

U.S. NEWS

THE NUMBERS | By Josh Zumbrun

Good Luck Pinning a Market Cap on Crypto



Coverage of the manic booms and busts of cryptocurrency typically cite a popular statistic: market capitalization.

Familiar to stock investors, market capitalization is simply the supply of an asset multiplied by its price. But in the Wild West of crypto, neither the supply nor the price is always as it seems.

In the latest bust, for example, investor losses are widely cited as nearly \$2 trillion. That is almost certainly a significant overestimate. “The market-cap metric that’s thrown around is not necessarily the actual amount of losses that people have taken,” said Kim Grauer, the head of research for Chainalysis Inc., a blockchain-analytics firm that pores over the public ledgers of cryptocurrencies.

First, consider how supply can be inflated.

Over 19 million bitcoin have been created so far, the figure typically used to calculate market cap. In fact, as many as 3.7 million of these bitcoin—20% of theoretical supply—have been lost, likely irretrievably, according to Chainalysis.

Control of a cryptocurrency is via a private key—

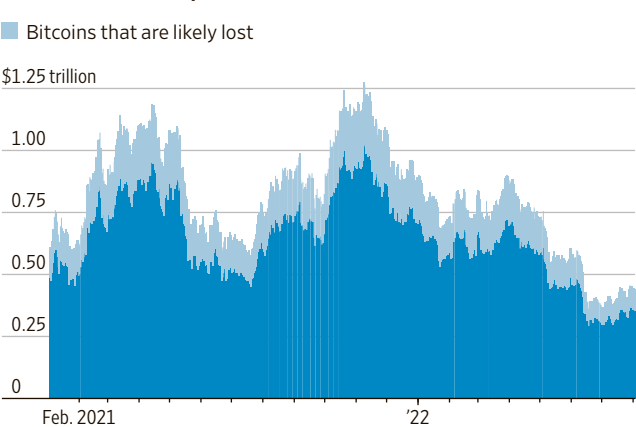
thus, the prefix “crypto”—which is a long string of letters and numerals, similar to a password. If the private key is lost, there’s no way to control the coin.

Some examples of this have become famous. Nine years ago, a man in Wales discarded a hard drive with the key for 8,000 bitcoins—at market’s peak worth more than half a billion dollars. He has lobbied his local council (thus far, unsuccessfully) to excavate the garbage dump to retrieve the hard drive. One man forgot the password to a wallet holding keys for 7,002 bitcoin (worth \$473 million at the peak). In 2013, Wired Magazine mined 13 bitcoin but destroyed access to its keys so as not to create a financial conflict in its journalism.

(The mysterious founder of bitcoin himself, Satoshi Nakamoto, is believed to be the original owner of 1.1 million never-moved coins. Some suspect he’s never moved the coins because he might have died.)

A number of cryptocurrencies were created as so-called forks of the original bitcoin. The projects were originally the same, but then split into separate cryptocurrencies to adopt different protocols. Bitcoin Cash, Bitcoin SV or Bitcoin Gold are all examples of forks, and estimates of their value all in-

Bitcoin’s market capitalization



Note: Data as of Aug. 2
Sources: CoinMarketCap (Bitcoin market cap); Chainalysis (lost Bitcoin)

clude some lost coins.

There is no question that market caps have tumbled. Between November and Thursday, bitcoin’s market cap fell from nearly \$1.3 trillion to \$436 billion, accounting for much of the fall in the market cap of the crypto universe. But that includes 3.7 million lost coins that nobody controls and thus don’t count as anyone’s actual wealth. Excluding them would mean the market peak was about \$250 billion lower, and the subsequent decline in total market cap was smaller by \$165 billion.

Market cap is also inflated by dozens of wrapped coins, which use contracts to

take a bitcoin, for example, and trade it on the Ethereum blockchain, says James Angel, a professor at Georgetown University who specializes in market structure. Counting wrapped coins and the asset they wrap is double counting, Mr. Angel says. As recently as March, the four largest wrapped coins had a market cap of \$27 billion.

Another wrinkle: Media coverage sometimes compares changes in crypto’s total market cap with changes in the S&P 500. While the S&P 500 is also weighted by market capitalization, it’s a fixed basket of 500 stocks, whereas crypto’s market cap is boosted by an ever-growing number of new coins.

For more obscure coins, there are common techniques to inflate the price—often with the specific goal of increasing the market cap.

