and billions worth of Facebook shares. He sought the permission of the permissioncrats, was eager to address their complaints, seek their input. In an amusing account, the Financial Times describes Janet Yellen One sought to comply with law and regulation, the other bought off everyone in sight.

and Jay Powell, over breakfast, asking themselves “What’s in it for us?” and putting the final stake in Libra on June 24, 2021. To this day, because it meets their needs, many still believe an infinitesimal driplet of Russian Facebook ads elected Donald Trump. Of the cause célèbre of 2018, the Facebook-Cambridge Analytica scandal, who stuck around through the legal process that revealed it to be a nothing-burger? It didn’t help that Mr. Zuckerberg had been the villain of a Hollywood movie before his still-thriving company even IPOed, whereas the inevitable Netflix or Hulu series on SBF will arrive long after the fact. In interview after interview, Mr. Bankman-Fried now berates himself for not instituting sufficient controls to stop customer money from

somehow being used to make proprietary crypto bets that all have gone south. “I ask myself a lot how I made a series of mistakes,” he moaned to this newspaper. The answer is easy. He didn’t institute controls because he didn’t need any, because customer money came anyway on a crest of bought-and-paid-for credibility from politicians, celebrity endorsers, sports teams wearing his logo, media cheerleaders, sponsored industry confabs in which his pronouncements were accorded gospel status. From the episode you might deduce why caveat emptor is the worst regulator except all the others, and why authority figures are often better at looking out for their own interests than yours. Joe Biden, say, decides what he should do about a pending rail strike by asking what best serves the political interests of Joe Biden. More often than not, of course, this provides a workable way forward and is why democracy remains the least terrible form of government. But it also produces its haywire moments. One came when the political establishment banded together to crush Mr. Zuckerberg’s conscientious attempt at a cryptocurrency experiment. Another came when the same establishment helped fan Mr. Bankman-Fried’s hollow simulation of a responsible business until it relieved its trusting customers of an estimated \$51 billion in personal wealth.

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**History Lesson**  
Tech executives  
should look to the  
industry's past **B4**

# EXCHANGE

**Penalty Kicks!**  
Tactics for success  
in the most tense  
moments **B5**



BUSINESS   FINANCE   TECHNOLOGY   MANAGEMENT			THE WALL STREET JOURNAL.			**** Saturday/Sunday, December 10 - 11, 2022   <b>B1</b>		
<b>DJIA</b> 33476.46 ▼ 305.02 0.9%	<b>NASDAQ</b> 11004.62 ▼ 0.7%	<b>STOXX 600</b> 439.13 ▲ 0.8%	<b>10-YR. TREAS.</b> ▼ 21/32, yield 3.567%	<b>OIL</b> \$71.02 ▼ \$0.44	<b>GOLD</b> \$1,798.10 ▲ \$9.40	<b>EURO</b> \$1.0534	<b>YEN</b> 136.57	



DAVID WALTER BANKS FOR THE WALL STREET JOURNAL

Ship-to-shore cranes and container ships line Georgia's Port of Savannah, recently, where shipments are increasing.

## New Routes for Big Business

The West Coast was long the dominant gateway for goods entering the U.S. Now companies are steering cargo to other coasts as global trade gets upended.

By Paul Berger

Shirley maker **Newell Brands Inc.** is opening distribution centers in Pennsylvania and North Carolina to lessen dependence on sea-ports in California. **Abercrombie & Fitch Co.** is moving more merchandise through New York and New Jersey to avoid West Coast bottlenecks. Air-conditioning manufacturer **Trane Technologies PLC** is sending most cargo this year through ports in the South, instead of the Los Angeles area. The hierarchy of U.S. ports is getting shaken up. Companies across many industries are rethinking how and where they

ship goods after years of relying heavily on the Western U.S. as an entry point, betting that ports in the East and the South can save them time and money while reducing risk. Their reasons range from fears of a dockworkers strike along the West Coast and a repeat of the bottlenecks that roiled supply chains early in the pandemic to a reduced dependence on Chinese production and the need to get products to all parts of the country faster. In August, Los Angeles lost its title as busiest port in the nation to the Port of *Please turn to page B6*

## Stellantis To Stop Work at Illinois Factory

Parent of Chrysler says halt at Jeep Cherokee plant will reduce costs, with 'indefinite layoffs'

By RYAN FELTON

Jeep maker **Stellantis NV** said it would stop operations at a 1,350-employee assembly plant in Illinois, citing the need to control costs in the face of supply-chain disruptions and high expenses associated with moving to electric vehicles. The Netherlands-based global auto maker said Friday that its factory in Belvidere, Ill., which makes the Jeep Cherokee sport-utility vehicle, would be idled effective Feb. 28 and result in indefinite layoffs. The company said it is looking at different uses for the plant and would try to place laid-off employees in full-time positions elsewhere. Stellantis said the company and industry have been hurt by the semiconductor shortage and Covid-19-related disruptions. "But the most impactful challenge is the increasing cost related to the electrification of the automob*Please turn to page B2*

◆ Workers at GM-LG battery plant in Ohio vote to unionize..... **B3**

## Oil Market Shrugs Off Price Cap On Russia

By JOE WALLACE

The harshest sanctions yet hit Russia's energy industry this past week. The oil market's response was to shrug. The absence of a price surge is an early win for U.S. officials who strove to water down European sanctions they feared would snarl up global crude trading. Instead of soaring prices, Brent-crude futures slid almost 11%, to their lowest levels in a year. West Texas Intermediate, the U.S. marker, dropped to its lowest level since December 2021, sliding 0.6% Friday to \$71.02 a barrel. "The markets have been relatively calm about it," said Paul Horsnell, head of commodities research at Standard Chartered. Investors had piled into bets that Russia would immediately respond to the sanctions by weaponizing oil supplies, he added. When that didn't happen, they pulled out of those wagers, driving down prices. Two sets of sanctions took effect after monthslong negotiations be*Please turn to page B11*

## Mark Cuban Lands a Job at an Online Pharmacy

The entrepreneur spends time at a startup, founded by a radiologist and math prodigy, that aims to lower drug costs by eliminating middlemen

By JOSEPH WALKER

Dallas

When Mark Cuban got an email in 2018 from a stranger asking if he wanted to invest in a company dedicated to bringing down the cost of prescription drugs, he replied: "Tell me more." Today, the Dallas Mavericks owner and entrepreneur is helping steer the fledgling startup as it takes aim at high prescription drug prices and the industry middlemen who he says keeps them that way. The Mark Cuban Cost Plus Drug Co. PBC, born from that brief email pitch from the company's founder, Alex Oshmyansky, buys generic drugs from pharmaceutical manufacturers and sells them directly to

patients online, rather than charging their insurance providers. By cutting out intermediaries and using a transparent pricing system, the pharmacy says it charges less than rivals for drugs: a 15% profit markup on a medicine's cost, plus several dollars in fees for shipping and labor. Some 1.4 million people have signed up, and about 400,000 have filled at least two prescriptions from the pharmacy's offering of 350 drugs. "It blew up in a way we didn't really anticipate," says Dr. Oshmyansky, the company's 38-year-old chief executive. "Making sure we have inventory, making sure there's enough staffing in the pharmacy, all of those little details have been a surprising challenge in

the first year of operation." The company, which currently has 41 employees, declined to disclose its revenue or other financial results. Setting the company apart from its peers is its larger ambition to be an all-in-one drug company that makes and distributes medicines and accepts traditional health insurance. It is gearing up to start manufacturing drugs early next year out of a brand-new pharmaceutical plant in the Dallas neighborhood of Deep Ellum, surrounded by art galleries and rock clubs. It is in talks with employers and insurers to make its drugs more widely available, and has so far signed up Capital Blue Cross, a Pennsylvania *Please turn to page B4*



JEROME MIRON/USA TODAY SPORTS

'There isn't a decision I'm not involved with,' says Dallas Mavericks owner and investor Mark Cuban, of the pharmacy that bears his name.



# THE SCORE

THE BUSINESS WEEK IN 7 STOCKS

## APPLE INC.

▼  
**AAPL**  
0.8%

Covid turmoil is roiling Apple's biggest manufacturer. On Monday, Foxconn Technology Group said its November revenue dropped 11% from a year earlier after a Covid outbreak weighed on shipments from its facility in Zhengzhou, China. The so-called iPhone City is where hundreds of thousands of workers make Apple products. In November, workers protested over wages and Covid restrictions. The Wall Street Journal on Dec. 3 reported that the iPhone maker has accelerated plans to shift some of its production outside of the country. Apple shares **declined 0.8% Monday**.

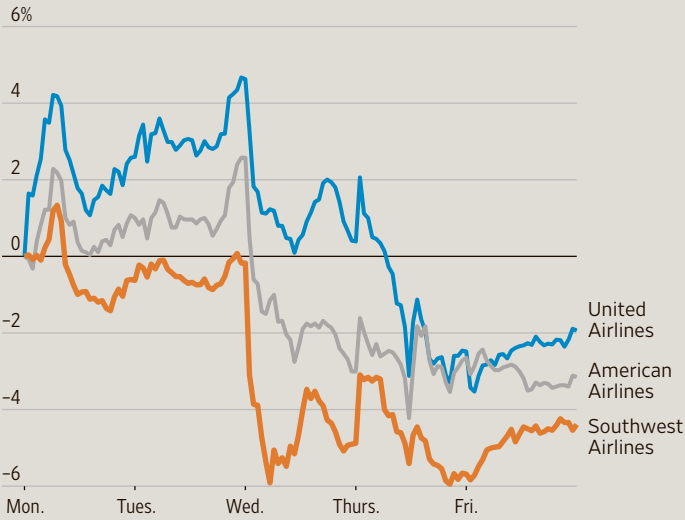
## PEPSICO INC.

▼  
**PEP**  
1.4%

A snack and beverage giant is slimming down. The Wall Street Journal reported Monday that PepsiCo is laying off hundreds of workers in North America, as a wave of corporate layoffs extends beyond tech and media. The maker of Doritos, Quaker Oats and its namesake cola joins other companies in cutting costs ahead of a possible recession. After reporting a jump in quarterly sales and profits, PepsiCo executives in October said they were cutting costs to offset the pressure on profit margins and to weather worsening macroeconomic conditions. PepsiCo shares **fell 1.4% Monday**.

## PERFORMANCE OF AIRLINE STOCKS THIS WEEK

Source: FactSet



## SOUTHWEST AIRLINES CO.

▼  
**LUV**  
4.7%

Southwest's quarterly dividend is taking flight again. The airline is the first major carrier to reinstate the payout after more than two years as the travel industry recovers from the Covid-19 pandemic. The dividend payments—which amount to \$428 million a year—could become a flashpoint in its already tense labor contract negotiations with pilots and other worker groups. Southwest shares **lost 4.7% Wednesday**.

## CAMPBELL SOUP CO.

▲  
**CPB**  
6%

Sales are still cooking at Campbell. The soup and snack maker boosted its outlook and said fiscal first-quarter sales rose 15% on the back of higher prices, though volumes—which have been shrinking as prices rise—fell 1%. Chief Executive Mark Clouse said higher prices and productivity measures helped the company mitigate rising costs. Like other food makers, the company saw costs climb amid industrywide supply-chain constraints. Companies have looked to pass those costs on to customers, who are adjusting their spending. Campbell shares **gained 6% Wednesday**.

## AMAZON.COM INC.

▲  
**AMZN**  
2.1%

Amazon is taking a page from TikTok's book. The e-commerce giant is rolling out a short-form video feature in its app that will allow "social shopping," where customers can buy products from a customized feed of photos and videos. Amazon launched the feature for select customers on Thursday and plans to make it available across the U.S. in the coming months. Amazon joins its tech peers in capitalizing on the popularity of the short-video format that has powered the rise of social-media app TikTok, owned by Chinese firm ByteDance Ltd. Amazon shares **rose 2.1% Thursday**.

## CARVANA CO.

▼  
**CVNA**  
43%

Carvana faces a bumpy road as its shares sputter. The struggling used-car seller hired restructuring advisers and its bondholders signed an unusual agreement to cooperate in case the company did a deal that hurt them, The Wall Street Journal reported Wednesday. Investors say they are frustrated at executives' handling of the downturn and are anxious about being pushed aside in a restructuring that could involve Chief Executive Ernie Garcia III's father. The company's creditors include Apollo Global Management Inc. and Pacific Investment Management Co. Carvana shares **sank 43% Wednesday**.

## ACTIVISION BLIZZARD INC.

▼  
**ATVI**  
15%

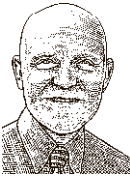
Regulators are taking aim at Microsoft Corp.'s acquisition of a videogame heavyweight. The Federal Trade Commission on Thursday sued Microsoft to bar its planned \$75 billion acquisition of Activision, taking one of its biggest shots under the Biden administration at halting a merger of technology giants. The FTC said the deal would allow Microsoft to suppress competitors to its Xbox gaming consoles—Sony Group Corp. and Nintendo Co. All three companies also develop and publish their own games. Activision shares **lost 1.5% Thursday**.

—Francesca Fontana

THE INTELLIGENT INVESTOR | JASON ZWEIG

# Sky-High Returns—With a Big Catch

Investors who piled into an unconventional real-estate fund now can't get much of their money out



Anyone who invested in Blackstone Real Estate Income Trust, a private fund, has earned towering returns since it launched in early 2017. It has been one of the hottest of all so-called alternative investments, those assets relentlessly flogged by Wall Street as counterweights to stocks and bonds.

It's also a reminder that investors accustomed to conventional investments can be taken by surprise when they venture into the unconventional.

On Dec. 1, Blackstone REIT—nicknamed BREIT, pronounced “bee-reet”—announced it would restrict redemptions in December. BREIT will permit investors to sell only up to 0.3% of assets this month. That was after \$1.7 billion in redemption requests in November weren't filled. Blackstone told BREIT stockholders that outflows, in this case mainly from Asia-based investors, “can increase amid market volatility.”

That news set off a kind of panic. Shares in Blackstone Inc., parent of the fund's manager, swooned 10% and still haven't recovered. Some analysts are saying the limits at the giant property fund darkened the mood of the entire market, helping explain why stocks have stumbled this month.

BREIT, with \$69 billion in net assets, generated \$1.8 billion in management and performance fees for Blackstone in 2021 and \$1.4 billion in the first three quarters of 2022.

Through Oct. 31, BREIT was up 9.3% in 2022, reducing its public competitors to rubble. The All Equity REITs index of publicly traded property funds was down 25.5% in 2022 through October, according to Nareit, an industry group.

Over the past three years, a measure of private real-estate returns, the NCREIF-ODCE index, was up 11.4% annually. BREIT, at 15.8%, steamrolled it.



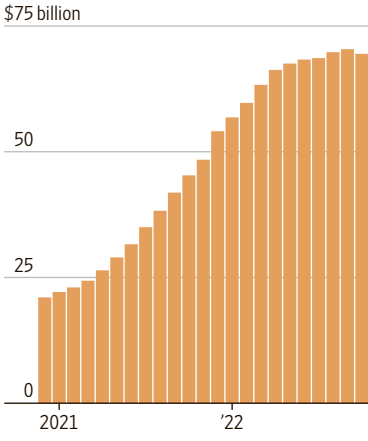
The fund isn't an outlier only because of its huge returns, but also because of how it has earned them.

Over the past year, the fund bought interest-rate hedges with a notional value of \$30.9 billion. That was an astute and timely bet that rates would rise, producing an unrealized gain of \$5.1 billion. That means roughly 8 percentage points of the fund's 9.3% return this year—more than 80% of its total performance—has come from its derivatives trading rather than its property portfolio.

I estimate that interest rates would have to fall about 2 percentage points from their levels this summer—a huge move—for those trades to become money-losers for BREIT. (And such a fall in rates would almost certainly raise the value of the fund's property holdings by an even greater amount.)

Even so, this giant trade means BREIT is almost as much like a hedge fund or Wall Street trading desk as it is a real-estate fund.

## Blackstone REIT net asset value



Source: Securities and Exchange Commission filings

BREIT differs from conventional funds in another way. Like many private real-estate portfolios, it largely values its assets using appraisals as well as recent market transactions. That makes it unusual

alongside the real-estate mutual funds or exchange-traded funds many investors are familiar with.

Also like many of its private peers, BREIT is leveraged; it invests with roughly 50% borrowed money.

These two factors make performance exquisitely sensitive to the assumptions Blackstone uses. Exit capitalization rate is a key input for the fund's valuation. The higher the exit cap rate, the lower the valuation, and vice versa. BREIT has already raised its exit cap rates this year by 14%, resulting in a significantly lower valuation for its holdings.

Based on a recent disclosure, I estimate that an additional 0.5-percentage-point increase in the exit cap rate would reduce net asset value by between 5% and 13%. Some of that could be offset by growth in rents if inflation rises.

BREIT favors rental apartments and warehouses primarily in the Sunbelt.

In those areas, demand exceeds

supply, “giving us a cash-flow growth profile that is exceptional,” says Nadeem Meghji, Blackstone's head of real estate for the Americas. That, coupled with the fund's hedges, has “enabled us to absorb the impact of higher interest rates and still produce a good return.”

BREIT says it has more than \$9 billion in cash and other liquid assets to help weather a declining market. It also recently sold major properties at significant premiums to its last estimates of their value, and Blackstone's employees have invested more than \$1 billion in the fund.

Even with those positives, BREIT remains unconventional, at least by most individual investors' standards.

As a private real-estate investment trust, it doesn't offer daily liquidity; in the aggregate, investors can sell only 2% of the fund's assets per month or 5% per quarter.

## With its interest-rate hedges, BREIT is almost as much a hedge fund as it is a real-estate fund.

That's a plus. It enables the fund to hold real estate, which can take years to pay off, without the need to cash investors out in the short term or dump assets into a market downturn.

It's a minus, too, especially for individual investors accustomed to the daily liquidity of mutual funds and ETFs.

Thanks to its impressive past performance, BREIT has more than tripled in size since the end of 2020, making it one of the fastest-growing funds of any kind in the country.

So many people piled in because of the fund's hot past returns that now they can't get more than a sliver of their money out. Increased redemption requests for October and November meant the fund hit the 5% threshold well before the end of the quarter, precipitating its move to cap December redemptions. After this month's restriction to 0.3%, investors can request another redemption in January, although that will be subject to the normal 2% monthly limit.

In financial markets, marching to the beat of a different drummer can pay off. But when millions of investors form one conga line, the unconventional becomes a consensus. Before you join in, make sure you understand how you can get out.

# Jeep Maker To Idle Illinois Plant

Continued from page B1

tive market,” the company said. The move to stop operations at the factory, which was built in the 1960s, comes ahead of next year's negotiations with the United Auto Workers on a new four-year labor contract.

The UAW on Friday criticized Stellantis' decision to stop work at the Illinois facility and urged the auto maker to move a different vehicle program to the plant, including potentially building electric cars there.

“Not allocating new product to plants like Belvidere is unacceptable,” UAW President Ray Curry said.

Stellantis, formed through the merger of France's PSA Group and Fiat Chrysler Automobiles NV in 2021, has ambitious targets for EVs, pledging to spend \$35 billion in coming years on new models and manufacturing capabilities. The company has said it aims to have electric vehicles represent half of its sales in North America by the end of the decade.

The parent of Jeep, Chrysler, and Dodge brands, Stellantis said it would continue to build the Cherokee at the plant until work ceases in February. It wouldn't comment on the future of the midsize SUV.

The decision to idle the plant comes as the auto industry confronts an uncertain economic outlook,



The factory in Belvidere, Ill., makes the Jeep Cherokee sport-utility vehicle.

while also continuing to battle supply-chain snags that have disrupted production for the past two years. At the same time, car makers are under pressure from investors and regula-

tors to steer more money into the development of electric vehicles.

Some manufacturers have been cutting workers in response to those pressures, even as profits have been

robust during the past few years of low inventory and high prices for new cars and trucks.

Ford Motor Co. this summer laid off about 3,000 white-collar and contract employees. Stellantis in October offered buyouts to salaried workers in the U.S.

Still, plant closures in the U.S. auto industry have been rare since 2008-2009, when General Motors Co., Ford and the former Chrysler Corp. closed many factories amid a severe downturn in car sales, helping to push GM and Chrysler into bankruptcy.

The last large factory to close was a GM assembly plant in Lordstown, Ohio, in 2019. That move angered UAW officials ahead of contract talks that year and contributed to a 40-day strike at GM's U.S. factories in late 2019, which drained about \$3.5 billion from the auto maker's bottom line.



BUSINESS NEWS

# GM-LG Battery Plant to Unionize

Ohio vote marks a win for UAW, which plans other U.S. campaigns as factories sprout up

By Nora Eckert and Mike Colias

Workers at an Ohio battery plant co-owned by **General Motors** Co. voted overwhelmingly to be represented by the United Auto Workers, bolstering the union as it seeks to solidify its membership amid the auto industry's push toward electric vehicles.

Employees at the plant voted 710-to-16 in favor of joining the UAW. The Ultium Cells LLC plant, a joint venture between GM and South Korea's **LG Energy Solution Ltd.**, began operations in late August and employs about 900 people.

For the UAW, securing the right to represent the Ohio factory's workforce, which is expected to grow to 1,300 people, positions the union to expand its membership further as auto makers prepare to open more than a dozen U.S. battery plants in coming years, labor analysts say.

Car companies collectively

are investing tens of billions of dollars to build cell factories that they plan to jointly own and operate with battery manufacturers, potentially creating more than 20,000 new U.S. jobs, mostly across the South and Midwest.

The auto industry's race to produce more electric vehicles eventually could lead to a loss of jobs within its existing factory workforce, because EVs require fewer parts and less labor to assemble than cars with internal-combustion engines, analysts say. That threat magnifies the importance of the UAW's efforts to secure a foothold at the future battery plants, said Marick Masters, a professor of business and labor at Wayne State University in Detroit.

"This is really not an option to organize these facilities for the UAW if they want to remain a powerful bargaining entity in the industry," he said.

The UAW has represented GM's U.S. factory workers for decades. Because the Ultium joint venture is a separate entity, its workers aren't included under GM's broader labor contract with the UAW, which is scheduled to be renegotiated next year.



The Ultium Cells joint-venture facility in Warren, Ohio, began operations in late August and employs about 900 people.

The UAW now will bargain on behalf of the Ultium workers in Ohio over wages, benefits, work schedules and other issues. Today, wages at the plant range from \$15 to \$22 an hour, which is less than the roughly \$30 an hour that many UAW members make at factories owned by GM, Ford Motor Co. and Chrysler owner Stellantis NV, the three car makers with UAW-represented factory workforces.

The outcome of the Ohio vote could influence what happens at three other planned GM-LG factories as well as several more plants planned

by battery companies partnered with Ford and Stellantis.

UAW President Ray Curry has said that organizing the joint-venture battery plants is a top goal of the union and is critical to securing its future.

The GM-LG venture is developing another battery plant in Tennessee, set to open in late 2023, and a third in Michigan, scheduled to come online about a year later. The combined investment in the three factories is roughly \$7 billion, with expected employment of more than 4,000 workers.

A Ford venture with Korea's SK Innovation Co. is spending

more than \$11 billion to build two cell factories in Kentucky and a third in Tennessee along with an EV assembly plant. The facilities are slated to come online by 2025 and employ nearly 11,000 workers.

Stellantis and Samsung SDI Co. are investing \$2.5 billion in an Indiana cell factory that is expected to employ 1,400 people, slated to open in 2025.