Molly White, a software engineer and critic of cryptocurrency, suggests a hypothetical example: You create a cryptocurrency, MollyCoin, with one million \$MOLLY tokens. Since some crypto exchanges allow anyone to trade tokens, just find someone (even a friend) to pay you \$1 for a token. Since market cap is the price per token on an exchange, now \$1, multiplied by the number of tokens circulating, voilà, MollyCoin now has a market cap of \$1 million.

This is akin to “wash trades,” which are designed to inflate a stock’s trading volume—and generally illegal in equity markets. In some crypto circles, such manipulation is celebrated, Ms. White said.

“The truly bizarre thing is when otherwise honest people see all of the inauthentic behavior and manipulation happening and decide that they have no choice but to engage in it themselves, for fear that their project won’t be able to compete,” she said.

CoinMarketCap, the oldest and most popular market-cap site, said it has developed a stricter verification process over the years to try

to stop such manipulation. The behavior is “actually very common, because many projects value the visibility,” said Molly Jane Zuckerman, content manager for CoinMarketCap. “Such chicanery is precisely what we seek to screen out.”

But crypto market caps come from dozens of sources, many of which might lack these standards (and produce higher market caps than CoinMarketCap).

These quirks don’t just lead to misleading estimates of crypto’s market cap. They can make the market more volatile, amplifying the impact of a given transaction either up or down.

Here’s how: As people lose interest in—and the passwords of—coins, the actual number of coins in circulation drops, but this isn’t reflected in market values. As a result, it takes relatively less buying to push prices and market cap up. People start wrapping coins to trade, doubling their value. Hundreds—or thousands—of new coins launch, with some using wash-trading techniques to boost apparent market cap.

“It only takes a few people with very deep pockets to drink the Kool-Aid and push the market cap up,” Mr. Angel said.

U.S. WATCH

JUSTICE DEPARTMENT

Man Sentenced for Threatening Fauci

A man who made threats against Anthony Fauci was sentenced to roughly three years in federal prison, the Justice Department said Thursday.

Thomas Patrick Connally Jr., of West Virginia, sent emails threatening Dr. Fauci, the infectious-diseases expert who has helped steer the U.S. Covid-19 response through two administrations, and members of his family, according to the Justice Department. Mr. Connally also threatened others, including former National Institutes of Health director Francis Collins, the department said.

The threats, made anonymously over seven months, were designed to retaliate against Dr. Fauci and Dr. Collins for doing their jobs, “including discussing Covid-19 and its testing and prevention,” the Justice Department said.

A representative for Mr. Connally didn’t respond to requests for comment.

Mr. Connally, 56 years old, pleaded guilty in May to making threats against a federal official. He faced a maximum sentence of 10 years in federal prison, according to the Justice Department.

Dr. Fauci, the director of the National Institute of Allergy and Infectious Diseases at the NIH, has in many ways become the face of the government’s handling of the Covid-19 pandemic, now in its third year in the U.S. The 81-year-old plans to retire from his role by the end of President Biden’s term.

—Allison Prang



Crews demolish a house in Nescopeck, Pa., where an early morning fire Friday killed 10 family members, including three children, ages 5, 6 and 7. A volunteer firefighter arriving on the scene discovered the victims included his son, daughter-in-law and other relatives.

PENNSYLVANIA

Firefighter Loses 10 Relatives In Blaze

Fire tore quickly through a house in Pennsylvania early Friday morning, killing seven adults and three children and horrifying a volunteer firefighter who arrived to battle the blaze only to discover the victims were his own family, authorities said.

The three children who died were ages 5, 6 and 7, Pennsylvania State Police said, while the seven adults ranged from the late teens to a 79-year-old man.

Nescopeck Volunteer Fire Company firefighter Harold Baker said by phone that the 10 victims included his son, daughter, father-in-law, brother-in-law, sister-in-law, three grandchildren and two other relatives.

He said that 13 dogs were

also in the two-story home but didn’t say if he knew whether any survived.

The fire in Nescopeck was reported shortly after 2:30 a.m.

State police said criminal investigators were looking into the fire. Some people were able to safely flee the burning home, authorities said.

Mr. Baker said that the address initially given for the call was a neighboring home, but

that he realized it was his family members’ residence as the firetruck approached.

One of the victims, 19-year-old Dale Baker, was a firefighter who joined the company when he was 16, said Heidi Knorr, the secretary of the fire company.

Nescopeck is a small town on the Susquehanna River, about 20 miles southwest of Wilkes-Barre.

—Associated Press

INDIANA

Lawmakers Pass Abortion Ban

Indiana’s Legislature became the first in the nation Friday to pass new legislation restricting access to abortions since the U.S. Supreme Court overturned Roe v. Wade.

The measure now goes to Republican Gov. Eric Holcomb, who hasn’t indicated whether he would sign it.