Over the past decade, the UAW has faltered in efforts to organize plants run by foreign auto makers. Workers at a Volkswagen AG plant in Tennessee have twice rejected the union's efforts to represent blue-collar employees. Similar attempts at Nissan Motor Co. also failed. The union hasn't mounted significant campaigns at Tesla Inc. and Rivian Automotive Inc., whose workforces remain nonunion.

The UAW is undergoing dramatic change itself after its first direct election last month, which replaced its traditional election by union delegates. A number of key races will go to a January runoff, including that for president. The election is the first since a federal investigation into corruption allegations sent several former union leaders to prison.

# Creditors Gird For Fight With Carvana Leaders

By Ben Foldy and Alexander Saeedy

**Carvana** Co. investors say they are frustrated at how executives handled the used-car seller's downturn and are anxious about being pushed aside in a restructuring that could involve the chief executive's father, the biggest shareholder.

Carvana soared in the pandemic and like other big winners of that time it vastly overestimated its growth potential. It loaded up on debt to fund the expansion, leaving it vulnerable to a downturn. Its shares are down 98% this year.

This past week Carvana hired restructuring advisers while its bondholders signed an unusual agreement to cooperate in case the company did a deal that hurt them.

"With creditors binding together and a major change in consumer sentiment since the end of the pandemic, it's almost a foregone conclusion that a restructuring will happen," said Drew McManigle, chief executive of MACCO Restructuring Group, a restructuring advisory firm that isn't involved in Carvana. "The question is how soon."

The online company is led by

Ernie Garcia III, who spun Carvana out from his father's used-car empire and is surrounded by longtime friends. Some of the creditors feel the dynamic leads to a leadership that is resistant to changing their minds.

Carvana declined to comment on its debtholders, a potential restructuring, the company's 2022 performance, leadership or strategy.

The creditors, which hold about 70% of Carvana's debt, include **Apollo Global Management Inc.**, **Pacific Investment Management Co.** and **Ares Management Corp.**, all veterans of restructuring fights, often with one another. In this case, though, they have signed a three-month cooperation agreement that binds them to act in unison if the company seeks to raise new capital or pit creditors against one another. The Wall Street Journal reported citing people familiar with the matter.

The agreement is relatively rare in the dog-eat-dog world of distressed investing. The creditors say they were concerned the company could be preparing a coercive transaction with the support of its advisers, investment bank **Moelis & Co.** and law firm **Kirkland & Ellis**.

Both firms have recently



Carvana, which vastly overestimated its growth potential, has posted losses and laid off employees.

helped financially distressed companies raise cash through aggressive transactions that stripped collateral away from secured lenders. Moelis declined to comment. Kirkland & Ellis didn't reply to a request to comment.

Carvana shares fell nearly 40% this past week amid the turmoil. Still, the lenders say they don't expect Carvana to file for bankruptcy soon. Carvana should have enough cash to last through the end of next year, investors say.

The creditors are facing off against Mr. Garcia and his father, Ernie Garcia II, who controls about 44% of Carvana's equity, according to Carvana's filings. The elder Mr. Garcia built his own used-car dealership group, closely held DriveTime Automotive Group Inc., which does extensive business

with Carvana, including leasing it real estate, buying its cars and servicing its loans.

"We're all looking for clarity there," said a creditor in the cooperative agreement. "As long as Ernie Sr. is involved in DriveTime, he's directly involved in Carvana."

Through various vehicles, the elder Mr. Garcia sold more than \$4 billion of Carvana shares since its IPO in 2017, according to Carvana's disclosures.

The elder Mr. Garcia has his own experience running a struggling, publicly traded used-car business. He was CEO of DriveTime's predecessor, which was called Ugly Duckling and went public in 1996. Its shares soared, but within two years were trading below their IPO price. Mr. Garcia took the company private in 2002.

With sales slowing, Carvana

in February agreed to buy a car-auction business for \$2.2 billion, borrowing \$3.3 billion to pay for it. Carvana agreed to sell half of the bonds to Apollo at an interest rate of 10.25%, well above average for junk bonds. On the same day the deal closed, Carvana laid off around 2,500 employees as it sought to bring its expenses under control.

Carvana reported losing \$238 million in the second quarter, and a further \$283 million in the third. Last month, it said it was laying off an additional 1,500 employees.

## Watch a Video



Scan this code for a video about what went wrong at Carvana.

# Fired Executive Says Apple Overreacted to His Quip

By Aaron Tilley

Tony Blevins woke up to a 1:30 a.m. phone call.

**Apple Inc.**, his employer for 22 years, demanded that he get a video on TikTok taken down, according to Mr. Blevins.

The video, posted online in early September, showed Mr. Blevins getting out of his Mercedes-Benz SLR McLaren at a car show and being asked what he does for a living. He responded: "I race cars, play golf and fiddle big-breasted women. But I take weekends and major holidays off."

The comment, Mr. Blevins said, was a reference to the 1981 comedy "Arthur," in which a bawdy Dudley Moore makes a similar remark in response to a question about what he does for a living. Mr. Blevins, whose negotiating skills as a top Apple executive helped the tech giant build and maintain its formidable supply chain, was with his wife, who was laughing in the TikTok video as the two arrived at the car show together.

In the early-morning phone call, an Apple executive told him that he had to get the video removed immediately.

"This is really bad, some people have complained," Mr. Blevins said he remembered the Apple executive saying.

Apple declined to comment.

Mr. Blevins, 55 years old, said he stayed up all night try-



'My whole life has been Apple. I tried to be the most loyal person,' said Tony Blevins, who was fired in September.

ing to contact the TikTok, who goes by the online name Daniel Mac and questions people driving luxury cars about what they do for a living. Mr. Blevins said he made several pleas to the social-media influencer but received no response.

Mr. Blevins said he was asked to resign and he declined. Days after the video surfaced Sept. 5, he was fired.

"It was 22 years dissolved in about 25 seconds," said Mr. Blevins. He added: "It utterly shocked me. My whole life has been Apple. I tried to be the most loyal person."

His departure, details of which haven't been previously reported, leaves Apple with a big hole to fill during a critical time for the company. Apple is

dealing with disruptions in its supply chain, which are overwhelmingly concentrated in China. Mr. Blevins, who was a vice president of procurement, and his team of employees were responsible for negotiating with the web of suppliers that make components for Apple's products and assemble them. His negotiating abilities earned him the nickname "the Blevinator."

Following his firing, Mr. Blevins wasn't replaced, and instead his group was reorganized throughout Apple's operations unit, Mr. Blevins said.

The firing has left him in disbelief that something he intended as a joke, uttered to a non-Apple employee while he wasn't working, could erase a lifetime of dedication for a

company he loved and believed in, Mr. Blevins said. He said he is sorry to those he offended with the comment, but he sees his firing as a blunder by Apple and a capitulation to broader cultural pressure.

Some of his former employees support him and say that while he sometimes would use humor to deflate tense situations, they hadn't witnessed any other sexist comments or unprofessional behavior.

Others who worked for Apple say they think his firing was necessary because the company shouldn't tolerate sexist comments or behavior among managers.

Mr. Blevins, who grew up in the rural South, was always a somewhat unusual fit in the Cupertino, Calif., corridors of America's most valuable company, but he was embraced by Apple's leadership because of his prowess as a negotiator, according to Mr. Blevins and former Apple employees. Starting in 2014, he was allowed to work out of his West Palm Beach, Fla., house.

In his two decades at the company, Mr. Blevins had emerged as one of an essential cadre of executives who helped build Apple into a colossus through deals with suppliers of chips, displays and other parts that were mostly assembled in Asia. With brazen tactics—such as once putting two companies

competing for the same deal in neighboring rooms in a hotel while he went back and forth between them—Mr. Blevins helped Apple keep costs down and the supply of its iPhones and other gadgets secure.

After his firing, company executives were still planning a going-away party for him with invitations extended to more than 100 people, but the party was canceled when communication began breaking down between Mr. Blevins and Apple, said Mr. Blevins. He also said he didn't like the idea of Apple throwing him a party after having just fired him, calling it a "hypocritical" action. He said he didn't receive severance.

Under Chief Executive Tim Cook, Apple has promoted its efforts to create an inclusive workplace where employees are respected, and it has said it doesn't tolerate discriminatory or demeaning behavior.

There is a broad continuum in which a wide range of behavior including crude jokes can now be fireable offenses for any corporate executives and public figures, said Davia Temin, chief executive of Temin & Co., a crisis-management and marketing firm.

The abruptness with which he was fired has left Mr. Blevins angry, he said. "They humiliated me and damaged my reputation."

# Juul to Pay \$1.7 Billion In Legal Settlement

By Jennifer Maloney

**Juul Labs Inc.** has agreed to pay \$1.7 billion in a broad legal settlement covering more than 5,000 lawsuits, according to people familiar with the matter.

Many of the lawsuits accused the e-cigarette maker of marketing its addictive products to children and teens. Juul has said it never targeted young people and that it has been working to regain the public's trust.

The settlement deal, signed earlier this week, resolves much of the legal liability that had pushed the embattled e-cigarette maker to the brink of bankruptcy. The company is now working to settle cases brought by several attorneys general. Once it has resolved most of its legal liabilities, Juul could seek a sale or strategic investment, people familiar with the matter said.

The Food and Drug Administration in June ordered Juul to halt its U.S. sales, saying the company hadn't submitted sufficient evidence that its e-cigarettes were safe. The agency then put the ban on hold while Juul appealed the decision.

As trial dates loomed, the uncertainty around Juul's ability to remain on the market made it difficult for the company to raise money for legal settlements or court judgments. The company's sales also have fallen since the FDA's move. Juul began preparing for chapter 11 filing this fall, then in November secured financing from some of its early investors to stave off bankruptcy.

# Penguin Random House CEO Resigns

By Jeffrey A. Trachtenberg

Markus Dohle resigned as chief executive of Penguin Random House weeks after a federal judge blocked the world's largest consumer-book publisher from acquiring rival Simon & Schuster.

Nihar Malaviya, 48 years old, currently president and chief operating officer of Penguin Random House U.S., will serve as interim CEO, effective Jan. 1.

"Following the antitrust decision in the U.S. against the merger of Penguin Random House and Simon & Schuster, I have decided—after 15 years as CEO of Random House, which became Penguin Random House—to hand over the next chapter of our global publishing business to new leadership," Mr. Dohle, 54 years old, said in a memo to staff.

Penguin Random House is owned by closely held German media company **Bertelsmann SE**. Mr. Dohle is also resigning his seat on the Bertelsmann executive board.

Mr. Malaviya is a veteran Penguin Random House staffer, where he is best known for providing market context and data insights for the creative side of the business. He has also built close ties to other publishers through Penguin Random House's distribution business.

Christoph Mohn, chairman of the Bertelsmann supervisory board, said that under Mr. Dohle's leadership, "Our book division more than doubled its revenues and quintupled its profit."

Bertelsmann in November 2020 agreed to buy Simon & Schuster from Paramount Global for roughly \$2.2 billion. At the time, Mr. Dohle said he was confident that regulators would give their approval.

Instead, the Justice Department in November 2021 filed suit to block the merger, arguing it was anticompetitive.

On Oct. 31, U.S. District Judge Florence Pan blocked the merger. Penguin Random House said it intended to file an expedited appeal, but in order to do so it needed the support of **Paramount Global**. Instead, Paramount Global said in a filing that it had terminated the agreement.





People who have been in the tech industry long enough to remember its previous major downturns have a message for those facing the current one: Decisions made now will determine who survives—and lay the groundwork for the next tech boom.

Surviving this tech winter, and building for the next boom, requires strategies that are often the opposite of those popular only a year ago. It also requires a change in mindset. Tech leaders generally are told to keep their eyes fixed on the horizon. But to navigate the current economic downturn, looking back at what worked and didn't will be essential.

A winnowing is coming. For many, it's already here: Startups will fail. Many big companies will be transformed, some may even be disrupted.