Indiana was among the earliest Republican-run state legislatures to debate tighter abortion laws after the Supreme Court ruling in June that removed constitutional protections for the procedure. It is the first state to pass a ban through both chambers, after West Virginia lawmakers on July 29 passed up the chance to be that state.

The Senate approved the near-total ban 28-19, hours after House members advanced it 62-38.

It includes limited exceptions, including in cases of rape and incest, and to protect the life and physical health of the mother. The exceptions for rape and incest are limited to 10 weeks post-fertilization, meaning victims couldn’t get an abortion in Indiana after that. Victims wouldn’t be required to sign a notarized affidavit attesting to an attack.

The House added exceptions for protecting the health and life of the mother after repeated requests from doctors and others. It also allows abortions if a fetus is diagnosed with a lethal anomaly.

—Associated Press

Polio Found in New York Wastewater

By BRIANNA ABBOTT

Health officials detected the poliovirus in wastewater samples from two New York counties north of New York City, providing further evidence of transmission of the paralyzing virus within the U.S., state health officials said.

The positive samples from June and July appeared in two different geographic areas in Orange County and in Rockland County. The samples are genetically linked to a confirmed polio case revealed in late July, according to genetic sequencing analyzed by the Centers for Disease Control and Prevention.

That confirmed case was in an unvaccinated adult resident of Rockland County who developed symptoms including weakness and paralysis starting in June.

“New Yorkers should know that for every one case of paralytic polio observed, there

may be hundreds of other people infected,” State Health Commissioner Mary T. Bassett said in a statement on Thursday. “Coupled with the latest wastewater findings, the Department is treating the single case of polio as just the tip of the iceberg of much greater potential spread.”

The new findings don’t imply that the identified case in Rockland County is the source of the transmission, according to the New York State Department of Health. An investigation into the origins of the case is continuing.

New York health officials urged those who are unvaccinated or not fully vaccinated against polio to get immunized immediately. Unvaccinated people who live, work, go to school in or visit Rockland County, Orange County or the greater New York metropolitan area are at the greatest risk of exposure.

Officials have said that peo-

ple who are fully vaccinated are at very low risk of contracting the disease.

The poliovirus is highly transmissible and is spread mostly when a person touches their mouth after coming into contact with an infected person’s feces. It can spread asymptotically, a concern among health officials. Just over 70% of people have no symptoms at all, according to the CDC, and about a quarter develop flulike symptoms.

The virus can also affect the brain and the spinal cord, and about one in 200 people with a poliovirus infection will have weakness in the arms and legs or paralysis, which is often permanent. Up to 10% of paralyzed patients die when the muscles that help them breathe are immobilized.

Good hand hygiene is also critical for preventing infection, said Vincent Racaniello, a microbiology and immunology professor at Columbia Univer-

sity who studies poliovirus. “They can have contamination on their hands, shake hands with someone else, and that starts an infection.”

Two forms of the virus currently cause outbreaks, one being the wild poliovirus found in nature. Cases also can be caused by vaccine-derived poliovirus, which occurs when a weakened strain in an oral polio vaccine used in some parts of the world mutates and then infects someone else when they come into contact with feces of the recently vaccinated person.

The case in Rockland was caused by a vaccine-derived strain of the virus, officials said.

The U.S. no longer administers that vaccine but instead uses an inactivated vaccine that doesn’t contain live virus and protects some 99% of children who are fully vaccinated, health officials said.

Most of the U.S. population is vaccinated against polio,

and the inoculations are a part of the CDC’s standard child immunization schedule and required in New York for all school-age children, unless they have a medical exemption.

Rockland County and Orange County, however, both have below-average vaccination coverage.

CORRECTIONS & AMPLIFICATIONS

In some editions Friday, the surname of former Louisville, Ky., police officer Brett Hankison was misspelled as Hankinson in one reference in a U.S. News article about federal charges in the death of Breonna Taylor.

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

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U.S. NEWS

Alex Jones Is Ordered to Pay \$45.2 Million

Alex Jones was ordered by a jury to pay \$45.2 million in punitive damages to the parents of a 6-year-old boy killed in the Sandy Hook school shooting, a

By Rob Copeland, Jonathan Randles and Keach Hagey

judgment that recognizes that the popular conspiracy theorist went far beyond accepted norms in repeatedly calling the tragedy a hoax.

The verdict follows a separate \$4.1 million award granted by the same jury in Austin, Texas, on Thursday for actual damages, or the harm suffered directly by the parents of the murdered child. The trial in Mr. Jones's hometown is the first of several seeking damages for statements made after the shooting.

Mr. Jones and others at Infowars regularly said on-air that the 2012 shooting in

Newtown, Conn., which killed 20 first-graders and six adults, was staged by actors as part of a wide plot to promote gun control, among other left-leaning aims. The Sandy Hook parents testified that they received death threats following Mr. Jones's broadcasts; one such phone message was played aloud for the jury during the trial.

This week, Mr. Jones said under oath that he now believes the shooting was "100% real," but also cast himself as a victim in his own right, saying that the attention paid to his rampant speculation on the incident had harmed his business.

After the verdict was read, lawyers for Mr. Jones said they would appeal. They also said they would ask the court to reduce the sum under a Texas law capping punitive damages.

The judge in the case, Maya Guerra Gamble, said she would

entertain a motion to impose additional punishment against Mr. Jones and his lawyer for their courtroom conduct throughout the trial. Mr. Jones had to be frequently reminded by the judge to tell the truth while under oath.

The judge also said she would not oppose efforts by law enforcement and the House committee investigating the Jan. 6, 2021, attack on the U.S. Capitol to obtain text messages and other communications from Mr. Jones's phone that were turned over to the plaintiffs' lawyers as part of the trial, saying that she didn't think she could stand between the information and Congress.

The total sum of penalties meted on Mr. Jones was far lower than the damages sought earlier by the Sandy Hook parents. The parents had sought \$150 million in actual damages and nearly the same amount in punitive damages.

But the Austin judgment is just the tip of Mr. Jones's financial and legal woes. He faces two similar damages trials in coming months from other parents of Sandy Hook victims. In those cases, as in the Austin proceedings, Mr.

The punitive damages verdict follows a separate \$4.1 million award.

Jones was found liable by default for defamation after, in an unusual move, he declined to mount any defense.

An economist who testified Friday for the plaintiffs estimated Mr. Jones's and Infowars' parent company's combined net worth at between \$135 million and \$270 million. Mr. Jones's personal

net worth is between \$70 million and \$140 million, the economist testified, a figure factoring in money that he has paid himself from Infowars' parent company. In testimony on Wednesday, Mr. Jones said the company's revenue was approximately \$70 million last year.

Infowars' parent, Free Speech Systems LLC, filed for bankruptcy protection last week—the second time the platform has attempted to enter chapter 11 in recent months. Lawyers for Sandy Hook families have accused Mr. Jones of diverting money to protect the business from potential judgments, an accusation Mr. Jones's lawyer denies.

Still, Mr. Jones's company has in recent years survived threats of expulsion from the mainstream.

Major tech platforms like YouTube, Facebook, Apple and Spotify kicked his show off

their services in 2018. But his business remained resilient despite the deplatforming, documents and testimony have revealed, thanks largely to its heavy reliance on the sale of nutritional supplements like Infowars Life Super Male Vitality.

Lawyers for Mr. Jones didn't respond to requests to comment.

The damages award capped off a lurid week-and-a-half trial in which Mr. Jones and his lawyer sparred with the plaintiffs and were repeatedly admonished by the judge for breaking the rules of the court.

On Wednesday, during the final moments of Mr. Jones's cross examination, the plaintiff's lawyer said that Mr. Jones's legal team had accidentally shared cellphone records that the noted conspiracy theorist had sworn under oath didn't exist, raising the specter of perjury.

Covid Wave Shows Signs of Easing

By Jon Kamp

U.S. hospitalization data indicate the latest Covid-19 surge is starting to cool, marking a hopeful sign after months of sustained, high virus transmission due to BA.5 and other Omicron subvariants.

The seven-day average for people hospitalized with Covid-19 has recently flattened, while numbers of newly admitted patients have mostly trended lower since late July, federal data show. Though Covid-19 cases are loosely tracked now, as people test more at home, hospital data can reflect how much the virus is spreading in communities.

"We definitely have hit the plateau," said Eric Topol, director of the Scripps Research Translational Institute in La Jolla, Calif.

The news is welcome, he said, as the U.S. nears the weeks in which most children will be crowding back into schools. Colleges are scaling back Covid-19 precautions for the fall as they prepare for an influx of students on campus.

Signs of progress are still tenuous. Virus levels measured in U.S. wastewater have leveled off again after a recent, slight decline, according to Biobot Analytics data through Wednesday. Public-health authorities are monitoring some other subvariants in the U.S., including a version known as BA.2.75, though it remains unclear whether they will compete against BA.5 and pose a risk.

As of Thursday there were 1,344 counties—about 42% of the total—that have high Covid-19 community levels based on case and hospitalization trends, according to the Centers for Disease Control and Prevention. This is down 133 counties from the CDC's count a week earlier.