The implications of the sudden shift in sentiment about the future of tech are profound. It has led to at least 140,000 layoffs at tech companies in recent months. More than \$7 trillion has disappeared from the tech-heavy Nasdaq index. After record investment in startups in 2021, some of them are now taking on debt to avoid having to reset their valuations with a fresh round of venture capital. With interest rates soaring and profitability still unsure, that could backfire.

"Jack Welch taught me that you do not have a great company until you have had a near-death experience," says John Chambers, chief executive at Cisco Systems from 1995 until 2015, referring to the legendary former CEO of General Electric. He sees many parallels between the current and past downturns in tech: "A lot of people won't make it through."

Tech grows quickly on the promise of future outside returns. But when optimism turns to pessimism, the seemingly limitless river of both investment and spending on tech can turn to a trickle. PC shipments to both consumers and businesses dropped nearly 20% in the past quarter, compared with a year ago. Cloud-computing companies are complaining their customers are slow to sign new deals, chips have gone from shortage to oversupply, and crypto markets are in free fall.

Wild bets now have to be shelved as companies focus on what actually contributes to their bottom line.

"Companies that basically had been able to spend recklessly, without any concern about where their next paycheck is coming from, are going to be in trouble," says Leslie

KEYWORDS | CHRISTOPHER MIMS

# To Survive a Tech Downturn

The 2001 and 2008 crashes help tell who lasts and fuels the next bubble



Feinzaig, founder of the Graham & Walker venture fund.

Even so, there is tremendous opportunity during a tech downturn to build the next big thing.

## From growth to profitability

Ms. Feinzaig started her career at Innosight, the firm founded by business-consulting legend Clayton Christensen. "I remember something Clay used to preach, which was that in the early days of a company you should be hungry for profit, and in the late stages you should be hungry for growth," says Ms. Feinzaig. "The funny thing is, the early-capital space has been behaving the exact opposite of that for the past decade."

What those in business, and particularly tech, called "blitzscaling" is no longer in vogue. This was the growth-at-all-cost strategy employed with mixed results by Uber and DoorDash, before they abandoned it, but also WeWork and FTX. (The same strategy was also popular in the lead-up to the 2001 tech crash.)

In a world where interest rates are rising and giant tech companies can no longer count on shareholders to indulge their spending on moonshot projects, the most important advice ex-venture capitalist and current serial entrepreneur Adam Dell has for companies of every size, and startups in particular, is: "Don't run out of money."

"One of the key lessons in building a company is that the fundamentals are always there: You make something, it costs you x, you sell it for y, and that margin is enough to support the cost of goods sold and your overhead," says Mr. Dell, the brother of Michael, who disrupted the PC business in the late 1990s. Citing his recent experience launching a financial-planning app, his fifth startup, he says that less than a year ago he managed to raise \$33 million in a seed round that valued the company at \$77 million. Today, if he tried to raise money, he estimates he'd have to give away a larger portion of the company to secure less than a third of that amount of capital.

What's happening now mirrors the dot-com boom and bust of 1999-2001, said Mr. Dell, a venture capitalist at the time. From its peak in March 2000, the Nasdaq fell 75% by September 2002. Countless startups closed, and their mascots became avatars of the mania of that period. Mr. Chambers, who laid off

# 140,000

Layoffs at technology companies in recent months

more than 7,500 Cisco employees near the beginning of the dot-com bust, calls 2001 "the worst year of my life."

Aaron Levie, chief executive of enterprise-software company Box, can claim to know a thing or two about adapting a mature company to adverse conditions. In September 2021, he beat back an attempt by

activist investor Starboard Capital to take control of the board of Box.

To win over investors, Mr. Levie drew on efforts he'd embarked on earlier to trim costs and boost profit. Those steps can apply to most any other company during the present downturn, he says: "As we looked at the business and said we wanted to balance growth and profitability, we wanted to make sure every dollar we spend goes toward mission-critical things."

At Box, that meant, for instance, making "dozens and dozens" of changes to trim expenses and boost productivity with less staff. "We'd go into software and rewrite certain parts of it to use less [computing resources], and those things add up to millions of dollars," he adds.

## Time to build

Beyond merely surviving the current downturn, one question more people in tech should be asking themselves is how to capitalize on it. There's an often-overlooked lesson in tech downturns, says Margaret O'Mara, a University of Washington history professor whose book "The Code" chronicles the history of Silicon Valley: The key role that government spending has in determining which companies will grow or be born during downturns.

A useful period to mine for these lessons is one that almost no one still working in tech remembers—the late 1980s. At the time, defense spending that had launched and sustained Silicon Valley plunged with the end of the Cold War, and a lull in PC sales also set in, says Dr. O'Mara.

What revived the industry was the convergence of a maturing technology—computer networking—and the High Performance Computing Act of 1991. This law provided \$600 million to a variety of institutions, including the National Center for Supercomputing Applications at the University of Illinois. There, a team of programmers created the Mosaic web browser, which was key to popularizing the World Wide Web. What followed was, of course, the long internet boom that has continued, with occasional interruptions, until now.

The recently passed Chips and Science Act of 2022, which provides \$52.7 billion in U.S. semiconductor investments, has the potential to fuel the next boom in tech, says Dr. O'Mara.

"Our economy is structured to allow these moments of euphoria," says Mr. Dell. "We overbuild, there's a crash, and then it slowly builds up again—that boom-and-bust cycle is essential to a well-functioning system."

DAN PAGE

# Mark Cuban Invests in Drug Venture

Continued from page B1

health insurer. It's also talking with big pharmaceutical companies to start selling brand-name drugs.

Initially, the pharmacy was just another of the dozens of investments made each year by Mr. Cuban, but it has gradually come to occupy more and more of his time. Mr. Cuban, whose only title is co-founder, is in daily contact with the company's CEO, participating in negotiations with pharmaceutical supply-chain partners and troubleshooting problems when they arise.

"There isn't a decision I'm not involved with or leading," Mr. Cuban says.

Mr. Cuban also promotes the pharmacy aggressively in television appearances and on Twitter, where he has 8.8 million followers and tweets a dozen or more times a day. His Twitter bio reads in part: "Dunking on the pharma industry with @costplusdrugs.com."

"We have zigged and zagged a lot to get to where we are today, but building a business is never a straight line, so it's no surprise," Mr. Cuban says.

For now, what the pharmacy is doing isn't unique. A number of ventures that have formed in recent years to respond to widespread demand for more affordable drugs, a long-running problem that has defied solution to date despite widespread discontent.

Rivals say that Mr. Cuban isn't doing much new except using his celebrity to promote a service that others have long provided.

"He is a branding machine," said Susan Lang, CEO of XIL Health, a consulting and technology firm that earlier this year launched a drug-discount card company for patients buying drugs at retail pharmacies. "I don't see where the disruption is really coming from other than he can market it a lot better than the rest of us."

Although the pharmacy has taken off faster than its founders expected, its work filling prescriptions is just a

fraction of the overall market. CVS Health Corp., for instance, filled around 330 million mail-order prescriptions last year.

And to date, the Cuban pharmacy is limited to filling prescriptions for generic drugs, which are already the most affordable kinds of medicines. Even advocates for transparency in drug pricing say its impact will be blunted unless it expands its product offerings to include high-cost branded medicines.

"For many patients, the drugs that they are most concerned about affording are actually the brand-name drugs...really expensive, helpful medicines that cost a lot out-of-pocket," said Hussain Lalani, a primary-care doctor at Brigham and Women's Hospital in Boston, who recently co-wrote a study estimating that Medicare could have saved \$3.6 billion using the Cuban pharmacy over one year. "Unfortunately, this company is focusing on generic drugs currently, and does not offer any savings to patients in need of brand-name drugs."

Mr. Cuban became a billionaire in 1999 after selling his company Broadcast.com, an early pioneer in online video and audio streaming, to Yahoo Inc. for \$5.7 billion. Less than a year later, he paid \$280 million to buy the Dallas Mavericks.

Today, he is best known for "Shark Tank," the reality-TV series in which Mr. Cuban and other investors evaluate pitches from budding entrepreneurs seeking funding. He co-owns Magnolia Pictures, an independent film distributor of movies including "RBG," the Oscar-nomi-

**'He's now a full-time employee, basically. He's just around, which is a bit surreal.'**

nated documentary about Supreme Court Justice Ruth Bader Ginsburg. He estimates that he invests in 50 to 100 companies a year, and his portfolio includes OpenSea, an online exchange for trading nonfungible tokens, and cookie company Alyssa's Bakery.

Pharma companies are interested in working with the Cuban pharmacy but are concerned about running afoul of federal rules requiring Medicare and Medicaid to get the lowest



Alex Oshmyansky started what would eventually become the Mark Cuban Cost Plus Drug Co. after growing frustrated with pharmaceutical pricing practices.

price of any customer, says Ron Harrison, vice president of business development.

Until recently, Dr. Oshmyansky and a handful of employees worked out of small rented offices in a Dallas co-working space called the Genius Den. Nearby, a small team dressed in yellow hazard vests and hard hats worked out of a construction trailer while overseeing the erection of a \$30 million pharmaceutical-manufacturing plant that is scheduled to be operational early next year, pending regulatory inspections.

The plant will initially make drugs needed by hospitals that are in short supply, which under federal law aren't required to undergo the Food and Drug Administration approval process. But the company intends to make its own generic drugs that would undergo FDA review.

Several startups are attempting to reinvent parts of the pharmaceutical supply chain, removing costs by taking control of reimbursement, manufacturing and distribution.

Some firms, like ProvideGx and Civica Rx, are making drugs themselves so that they can control pricing and supply volumes. Others are selling directly to patients, bypassing the middleman known as pharmacy-benefit managers that traditionally handle drug coverage for health insurers.

A radiologist and former math prodigy, Dr. Oshmyansky received his undergraduate degree from the University of Colorado at Boulder at age 18, followed by an M.D. from Duke University and a Ph.D. in math from Oxford. He had the idea for a pharmacy after growing frustrated with pharmaceutical-industry pricing practices, such as companies hiking prices dramatically on decades-old drugs.

He planted the seed for the Cuban pharmacy in 2015 when he founded Osh's Not-for-Profit Pharmaceuticals with a mission of manufacturing generic drugs and selling them to hospitals at a small markup on its costs.

He struggled to find investors to fund a nonprofit drug company, however, and eventually transitioned Osh's into a for-profit entity. In 2018, he secured \$1 million from investors through the Silicon Valley startup-incubator Y Combinator.

A few months later, in 2018, Dr. Oshmyansky emailed Mr. Cuban at his publicly available email address.

Mr. Cuban replied almost immediately, Dr. Oshmyansky said. They corresponded a few more times that same night, and Mr. Cuban said he would have an employee who handles his venture-capital investments vet Dr. Oshmyansky's startup.

Soon after, Mr. Cuban agreed to make an initial investment in the low six figures, says Dr. Oshmyansky.

Within six months, Mr. Cuban started becoming more interested in the company's progress, and agreed to an additional, larger investment that topped \$1 million, Dr. Oshmyansky says.

Eventually, Dr. Oshmyansky agreed to rename the company after Mr. Cuban in a bid to trade on his celebrity and attract free publicity.

The company launched last year with an ambitious plan to become an all-in-one pharmaceutical supplier, combining manufacturing, distribution and drug-benefit services under one roof.

Mr. Cuban has become increasingly active in day-to-day operations, he and Dr. Oshmyansky say.

"He's now a full-time employee, basically," he says. "He's just around, which is a bit surreal. You see him on TV growing up and now it's like, 'Oh, he's here. Every day.'"

Dr. Oshmyansky says the company is considering ways to offer its drugs at local retail pharmacies for patients who don't like mail order. Yet in other areas, the company has downsized its ambitions, such as abandoning its plan to create its own pharmacy-benefit manager, or PBM.