Shoppers thronged a congested market in Los Angeles last month. The county maintained its 'high' status in the latest CDC rankings on Thursday, but it isn't adding a new mask mandate.

About 55% of the U.S. population is now in a high-ranked county with elevated levels of disease, still significantly up from levels below 1% in March and April, but down from 61% a week earlier.

The CDC says people in these counties should wear masks in public, indoor settings, though masking requirements have become very rare. Los Angeles County maintained its "high" status in the latest CDC rankings Thursday, but isn't adding a new mandate officials there had previously considered.

"We do remain hopeful that given declining cases and continued efforts to slow the spread, we can both quickly move and remain in the medium community level in the weeks ahead," said Barbara Ferrer, the county's public health director, during a press call Thursday.

By midweek, the U.S. seven-day average for hospital patients admitted each day with confirmed Covid-19 was 6,344, down slightly from above 6,600 in late July, U.S. Department of

Health and Human Services data show. The average number of patients hospitalized with confirmed Covid-19 has recently hovered near 39,000.

Built-up immunity from vaccines and prior infections has helped blunt the impact of the latest Covid-19 surge when it comes to severe illness and death, though cases also present the risk some people will develop lasting symptoms.

The U.S. has recently averaged 377 reported Covid-19 deaths a day, the CDC data show, far below record highs but above the low hit last summer. Known cases recently averaged about 117,000 a day, down slightly over the past week, though epidemiologists believe the true number of infections is significantly higher.

BA.5, one in a string of subvariants to sweep the U.S., by July 30 represented nearly 86% of cases, according to the CDC.

Some public-health experts had recently expressed concern about BA.2.75, a subvariant that recently started spreading rap-

idly in India. The variant is also present in other countries including the U.S., but it doesn't appear to be taking off, at least so far, infectious-disease experts said.

"It's not clear whether it will win out over BA.5 at this point, but I think it has at least the potential to," said Trevor Bedford, a professor of biostatistics who studies the spread and evolution of viruses at the Vaccine and Infectious Disease Division at Fred Hutchinson Cancer Center.

It is challenging to predict whether new variants that cause a Covid-19 surge in one country will do the same in another, in part because the combination of immunity from vaccines and an array of variants can be varied across the globe, infectious-disease experts said.

Another subvariant, called BA.4.6, has also recently emerged in the U.S., and was an estimated 4.1% of cases by July 30, CDC data show.

—Brianna Abbott contributed to this article.

Officials Strengthen Monkeypox Guidelines

By Liz Essley Whyte and Stephanie Armour

The Centers for Disease Control and Prevention released data finding the monkeypox outbreak is concentrated among men who have had sex with several men, and issued more detailed recommendations on how to avoid exposure to the disease.

Among 291 men surveyed, 40% reported that they had two to four partners and 14% reported five to nine partners in the three weeks before developing monkeypox, according to the report. About 19% reported 10 or more partners during that period, the CDC said Friday.

And among 86 men who reported information, 28% said they had had group sex, which is defined as sex with more than two people, at a festival, group sex event or sex party, based on the report. The research was conducted from May 17 through July 22.

After releasing the data, the CDC also issued more specific warnings and recommendations for reducing the risk of monkeypox than its earlier guidelines. The CDC also extended its recommendations to anyone sexually active, not just those who suspect they are infected.

In addition to advising people to limit their number of sex partners, the CDC recommended wearing latex, polyurethane or nitrile gloves, and changing or cleaning clothes, bedding, towels and sex toys after sex.

The new developments come after cases increased to more than 7,000 known in the U.S., prompting the federal government to declare a public-health emergency.

Monkeypox is a viral disease

that can spread to anyone through close, personal contact that is often skin-to-skin as well as contact with respiratory secretions, direct contact with rash or scabs, and touching objects used by someone with the virus, the CDC said.

Direct contact can happen during sex or touching of genitals, as well as kissing, hugging, massage, and touching fabrics and objects used during sex such as fetish gear, according to the agency. Scientists are still researching if monkeypox can be spread through semen or vaginal fluids.

While anyone can get monkeypox, the CDC said in June that the outbreak may be concentrated among gay and bisexual men because the virus is taking advantage of social and sexual networks in that group.

Yet health authorities had held off on some direct warnings out of fear of stigmatizing the population, according to people familiar with the discussions.

The release of the data and guidelines suggests a new phase in the response, however, with the Biden administration speaking more directly about who is at risk and how they can reduce it.

Government officials expressed hope that the new recommendations could help slow the spread of the virus by getting through to people most at risk. Shortages of tests, vaccines and drugs have hurt the effort and drawn criticism from some health experts.

"Given the current limited supply of vaccine, CDC recommends temporarily changing some behaviors that may increase a person's risk of being exposed," an agency spokeswoman said.

Phoenix Seeks Ways to Mitigate Oppressive Heat

By Alicia A. Caldwell and Jim Carleton

PHOENIX—As the temperature hovered around 113 degrees Fahrenheit here on a recent Tuesday, Yvonne Pastor and a team of volunteers handed out water, Popsicles and information about nearby cooling centers to homeless people and anyone else needing to escape the brutal heat.

Phoenix is on the leading edge of an issue facing many cities on a warming planet: more summer days that raise the risks of injury or even death if people don't take appropriate precautions.

In the U.S., the number of heat waves in the 50 largest cities tripled from an average of two a year in the 1960s to more than six during the 2010s, according to the federal government's U.S. Global Change Research Program.

The average temperature in Phoenix in June was 95 degrees, nearly six degrees higher than the June average in the 20th century, according to the National Centers for Environmental Information. The U.S. as a whole in June was a little more than two degrees hotter than its 20th-century June average, at 71 degrees.

The risks are being felt in this city of 1.6 million, which



has long been among the hottest in the U.S. More people, particularly those who live on the streets, have been admitted to the hospital from heat-related conditions, and deaths have risen.

Air conditioning is standard in Phoenix, but 339 people died of heat-related causes last year in surrounding Maricopa County, up 71% from 2019. The majority of deaths happened outdoors.

In Maricopa County, which includes Phoenix, the population grew about 18% between 2010 and 2021, to roughly 4.5 million people, according to U.S. census data. More development has meant more asphalt roads and concrete

buildings, which can turn areas like greater Phoenix into what climate scientists have termed "urban heat islands." Besides having higher temperatures during the day, these heat islands don't cool down as much at night, residents and officials said.

"Minimum temperatures have increased about four times faster" than average temperatures, said David Hondula, an assistant professor at Arizona State University's Urban Climate Research Center, "and that is a direct consequence of growth."

The city last year launched an Office of Heat Response and Mitigation, which officials say is the first of its kind in the

nation. Headed by Mr. Hondula, it seeks ways to mitigate heat, with tactics from planting trees to making pavement less heat-absorbing to educating residents about heat risks and providing resources to avoid it. The city has dedicated more than \$60.5 million to such efforts in its budget for the current fiscal year.

That includes Ms. Pastor and her volunteers, who have 121 outreach efforts planned this year, compared with eight last year.

The heat affects them as well. After two hours of offering assistance to people camping in and around shopping-center parking lots on the recent Tuesday, Ms. Pastor

said she felt the toll of the unrelenting sun herself and went home exhausted.

Among the affected are United Parcel Service drivers, including one whose collapse from apparent heat exhaustion during the mid-July heat wave was captured on a video that went viral. Karla Schumann, secretary-treasurer of the local Teamsters union that represents Arizona drivers, said dozens more have suffered heat exhaustion this summer.

Matthew O'Connor, a UPS spokesman, said the driver who collapsed contacted his manager, who provided immediate assistance, and is now doing well. He said the company provides water and ice

Amid temperatures over 110, volunteers cart water in search of homeless people. Phoenix city councilor Yassamin Ansari and city workers hand out water in her district.

for drivers, who are trained to work outside and manage heat. Hikers who venture into the mountains in and around Phoenix also face risks. Last summer, Phoenix closed most of its hiking trails on the hottest days.

City officials say they are also working to mitigate temperatures where they can. That includes creating corridors of "cool pavement," where asphalt is coated with a synthetic material intended to reflect heat and help reduce ambient temperatures.

An initial study of the cool pavement pilot program published this past September by Arizona State University researchers found it can reduce surface temperatures by as much as 12 degrees. Keeping them down, the report found, helps reduce ambient temperatures.

Scott Patterson and his wife, Ruth Whitaker, haven't yet noticed much of a difference from the coated pavement in front of their central Phoenix home, but they are hopeful. "It can't hurt," Mr. Patterson said. "It can't get much worse."

Democrats Near Climate-Bill Vote

Plan Isn't Expected To Affect Buybacks

Lawmakers believe they are poised to pass the party-line measure; amendments expected

By Andrew Duehren

WASHINGTON—Democrats pushed forward with a revised climate and tax agreement, sorting through a final set of procedural questions on the bill's measures and preparing for a lengthy amendment process ahead of a final Senate vote that could happen as soon as this weekend.