The startup is taking on multiple, highly complex and regulated areas of the drug-supply chain without the hefty staffing and financial resources of the industry's biggest players, says Christopher Dietz, a chemical engineer who was hired last year to complete the manufacturing site's construction.

"At first, I thought, 'Did we bite off more than we can chew?'" says Mr. Dietz, vice president of engineering, facilities and construction management. "I was a little skeptical, but now I think we can pull it off."

ZERE MELLISH FOR THE WALL STREET JOURNAL



EXCHANGE

SCIENCE OF SUCCESS | BEN COHEN

# Lessons in Every Single Penalty Kick

Techniques for everyone about performing under pressure from the most tense few minutes in sports



There are more people who have traveled to space than soccer players who have taken a penalty kick in a World Cup shootout, and there is nobody on this planet who has done more to understand the minds of those athletes than a psychologist named Geir Jordet.

He spent five years of his life watching footage of every shootout of every major international men's tournament for the past half-century.

"That is literally all I was doing," he said. "I would sleep a little bit, occasionally, and I ate when I had to. But I was researching penalties."

His goal was to learn as much as he possibly could about the complexities of performance under pressure—which is how the lessons from a soccer field in Qatar apply to every line of work.

As you watch soccer at work and hear strange guttural noises around the office, you can expect a few things from the World Cup's knockout rounds: Brazilians will flop, the English will find a way to humiliate themselves and some matches will end in the agony of a shootout. There were four in the past week, including Croatia's upset of Brazil and Argentina's thriller over the Netherlands on Friday, and roughly 20% of men's World Cup elimination games since 1986 have ended in penalties.

This is when a physically exhausting game turns psychologically excruciating.

If the score is still tied after extra time, the teams resort to a format that has little in common with anything that came before it, picking five players each to alternate penalty kicks and then proceeding one by one until they have a winner. In the history of World Cup shootouts for men and women, there have been 274 goals on 388 attempts through Friday, which means scoring is not guaranteed, but anyone who doesn't score is devastated.

This is a ridiculous way of settling the sport's biggest matches—a shootout in the World Cup is like a World Series baseball game being decided by home-run derby—but penalties also happen to be irresistible. The higher the stakes, the cruealler they seem, and the thinner the line between jubilation and despair.

It's the most tense event in sports. So of course a psychologist would find it compelling.

Most of us don't have to worry about the mental anguish of taking penalties in front of a few billion people. But the challenges of performance under pressure are universal. We all have career moments that can feel like World Cup shootouts—job interviews, pitch meetings, unpleasant conversations we've been



Italy's Luigi Di Biagio takes a penalty kick during a 1998 World Cup match against France, above. Croatian players celebrating their shootout victory over Brazil in Friday's quarterfinals. Psychologist Geir Jordet, below.

the process took. He picked apart body language. He studied how players celebrated and sulked. He groaned when broadcasts panned to fan reactions in the crowd and cheered when they lingered on players at midfield. When quantifying the most data ever collected wasn't rigorous enough for Dr. Jordet, he also tested his intuitions with field experiments and interviewed players about feeling the weight of an entire country on their shoulders.

The studies published by this Pelé of penalty scholarship helped introduce several ideas that shape the way people think about the world's most popular sport.

He found that anxiety was the emotion most associated with penalty shootouts, and the amount of pressure that a player felt was the most reliable predictor of success. Some rush their penalty kicks to get them over with. Others avoid eye contact with the goalkeeper.

One player told Dr. Jordet that he was scared TV cameras would detect his legs shaking. So brains determine shootouts as much as hands and feet. When players are in position to instantly win a match with their penalties, they tend to do better than when not scoring means

they would lose. Meanwhile, goalkeepers are heroes when their teams win and rarely get the blame when they lose, which frees them from some of the stress facing the players standing a dozen yards away.

Players who hurried through penalties missed more than players who took enough time to compose themselves, according to his research. His recommendation: Slow down. Taking deep breaths and trusting in routine is a good way to exert agency, which is important, since players who feel like they're in control outperform those crippled by the unpredictability of chance. But this kind of mental work must begin long before a World Cup, said Dr. Jordet, who suggests practicing every detail of the process down to placing the ball on the penalty mark. "You want to have an almost machine-like, robotic approach," he said.

The most counterintuitive of his findings may be that penalty shootouts reward teamwork. This sounds a bit like Europeans calling football soccer.

But shootouts are team sports disguised as individual confrontations. There is an emotional contagion in which the mere reactions of players can shape the events on the field—for good and bad. Dr. Jordet said that lab and field experiments show that a player simply celebrating a goal increases the entire team's chances of winning a shootout. The bigger that celebration, the better, he said. This is an occasion for exuberance, not humility. Raise your arms. Beat your chest. Rip off your shirt! ("I can imagine screaming celebrations down the office hallway perhaps not being ideal," Dr. Jordet said.)

The same goes for the players watching at midfield. Taking a penalty can be profoundly isolating. Teammates can make it less lonely. "Communicate. Talk. Be present for others. Move. Interact," Dr. Jordet said. "This is far more productive than standing still and quiet, which is what many teams do." It turns out being a supportive colleague matters as much on the soccer field as the office.

Sports are useful for studying human behavior, but World Cup shootouts are memorable because they occur so infrequently, and it's worth being skeptical of any findings based on a limited sample. Even the person who knows more about penalties than anybody is the first to admit how much more he would like to know.

So it was surprisingly convenient when Dr. Jordet came down with Covid-19 last winter. He canceled his meetings,

cleared his schedule and realized he could do anything he wanted with his free time.

He went back into the archives to watch more shootouts.

"I dove into Brazilian and Argentinian penalties," he said. "I had the best week of the year."



PHOTOS (FROM TOP): JACQUES LANGEVIN/SYGMA/GETTY IMAGES; HANNAH MCKAY/REUTERS; FOOTBALL PSYCH LAB

TAX REPORT | LAURA SAUNDERS

# A Tax Bill on Top of A Mutual-Fund Loss

One retiree likens it to 'getting hit when you're down'



In this brutal year for markets, some mutual-fund investors are facing a double whammy: big losses and big tax bills.

This is happening because fund managers have had to sell holdings to raise cash to pay investors leaving their funds. That often triggers payouts of taxable capital gains for investors who remain.

"This is a salt-in-the-wound year. You owe taxes when you've lost money, and you have less invested going forward," says Mark Wilson, a financial adviser with Mile Wealth Management who tracks large mutual fund distributions at CapGainsValet.com.

This issue affects people holding mutual funds in taxable accounts rather than tax-deferred retirement plans such as IRAs and 401(k)s. Individual tax bills will vary, but some could be large. According to Mr. Wilson's research, about 350 funds will pay out more than 10% of their net asset value this year, and more than 60 will pay out more than 20%. Many of these funds have double-digit losses for 2022.

The 20-percenters include funds from familiar firms such as Morgan Stanley, Neuberger Berman, Pimco

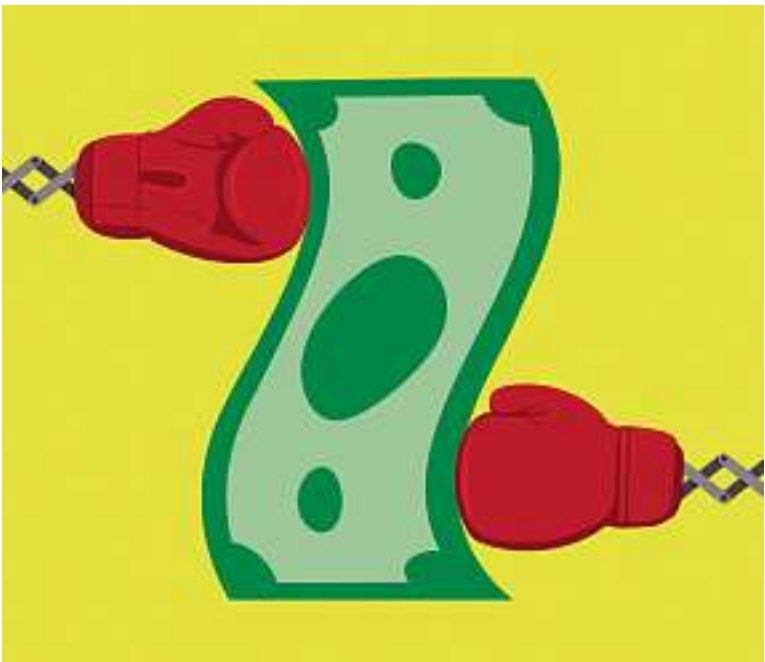
and J.P. Morgan.

One of the largest single payouts is by Delaware Sustainable Equity Income Fund, which changed its strategy in 2022 and has estimated it will pay out 88% of its net asset value to remaining fundholders this year. The parent, Delaware Funds by Macquarie, has five other funds expected to pay out 20% or more of their net asset value this year. A spokesman declined to comment on the distributions.

Here's what's behind the large payouts: By law, mutual-fund managers can sell holdings that have declined in value and save up capital losses to offset future capital gains on holdings that have risen in value. However, each year they must send current investors almost all net capital gains that aren't offset by losses.

After years of strong markets, many managers had few losses this year to offset gains on sales of winners. So when fundholders sold as markets tumbled, the managers often had to sell winners to meet redemptions—and the capital gains on the sales were then spread among remaining fundholders.

To be sure, the payouts can be in cash—so fundholders don't have to come up with money for the taxes unless they reinvest payouts in the fund. But many do reinvest, and ei-



ther way fundholders owe taxes that cut into assets when down markets are also shrinking them.

Is this unfair? It feels that way to Ed Abahoonie, a retired CPA living in Sparkill, N.Y., who has mutual funds in taxable accounts with large payouts this year.

"It's an odd outcome because investors have no control over it. It's like getting hit when you're down," he says.

On the other hand, this year's tax downside came after a long upside. "When funds are growing in value and managers aren't selling, there's often a large tax-deferral benefit and few distributions," says Brian Schultz, a tax and investments specialist with the accounting firm Plante Moran.

Affected investors need to decide soon how to handle these payouts or risk owing a surprise tax bill. Here are moves to consider.

**See where you stand**

Investors with mutual funds in a taxable account should check this year's expected payouts and dates. Funds seldom send notifications, but they're often on the fund's website. Or call investor relations.

Note whether capital-gains payouts are short-term or long-term. Also check your cost basis in the fund, which is often the purchase price plus any reinvestments. It's the starting point for measuring your own gains or losses when selling fund shares.

**Evaluate options**

Often a good move for investors who want out of a fund in which they have net losses is to sell before the payout date. The tax picture will be especially complicated for those who have held a fund for less than six months and sell it after the gain is paid out, says Mr.

Schultz.

He adds that investors with small profits in a favorite fund expecting a large payout may want to sell it before the distribution and rebuy it right after. This technique, known as a "skip," avoids tax on the capital-gain payout. The wash-sale rules (see below) don't apply to sales with a gain.

Investors planning a charitable donation of a fund that still has gains should consider doing it before the payout to avoid the tax.

**Sell other losers to offset gains**

Investors expecting long-term capital-gain payouts may want to sell losers elsewhere in their portfolio to offset the gains, especially if the payout has already happened. The loser needn't be a mutual fund as long as it's an investment asset.

Exception: According to Mr. Wilson, short-term capital gains paid out to investors by mutual funds cannot be offset by other investment losses, because the law treats them as dividends taxed at ordinary income rates.

**Avoid wash sales**

If an investor repurchases a holding such as a mutual fund 30 days before or after selling it at a loss, the "wash-sale" rules delay use of the loss. However, it's OK to buy a similar but not identical fund in that window.

**Rethink asset location**

Both Mr. Wilson and Mr. Schultz often advise clients not to hold actively managed equity funds in taxable accounts because of the potential for large payouts, in both up and down markets.

Better candidates for taxable accounts are passive investments in equities such as exchange-traded funds and index funds that seldom have large payouts.