After yielding to demands of Sen. Kyrsten Sinema (D., Ariz.) on the bill's tax provisions, Democrats now believe they are on track to finally pass a party-line economic package through the evenly divided chamber. Senate passage of the bill, which raises roughly \$750 billion in taxes and spends about \$430 billion on healthcare and energy provisions, would be the culmination of start-stop talks on the legislation that have lasted all of this year.

"This is a very, very, very big deal," Senate Majority Leader Chuck Schumer (D., N.Y.) said during a news conference Friday. He said he had spoken to every member of his caucus and believed they were all on board.

Senate Democrats are expected to take up an initial procedural vote on the bill on Saturday. House Majority Leader Steny Hoyer (D., Md.) said that the House would reconvene to consider the legislation on Friday, Aug. 12. If the bill passes Congress, it will go to President Biden's desk for his signature.

To secure Ms. Sinema's commitment to move forward with the agreement, the product of secret talks between Mr. Schumer and Sen. Joe Manchin (D., W.Va.), Democrats agreed to make a series of late changes to the package. In the 50-50 Senate, Democrats need to stay united in the face of unified Republican opposition, giving individual centrists such as Ms. Sinema and Mr. Manchin enormous sway over the policy agenda.

Late Thursday night, Democrats said they agreed to drop a provision that would have



Senate Majority Leader Chuck Schumer says he has spoken to every member of his caucus about the bill, which raises roughly \$750 billion in taxes and spends about \$430 billion on healthcare and energy.

raised taxes on private-equity managers' carried-interest income, generating \$14 billion in revenue over 10 years. Ms. Sinema repeatedly told lobbyists and donors over the last year that she opposes tightening taxes on carried interest.

Mr. Schumer said Friday that Democrats dropped the provision because Ms. Sinema said she wouldn't allow the party to move the legislation past the initial procedural vote if it remained in the bill. "We had no choice," Mr. Schumer said. Ms. Sinema hasn't committed to voting for the final bill, saying she will evaluate it after any final potential changes.

Democrats also pared back elements of a 15% minimum tax on large, profitable corporations. Instead of denying manufacturers the tax benefits of accelerated depreciation, the new agreement will preserve it for at least some manufacturers.

Sen. Mark Warner (D., Va.), who was involved in the talks with Ms. Sinema, said preserving the accelerated depreciation tax benefit will help manufacturers that Congress is already trying to encourage to build production capacity in the U.S.

Ms. Sinema "made a good

point that if we're trying to incent someone to build an electric battery plant here but then take away other tools in the tax code around depreciation, isn't that contradictory?" he said.

Because Democrats are seeking to reduce the deficit by roughly \$300 billion in the legislation, a key demand of Mr. Manchin, the party agreed to add a new tax to the legislation to make up for the lost revenue from paring back

Democrats dropped a provision that would have raised carried-interest taxes.

other provisions. They added a 1% excise tax on stock buybacks that Mr. Schumer said would raise roughly \$74 billion in tax revenue over 10 years.

The revised corporate minimum tax will bring in \$258 billion over a decade after the changes, Mr. Schumer said, down from the \$313 billion it had earlier been estimated to generate in revenue.

A group of Democratic senators from Western states said

Friday that the deal would also include \$4 billion in funding to combat drought.

Beyond those provisions, the bill includes a series of tax incentives for companies and individuals to take steps to reduce carbon emissions, as well as support for fossil-fuel energy production. It empowers the government to allow Medicare to begin negotiating a lower price for some prescription drugs and extends subsidies for health insurance premiums under the Affordable Care Act.

It would also increase funding for the Internal Revenue Service, money that will go toward tax collection efforts at the agency.

Republicans are set to unanimously oppose the package, arguing the tax increases would damage the economy at a time when it already is at risk of entering a recession. They also say Democratic spending plans have fueled inflation.

"The Democrats are at it again—trying to raise taxes and increase government spending at a time of high inflation and a time of recession," Sen. John Barrasso (R., Wyo.) said Friday.

Republicans have the opportunity to try to change the bill

during a marathon amendment process this weekend, with some Democrats warning against supporting any GOP tweaks that could endanger the bill's support in the caucus. Some lawmakers have in particular said the party should not approve any changes to immigration policy during the amendment process, often referred to as a vote-a-rama.

Democrats will also have to contend with the possibility of last-minute changes for procedural reasons.

To avoid the 60-vote threshold necessary for most legislation in the Senate and pass the bill with a simple majority in the Senate, Democrats are pursuing a process called reconciliation. Reconciliation requires the bill's measures to be directly related to the budget, and provisions that the Senate's nonpartisan parliamentarian considers to be incidental to the budget could be removed.