KIRSTEN ESSENPREIS



EXCHANGE

East Coast Ports Draw More Cargo

Continued from page B1  
New York and New Jersey as measured by the number of imported containers. It trailed its East Coast rival again in that measure during September and October, according to the Pacific Merchant Shipping Association and ports data.

The share of all U.S. containerized cargo handled by Los Angeles and a neighboring port in Long Beach fell through the first 10 months of the year to a combined 25% as measured by weight, according to census data analyzed by Jason Miller, interim chair of Michigan State University's supply-chain management department. That was their lowest level in nearly two decades, down from a height of 33%.

Other ports benefiting from this shift include Savannah, Ga., Houston and Charleston, S.C. All handled more import containers this year through September than during the same period in 2021, according to the PMSA. Railroads and logistics companies are following with new warehouses and services in the Southeast that will make it easier for goods to move from place to place once they arrive by boat.

"People are spreading out their supply chains," said Craig Grossgart, senior vice president of global ocean for Seko Logistics, an Itasca, Ill.-based freight forwarder that helps companies move goods across the world. "There are so many customers that got so screwed because they were entirely reliant on L.A. and Long Beach."

The logistical challenges of spreading imports along the East Coast and the Gulf Coast are massive. Companies hope it will protect them against the costs of any future delays in California, long the preferred gateway for goods from China, but ocean voyages through the Panama Canal and up the Atlantic Coast are longer and more expensive.

Some companies are willing to pay more for the complexity of shipping to multiple ports so their supply chain becomes more flexible, said Sidney Brown, co-owner and chief executive of logistics and trucking provider NFI Industries Inc., which stores and distributes goods for companies.

"Price counts, but risk mitigation is also part of the equation in a



Above, shipping containers at a terminal in Jersey City, N.J., part of the Port of New York and New Jersey. Below, container ships waited off the coast of California to dock at a port facility in Long Beach, in September 2021.



dling operations from California to Washington state. But some companies may decide it is too risky to return or that it makes sense to have more options throughout the country.

Gene Seroka, executive director of the Port of Los Angeles, said he lost about 21% of cargo volumes from August through November and he expects that about 5% of cargo could be lost for good.

"We're gonna have to fight to get every piece of it back," he said.

The shift in trade to the East

By 2003, West Coast ports from Seattle to San Diego were handling roughly 70% of containerized imports from Asia by weight, according to the census data analyzed by Mr. Miller, with most of them routed through Los Angeles and Long Beach.

A series of developments chipped away at the West Coast's dominance, including a widened Panama Canal in 2016 that made it easier for larger ships to get to different parts of the country and new tariffs on a range of Chinese goods imposed by the Trump administration. The rising tensions between Washington, D.C., and Beijing on trade caused American executives to begin shifting their production to countries outside China, meaning that East Coast ports made more sense as a point of entry.

The pandemic provided even more motivation for companies to push their shipping to the Eastern half of the country.

Backups developed at the big Southern California ports beginning in 2020 as Americans stuck at home under Covid-19 restrictions ordered massive volumes of household goods; the queue of ships off the coast of California reached a high of 109 during January 2022. Then the U.S. began importing more goods from Europe, making an Atlantic Ocean crossing to various East Coast ports more critical.

One firm that began sending goods to the East Coast during this time was Abercrombie & Fitch, which also sells clothes under brands such as Hollister. The apparel chain used to move 90% of its goods through West Coast ports, mostly Los Angeles and Long Beach, where they were transferred to trucks and trains and hauled to a warehouse in New Albany, Ohio. From there the goods would be sent to two fulfillment centers and more than 500 stores across the country.

But surging volumes during the pandemic caused freight delays, adding weeks and sometimes months to deliveries. So the retailer, which had \$2.6 billion in net sales in the U.S. in its most recent fiscal year, started to move all of its imports by truck. Because the West Coast was so congested, Abercrombie & Fitch started sending a larger share of goods to the Port of New York and New Jersey, roughly 500 miles from its Ohio warehouse.

Today the company ships 25% of its clothing through East Coast ports, primarily New York and New Jersey, said Larry Grischow, executive vice president of supply chain and procurement for Abercrombie & Fitch. Even after the company returns to the railroads, he expects to use the East Coast as a hub—especially as more of the company's apparel production moves away from China to countries such as Indonesia and Bangladesh that can connect to the East Coast via routes that run through the Suez Canal.

"We are going to continue to operate in a way where we can flex from coast to coast," he said. Newell, the Atlanta-based company that makes Yankee Candles and Sharpie markers, is another company that decided to expand distribution networks in Eastern states. It did so to save money, reduce risk and be closer to some of its customers.

This year, it added a new distribution center in Newville, Pa., which will mostly take goods from the Port of New York and New Jersey, and in 2023 it plans to open a distribution center in Gastonia, N.C., which will mostly take goods from Charleston and Savannah. It expects this will help it reduce transportation costs and the type of shipping delays that happened in the first years of the pandemic. It will keep two distribution centers in California and one each in Tennessee, Missouri and Ohio.

"The key is we don't want to put all of our eggs in any one basket," Chris Peterson, Newell's president and chief financial officer, said during an interview on this subject in April.

The threat of a dockworkers strike this year added even more motivation for some companies to shift from the West Coast. Trane Technologies, which makes heating, ventilation, and air-conditioning systems for buildings and transportation, used to import more than half of its goods for North America through ports on that side of the country, mostly Los Angeles and Long Beach.

This year the Irish company is sending 70% of its products, such as heating and air units as well as service parts, via the East Coast mainly because of the labor talks. The majority will go through Savannah, with some also flowing through Charleston, Jacksonville, Fla., and Houston. Trane has annual revenue of more than \$14 billion.

Tom France, Trane's vice president of logistics, said he expects very little of the cargo will return to the West Coast even after the labor talks conclude with a new contract. He said he would rather use an ocean service that takes 10 days longer to reach an East Coast port

‘So many customers got so screwed because they were entirely reliant on L.A. and Long Beach.’

but is consistent than a faster service to the West Coast that can be delayed by anywhere from two to 15 days.

With more unpredictability, he said, "you have to carry more inventory, do more contingency planning and you have a much bigger cost."

In January Trane will begin shipping parts to customers from a new 175,000-square-foot distribution center in Atlanta that will complement a 400,000-square-foot distribution center that Trane opened there in 2019 to process residential equipment. Both facilities will be fed from the Port of Savannah, a four-hour drive away.

"Our business is basically where people are," Mr. France said. "In the United States, most of the people, most of the buildings, most of the infrastructure, is east of the Mississippi."

The operator of the Savannah port is taking several steps to prepare for more traffic. It is spending more than \$1.3 billion over the next few years to double the number of berths that can unload from large container ships and expects next year to complete a 300,000-square-foot warehouse that will allow importers to quickly transfer cargo from ocean containers to truck trailers for distribution inland.

The warehouse will be operated by NFI, which stores and distributes goods for some of the country's biggest retailers. NFI executives said the company is making \$150 million in investments for similar facilities near ports at Houston and Norfolk, Va.

Griff Lynch, executive director of the Georgia Ports Authority, which runs Savannah's port, said companies wouldn't be investing in warehouses and distribution in the Savannah area in such a big way if it was a temporary solution.

"A lot of businesses are putting a flag in the ground here," he said. "We have a massive opportunity to expand."

—Esther Fung contributed to this article.



Georgia's Port of Savannah, above, is one of several places in the South and East benefitting from a shift away from West Coast shipping hubs.

much greater way than it was before," he said.

Any changes in the flow of trade are important for the ports and cities involved. The Port of Los Angeles generates 1.1 million jobs for California, while the Port of Long Beach supports more than 316,000 Southern California jobs, according to PMSA. The Port of New York and New Jersey supported 506,000 jobs as of 2019, according to the Shipping Association of New York and New Jersey.

The West Coast should regain some of its lost trade if members of the International Longshore and Warehouse Union—who have been working without a contract since July 1—agree to a new pact with ocean shipping companies and the private firms that run cargo-hand-

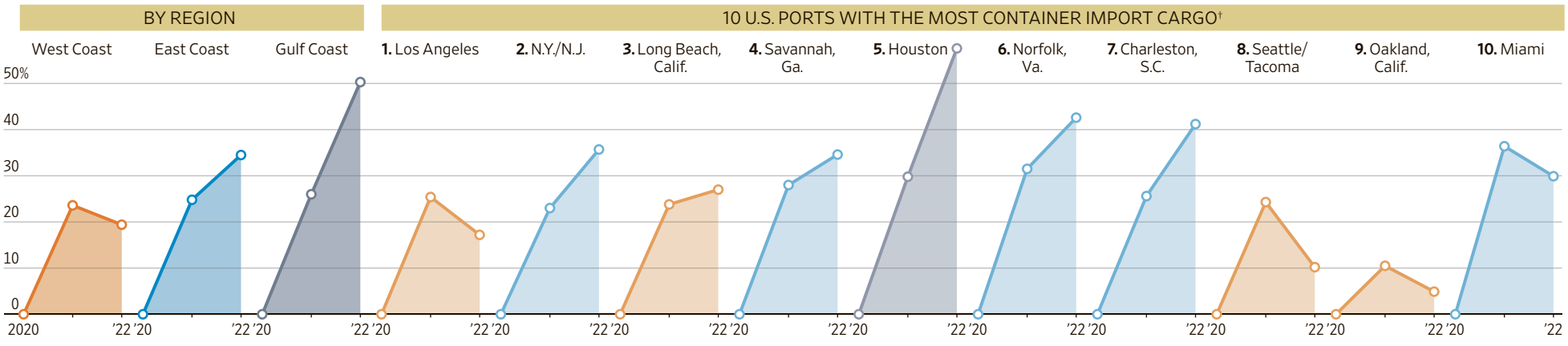
Coast marks a return to where container ships originated. That industry began in 1956 when the Ideal X, a converted oil tanker, set sail from Newark, N.J., carrying 58 boxes bound for Houston. The boxes made it easy to transport goods by land and then stack the containers onto ships for their journey.

The new transportation system lowered the costs of moving goods from one part of the globe to the other, setting the stage for a boom in worldwide trade. Once China emerged as a dominant exporter of cheaply made goods for giant American retailers such as Walmart Inc., California became an ideal entry point into the U.S. because of its proximity to that part of the world. From there it could be moved by rail and road across the country.



Shipping containers are stacked together at the Port of Baltimore, above.

Change in container import volumes from 2020\*



\*For the first nine months of each year. †Based on volumes for the first nine months of 2022; excludes Baltimore, which was not included in the available data

Source: Pacific Merchant Shipping Association















BUSINESS & FINANCE

Sunac China Proposes Restructuring of Debt

By REBECCA FENG

**Sunac China**, a Chinese property developer that defaulted on its dollar debt earlier this year, offered a preliminary restructuring plan to its international bond investors and said it hopes to return to healthy development next year.

The Tianjin-based company on Friday outlined how it intends to restructure the bulk of its roughly \$11 billion in international debt. Sunac said it has proposed converting \$3 billion to \$4 billion of it into shares or equity-linked instruments, and exchanging some other existing obligations into new dollar notes with maturities ranging from two to eight years.

The plan, which is still being discussed with Sunac's creditors and needs their approval, should help the developer deleverage, it said in a regulatory filing.

Slumping new-home sales and a financing crunch caused China Evergrande Group, Sunac China Holdings Ltd. and more than two-dozen other developers to spiral into crisis during the past year and a half, resulting in a deep loss of confidence among Chinese home buyers



and a broader industry slump. In the past few weeks, regulators have moved decisively to support surviving property developers by getting state-owned banks to shower them with credit and rolling out other policies to ensure they have adequate debt and equity financing in mainland China. The Hong Kong-listed stocks and dollar bonds of many Chinese developers have surged since the regulatory shift.

Regulators' ultimate goal is reviving the underlying hous-

ing market and home sales, which would also benefit developers that have defaulted on their debts.

Other Chinese developers also are trying to come up with restructuring plans. Evergrande, the property giant whose dollar-bond default one year ago sparked a series of liquidity troubles for the broader property sector, is expected to provide an update this month on how it will work out its offshore debts. Evergrande is Asia's largest junk-bond issuer, with roughly \$20 billion of international debt by face value. Both Evergrande and Sunac hired U.S. restructuring specialist Houlihan Lokey as their financial advisers.

Sunac's restructuring plan could give the broader industry a boost, said Xiao Chen, a senior analyst in the data and research center of Zhuge.com, a Chinese real-estate listings platform. "It provides a good reference for other distressed developers," Ms. Chen said, adding that if approved, the proposal would relieve Sunac's liquidity pressures and help it resume business operations.

Sunac's dollar bond prices have risen since mid-Novem-



The Sunac Resort project under construction in Haiyan, China's Zhejiang province, earlier this year.

ber, when Chinese financial regulators released a set of 16 measures for the property sector. A dollar bond due in April 2024 was recently bid at 17 cents on the dollar, versus around 6 cents on the dollar before the policy easing, according to FactSet.

Sunac on Friday also released its audited results for 2021, following a lengthy delay and the resignation of the previous auditor, PwC. The developer posted a net loss equivalent to \$5.5 billion for 2021; revenue dropped 14% to the equivalent of \$28.5 billion.

The company said it had the equivalent of around \$151 billion in liabilities at the end of

2021, including around \$46 billion of borrowings and \$49 billion in contract liabilities. The latter typically includes homes that developers have presold and but not yet delivered.

Sunac also has been in talks with lenders, bond investors and other creditors in mainland China to restructure its onshore debts. It has gotten some to agree to debt extensions, it said in its annual report.

The company also has stepped up efforts to sell properties and other assets and stopped buying land since the second half of 2021, Chairman Sun Hongbin said. It also said it has experienced a "dramatic fall in sales" since

March this year. Its monthly contracted sales updates have reflected declines of roughly 70% from last year's levels.

Mr. Sun, who reached into his own pocket and provided the company with an interest-free loan of \$450 million late last year, offered his "sincerest apology" to shareholders and creditors.

He predicted that China's economy would pick up next year, and that "the real estate market will also rapidly recover and stabilize in 2023." Mr. Sun added that Sunac's goal is to complete its projects and resume stable operations.

—Cao Li contributed to this article.

Judge Extends Block On Albertsons Payout

By JAEWON KANG

A Washington state judge on Friday extended a temporary restraining order blocking a \$4 billion dividend that **Albertsons** Cos. planned to pay its shareholders amid its plans to be bought by **Kroger** Co.

Judge Ken Schubert for the King County Superior Court in Washington sided with Albertsons and Kroger, allowing Albertsons to pay the dividend. The ruling came after the state's attorney general filed a lawsuit in November against the companies to block the dividend.

However, Judge Schubert also extended a temporary restraining order blocking the dividend until Dec. 19.

Without the extension, he said, Albertsons would imme-

diately issue the special dividend without recourse from the state. The state filed a notice of appeal to the Washington Supreme Court.

Albertsons had no immediate comment. Kroger said that the company is pleased with the decision by the Washington state court and that it is committed to working with regulators, government officials and stakeholders.

The \$20 billion merger of Kroger and Albertsons has faced opposition from elected officials, union groups and some independent retailers about the deal's potential impact on food prices, job security and competition. The companies said the deal would give them a more national footprint and help them compete better against bigger rivals.

Brad Pitt's Production Company Sells Stake to French Conglomerate

By JESSICA TOONKEL

French media conglomerate **Mediawan** said it agreed to buy a significant stake in Brad Pitt's Plan B Entertainment, whose credits include Oscar-winning films such as "12 Years a Slave" and "Moonlight."

The deal is the latest in a string of acquisitions of part or all of independent production studios looking to capitalize on the robust appetite for fresh content in Hollywood sparked largely by a boom in streaming services over the past few years.

Many of the recent deals have involved production companies affiliated with big stars. Last year, Candle Media,

the private equity-backed entertainment company run by former Disney executives Kevin Mayer and Tom Staggs, acquired actress Reese Witherspoon's Hello Sunshine, the production company behind the "The Morning Show" on Apple TV+.

That deal was valued at about \$900 million.

Candle Media earlier this year purchased a minority stake in Will Smith and Jada Pinkett Smith's entertainment company, Westbrook, which has backed projects including "King Richard," a biopic chronicling the life of Richard Williams.

Such deals may become more difficult to close in the

current environment, as entertainment companies ranging from Warner Bros Discovery Inc. to Paramount Global are cutting costs amid macroeconomic uncertainty, large streaming losses and an acceleration in cord-cutting.

Mediawan didn't disclose the valuation of the deal. The Wall Street Journal in October reported that Plan B was exploring strategic options, including a possible sale of part of the company.

CNBC on Friday reported that a Plan B stake was going to be sold to Mediawan.

Founded in 2015, Paris-based Mediawan controls several distribution and production companies across Europe,

which have backed projects including "Call My Agent!," a comedy about a French talent agency, and "The Life Ahead," an Italian movie starring Sophia Loren.

By joining forces with Plan B, Mediawan is expanding beyond its core European markets into the U.S., the companies said Friday.

Plan B, which is run by Mr. Pitt and film producers Dede Gardner and Jeremy Kleiner, has been involved in a number of critically acclaimed movies.

Some of its recent projects include "Women Talking," a religious drama scheduled for theatrical release later this year, and the Marilyn Monroe biopic "Blonde" on Netflix.

U.K. Eases Rules for Financial Sector To Help London Remain Competitive

By MAX COLCHESTER AND JOSH MITCHELL

LONDON—The British government said it would ease regulatory rules on banks, insurers and investors to bolster London's status as a global financial hub after its allure was dented by Britain's departure from the European Union.

The U.K. presented a 30 point-plan called the "Edinburgh reforms" that the government hailed as a regulatory fine-tuning to boost the British economy, which has suffered a severe slowdown in recent years and is entering a recession.

The government said the regulatory changes strike a balance between boosting competitiveness of the country's financial sector, one of the U.K. economy's few engines of growth, while guarding against a return to the freewheeling days that led to the 2008 financial crisis.

"No one should be writing about races to the bottom," said Andrew Griffith, U.K. economic secretary to the treasury. "We are absolutely committed to high-quality regulation, working hand in hand with the regulators."

The package replaces some rules put in place to prevent the risky lending and investment practices that contributed to the financial crisis. While many postcrisis rules will remain in place—such as higher capital requirements for banks and tighter scrutiny of mortgage borrowers—others designed to protect ordinary depositors and reduce the risk of future government bailouts will be loosened.

Among the changes: looser rules on how banks divide retail and investment units,



The package replaces some rules put in place to prevent the risky lending and investment practices.

lower cash-reserve requirements for insurers, and a relaxation of rules to increase research on U.K. stocks. The threshold at which banks must now divide retail from investment banking activities will be potentially raised to £35 billion in deposits, equivalent to \$43.1 billion, from £25 billion.

Matt Barrett, chief executive of Adaptive Financial Consulting, a wealth management firm, said the changes might not be enough to kick-start investment. "We need to see greater incentives for firms to do business in the U.K. and more done to encourage and develop the best talent to work in the sector," he said.

The changes mark the first serious attempt by the U.K. to design its own regulations and improve its economic competitiveness in the wake of Brexit. Initially billed as a "Big Bang 2.0"—riffing on the large-scale "Big Bang" deregulation that

occurred in 1986 which helped turn London into a finance megahub—Friday's proposed rule changes aren't as dramatic as those pushed by former Prime Minister Liz Truss. They largely tweak existing regulations to make it easier for finan-

Among the changes: looser rules on how banks divide retail and investment units.

cial firms to operate in the U.K. The government previously announced a sharp cut in the surtax on bank profits and the removal of a ceiling on how much banks can pay bankers in bonuses.

Mr. Griffith said the package of reforms presented were "modernizing measures" rather

than wholesale reforms.

This includes a review of securitization and short selling rules and simplifying the capital-raising process for companies on U.K. markets, while making the U.K. a more attractive destination for companies to list shares. Rules have also been changed to motivate insurers to invest in assets such as housing or nuclear plants to help fuel growth in the wider British economy. The government has also told regulators they have a new secondary objective, which is to focus on growth and international competitiveness.

EY, a consulting firm, estimates that 7,000 jobs and £1.3 trillion of assets left the British financial system since the country voted for Brexit in 2016—far less than initial fears over the size of the impact. The U.K. financial sector employs 1.1 million people and manages investment funds worth £11 trillion.

New Tax on Buybacks Doesn't Worry CFOs

By JENNIFER WILLIAMS-ALVAREZ

A new corporate tax on stock buybacks hasn't worried finance chiefs enough for them to rethink their strategy.

The 1% levy on buybacks, which takes effect in January, could cost companies billions of dollars, but a number of executives say they expect to continue repurchasing company stock.

U.S. companies say these transactions are a good use of capital that indicates conviction in their plans and helps reduce share count, which in turn can boost stock prices.

In the third quarter, S&P 500 companies spent \$210 billion on buybacks, down around 10% from a year earlier, according to preliminary data from S&P Dow Jones Indices, a unit of ratings firm S&P Global Inc. The companies spent roughly \$220 billion in the second quarter, up 10.5%, and \$281 billion in the first, up nearly 58% from the prior year.

Companies in the S&P 500 would have paid a combined \$193 billion in taxes and lost about 0.45% in operating income had the levy been in effect for the third quarter, according to Howard Silverblatt, a senior index analyst at S&P Dow Jones Indices.

In recent days, businesses including Exxon Mobil Corp., Lowe's Cos. and Mastercard Inc. have expanded programs or announced new ones to repurchase their stock.

"We don't like the tax; nobody likes it," said Michael Mullican, chief financial officer at Academy Sports & Outdoors Inc., a sporting goods and outdoor-recreation retailer. "But it's not significant enough to where it would sway our thinking."

Academy has about \$400 million remaining under an ex-

isting buyback authorization, and doesn't plan on accelerating repurchases because of the tax, Mr. Mullican said.

For cosmetics company Ulta Beauty Inc., the impact of the tax will be minimal, finance chief Scott Settersten said. The board in March authorized a new buyback program that enables Ulta to repurchase up to \$2 billion in shares.

The company bought back 340,000 shares during the third quarter at a cost of \$137.5 million, leaving \$1.4 billion remaining under its repurchase plan.

"The 1% is not going to make us change our approach in the near term," Mr. Settersten said. "For us, it's not meaningful."

Executives from auto retailer Sonic Automotive Inc., internet retailer Overstock.com Inc. and burrito chain Chipotle Mexican Grill Inc. also said they don't expect their buyback strategies to shift because of the tax.

"It won't stop us from it. It's just a little bit of a toll on that road," said Jonathan Johnson, Overstock's chief executive, referring to the excise tax. The company announced a \$100 million buyback program in August 2021, which will run through Dec. 31, 2023.

The new tax, which will apply to publicly traded companies, was part of the climate, healthcare and tax law called the Inflation Reduction Act, which passed in the summer.

At 1% of the fair market value of shares, it is forecast to raise \$74 billion in federal revenue over the course of a decade, according to projections from the Joint Committee on Taxation, which provides nonpartisan analysis of tax legislation for Congress. Had it been in effect last year, the tax would have raised roughly \$8.4 billion from the largest public companies in the U.S.



## MARKETS

# Stocks Fall as Inflation Data Disappoints

Worries about the path of interest rates have led to choppy trading recently

By JACK PITCHER  
AND CAITLIN McCABE

Stocks turned lower after producer-price data came in hotter than expected, disappointing investors who had hoped for signs of easing inflation before the Federal Reserve's meeting next week. The S&P 500 fell 29.13 points, or 0.7%, to 3934.38 Friday after wavering for much of the day. The Dow Jones Industrial Average was down 305.02 points, or 0.9%, to 33476.46. The technology-focused Nasdaq Composite slipped 77.39 points, or 0.7%, to 11004.62.

Data releases over the past week have served as a reminder of just how difficult it is to call when inflation will ease, which would allow the Fed to pump the brakes on its policy tighten-

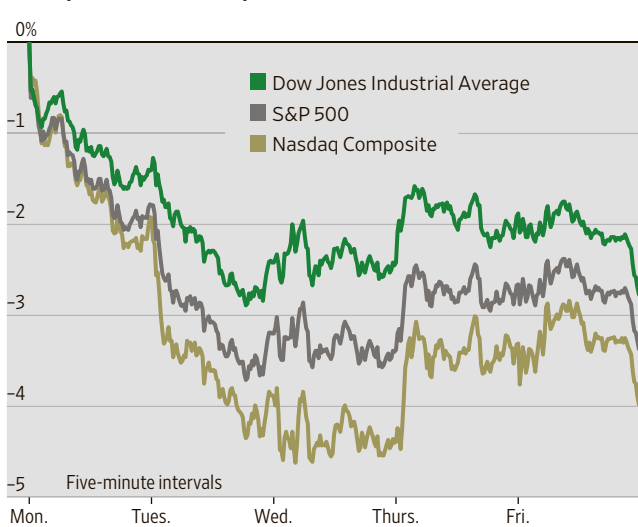
ing. Investors had been hopeful that Friday's inflation reading would offer evidence that price pressures in the U.S. are abating and would help solidify a smaller interest-rate increase next week.

All three major U.S. indexes ended the week with losses, breaking a two-week winning streak. The S&P 500 retreated 3.4%.

The Fed will make its next interest-rate decision on Wednesday, and the PPI data—combined with consumer-price data Tuesday—are expected to factor heavily into the trajectory of interest rates over the coming months.

In recent days, investors have grown increasingly worried that elevated inflation will force the Fed to keep lifting rates to higher levels than once expected, potentially pushing the U.S. economy into a recession. "Even though the market sometimes seems to ignore Powell, thinking he's bluffing, he keeps reiterating that he will put this economy into a recession if he has to," said Eric Sterner, referring to Fed chair-

Index performance this past week



Source: FactSet

man Jerome Powell.

Mr. Sterner, chief investment officer at Apollon Wealth Management, said he expects markets could retest their recent lows in the first and second quarter of next year.

"We're stuck in this rut right now waiting for inflation to normalize and it may take all of

next year for that to happen," he said.

Those concerns about how high interest rates might go—and how they will affect the economy—have led to choppy trading in U.S. stocks recently and interrupted a rally that began in October.

"The markets are so sensi-

tive to this right now," said Susannah Streeter, senior investment and markets analyst at Hargreaves Lansdown. "Although supersized rate hikes are probably in the rearview mirror, it's about how long more gradual rate increases will continue for, and that's why you've got these twin evils looming: recession and high inflation. That's the real concern—that we'll get a stagflation scenario."

The producer-price index, which measures what suppliers are charging businesses and other customers, climbed 0.3% in November compared with the previous month, the Labor Department said Friday morning, the same as October's revised 0.3% increase. Economists surveyed by The Wall Street Journal had expected U.S. supplier prices to increase 0.2% for November.

In recent months, outside market moves have followed the release of consumer inflation data. "When CPI comes out slightly above or slightly below, you get massive market action," said Brandon Pizzurro, director

of public investments at GuideStone Capital Management. "Those of us that are defensively positioned are either going to really benefit from next Tuesday and Wednesday, or feel some short-term pain if this Santa Claus rally is kick-started."

Yields on government bonds rose, with the yield on the benchmark 10-year U.S. Treasury note climbing to 3.567%, from 3.492% Thursday. The yield on the two-year note, which is more sensitive to near-term interest-rate expectations, rose to 4.328%. Yields rise when bond prices fall.

Brent crude, the international benchmark for oil prices, fell 0.1% to \$76.10 a barrel, extending its losing streak to seven consecutive sessions, the longest since August 2021. Oil prices have slumped recently amid concerns that slowing economic growth will impede demand for fuel. Both Brent and its U.S. counterpart WTI—both of which reached eye-popping heights this year—are now trading lower on a year-to-date basis.

## France's Total Sets \$3.7 Billion Russia Hit

By NICK KOSTOV

PARIS—TotalEnergies plans to book a \$3.7 billion impairment on its stake in PAO Novatek and withdraw its directors from the Russian gas producer's board, as part of its efforts to scale back its business in Russia following the invasion of Ukraine.

The Paris-based oil-and-gas major said it would write down the value of its 19.4% stake in Novatek, booking the accounting charge in the fourth quarter. That takes TotalEnergies' total Russia-related impairments to over \$14 billion this year, among the highest out of Western companies.

Under a shareholder pact, Novatek's existing shareholders have a right of first refusal if TotalEnergies sells its stake. However, Western sanctions would prevent a sale to one of Novatek's main shareholders, billionaire Gennady Timchenko.

TotalEnergies also said it would immediately withdraw its two representatives on Novatek's board. The French company said the representatives could no longer fully carry out their duties, because European Union sanctions against Russia have forced them to abstain from voting in board meetings.

The moves fit into TotalEnergies' strategy of gradually withdrawing from its Russian assets while continuing to supply natural gas to Europe. The company was originally defiant about maintaining business ties in Russia, in contrast with rivals including BP PLC, Shell PLC and Exxon Mobil Corp., which quickly plotted their exits following Moscow's February invasion of Ukraine.

TotalEnergies defended its decisions to hold on to big investments in Russian oil-and-gas fields, saying doing otherwise would mean giving billions of dollars to the Russians for nothing. In addition to Novatek, TotalEnergies has stakes in the liquefied-natural gas projects Yamal LNG and Arctic LNG. The French company says it has no operational role in those projects.

TotalEnergies has a long history with Novatek. It agreed to buy a quarter of the company for about \$1 billion in 2004, joining a rush of Western companies piling into Russia's huge energy sector. Mr. Timchenko, who has known Russian President Vladimir Putin since the early 1990s, is one of the biggest shareholders, while state-owned energy company Gazprom PJSC owns 10%.

TotalEnergies and Novatek had joined forces on a number of projects, including operating the Termokarstovoye gas field in Siberia. TotalEnergies sold its 49% interest in a joint venture operating that gas field to Novatek this year.

On Friday, TotalEnergies said it would also stop including Novatek projects in its proven reserves.

## Fidelity Unit Cleared to Sell Funds in China

By JING YANG

Fidelity International has received final approval from regulators in China to start selling mutual funds in the world's second-largest economy, joining other global investment firms that directly manage money for individual Chinese investors.

A Fidelity subsidiary, FIL Fund Management (China) Co. Ltd., has been granted a permit from the China Securities Regulatory Commission that would allow it to offer yuan-denominated investment products to

retail customers, the company said in a statement Friday.

China scrapped ownership restrictions for foreign financial institutions in 2020. The move, part of a China trade deal signed by then-President Donald Trump, was widely seen as a concession to Wall Street. Prior to it, foreign investment banks, asset managers and card networks had been barred from operating on their own in the world's most populous nation.

"China is a strategic, long-term priority market for Fidelity International," the company

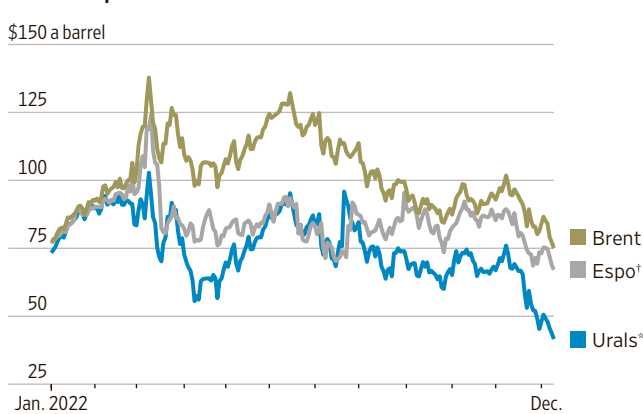
said, adding that it currently has more than 1,900 employees in the country and offices in three cities. The Chinese securities regulator's stamp of approval is the final step of a long process that foreign firms have to go through before they can market and sell funds directly to local individual investors.

Fidelity submitted its application in May 2020, and received preliminary approval in August 2021. Chinese regulators typically need to conduct on-site inspections and approve the appointment of senior executives before granting the final go-ahead for funds to launch.

During the application process, Chinese regulators asked for information including details of the firm's products and the track records of its mutual funds in the past three years, according to a CSRC statement in November 2021.

The government also questioned whether Fidelity's proposed choices for the board of directors of the local mutual-fund management company were capable enough to perform their duties, as none of them had experience working in mainland China's fund industry. In April 2022, the firm appointed Helen Huang as its China managing director. Ms. Huang joined from Hwabao WP Fund Management, a joint venture between a state-owned steelmaker and Warburg Pincus. BlackRock Inc. was the first foreign asset manager to start selling funds in China and raised the equivalent of \$1 billion in its maiden fund in September 2021, about a year and half after it submitted the application.

Crude-oil prices



\*Russia's main crude grade. †Ships from Russia's east. Note: Prices are for physical cargoes. Source: Argus Media

## Oil Market Shrugs Off Russia Cap

Continued from page B1

tween the U.S. and its European allies. The European Union banned seaborne imports of Russian crude, part of the bloc's effort to decouple its economy from Moscow's fossil fuels. In tandem, the Group of Seven economies and Australia barred insuring, funding or shipping Russian crude anywhere in the world if the price is above \$60 a barrel.

The U.S. Treasury designed that ceiling to act as a relief valve. A total ban on insuring or shipping Russian crude might have blocked much of it from flowing, driving up prices. With the cap, the U.S. aimed to avoid a surge in global energy market, while restricting Moscow from earning massive revenue from oil sales.

Traders and officials say it is too soon to declare victory on either of those aims—but that the sanctions have passed their first test in not causing the oil market to seize up. In contrast, market dysfunction in the early weeks of the war in Ukraine sent Brent close to \$140 a barrel.

"One of the biggest differences now versus earlier this year is that there's been plenty of time to prepare and anticipate the first impact of sanctions and the price cap," said Arkady Gevorkyan, an analyst at Citigroup.

The next big test for the sanctions could come when Russia announces its response.

Russian President Vladimir Putin said Friday that Russia would consider production cuts and that the government would

lay out retaliatory measures in the coming days, according to state news agency TASS.

Mr. Gevorkyan doesn't foresee much disruption to oil production levels in Russia. He expects Russian output to fall by as little as 500,000 barrels a day, compared with earlier industry expectations of up to 3 million barrels a day.

Giovanni Serio, head of research at commodities trader Vitol, said the sanctions were bound to generate hiccups in the physical oil market because they involve a rejigging of global trade. He said the question for traders is how big these hiccups turn out to be.

Case in point: a blockage emerged in Turkish waters and worsened in recent days, say analysts and traders. Ahead of the sanctions, the government said it would refuse to let crude tankers from the Black Sea into the Mediterranean without certificates saying their insurance will hold even in case of sanctions violations. A group of major western maritime insurers say they can't issue such documents. Twenty-five tankers were stuck in the jam Friday, said Yoruk Isik, a shipping specialist at Bosphorus Observer. Most of the tankers are carrying Kazakh crude, say analysts.

Discussions between the maritime insurers, collectively the International Group of P & I Clubs, and the Turkish government were ongoing Friday in an attempt to resolve the impasse, people familiar with the matter said.

Shippers, traders and lawyers say it will take weeks to become clear how Russian crude gets to market. Big Western companies are likely to remain cautious about handling Russian oil even if it falls under the price cap.

—Anna Hirtenstein, Julie Steinberg and Jared Malsin contributed to this article.

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