Among the measures at possible risk of change because of reconciliation's rules are proposed taxes on drugmakers that don't comply with lower negotiated prices and measures to tie tax credits for electric-vehicles to the place of manufacture and the origin of its components.

If the bill passes and becomes law, it marks an achievement for Democrats in the months before the midterm elections after more than a year of failed efforts to unify around elements of Mr. Biden's agenda. Democrats had originally envisioned a far more ambitious program, outlining a \$3.5 trillion plan last year that would have offered free community college, an expanded child tax credit and expanding eligibility for Medicare, among many other steps.

Many of those ambitions will remain unfulfilled with this bill, but many Democrats are encouraged to have reached any sort of agreement before the midterm elections, when they could lose control of Congress.

"I think this is a really good product," Mr. Warner said. "Looking back, that was probably too ambitious. The idea that we were going to solve all of the country's pent-up issues in one bill was probably a bridge too far."

Methane-Tax Compromise Faces Oil-and-Gas Industry Skepticism

Plans by Senate Democrats to cushion the blow of a proposed methane-emissions tax with exemptions and subsidies are proving to be a hard sell to oil-and-gas producers.

By Katy Stech Ferek in Washington and Benoit Morenne in Houston

Under the proposal, which is part of the Inflation Reduction Act unveiled last week, companies that produce, transport or store large quantities of oil and natural gas would be subject to a tax based on the volume of methane they release into the air above a set threshold, starting at \$900 a ton in 2024.

The bill seeks to ease the pain by allotting \$1.5 billion for emissions-cutting measures, including for the replacement of leaky equipment and methane monitoring. It would also exempt companies from paying the tax if they can comply with tougher methane regulations expected to be implemented fully in 2026 or later.

Analysts have said that means few companies will be stuck paying the tax once the regulations are in place, a view echoed by several industry executives who either support the plan or say they aren't worried about it.

Even so, some of the indus-



Some producers say a methane-emissions tax isn't needed given the industry's voluntary efforts to reduce emissions.

try's biggest players are lining up against it—with one objection being that the tax isn't needed given the industry's voluntary efforts to reduce emissions.

"U.S. producers remain committed to continuing to drive down methane emissions from our operations and are supportive of federal policies to do so, but remain unconvinced that a new tax...is the best mechanism to do so," said Anne Bradbury, chief executive of the American Exploration & Production Council, which represents oil and gas producers.

The American Petroleum Institute, the industry's top

lobbying group, issued a statement Friday saying the group had determined "the methane fee included in the reconciliation bill is flawed and ill-conceived policy and is counterproductive to achieving the objective of effectively reducing methane emissions."

Industry lobbyists have said one concern is the provision that would exempt companies from paying the tax if they can comply with the new regulations coming from the Environmental Protection Agency. The rules would require companies to replace leaky equipment and check for leaks more frequently.

Because it is hard to deter-

mine when those rules will be adopted, some companies are worried that they might be liable for hundreds of millions of dollars in fines in the interim, according to lobbyists.

The oil-and-gas industry is the source of a third of the U.S.'s emissions of industrial methane, a clear gas that traps roughly 85 times more heat in the atmosphere than carbon dioxide does. It escapes from wells, drilling equipment and thousands of miles of pipelines.

Scientists and environmentalists say curbing methane emissions is critical to addressing climate change and support

the legislation's carrot and stick approach. The bill's grants, loans and other means of support for methane reduction could improve measuring techniques to determine whether corporate investment in new technology is even working.

"Supporting more complete, precise and transparent methane monitoring would help prioritize and accelerate mitigation action and improve confidence in emission estimates," said Riley Duren, a research scientist at the University of Arizona.

The San Francisco-based research group Energy Innovation has estimated that the

spending bill would cut U.S. emissions of methane, carbon dioxide and other greenhouse gases by 37% to 41% compared with 2005 levels.

The methane tax would apply to facilities that release more than 25,000 metric tons of carbon-dioxide-equivalent greenhouse gases into the air a year.

Some industry executives support the proposal, in part because of measures they have already taken to cut emissions.

Rusty Hutson Jr., chief executive of Diversified Energy Co., one of the largest well owners in the U.S., said his company has moved to equip well tenders with hand-held methane-detection devices, deployed aerial detection surveys and modernized its processes and equipment, resulting in declines in methane intensity.

"We believe the energy policy provisions will create a consistent, positive and balanced framework for natural-gas production moving forward," he said.

Diamondback Energy Inc. Chief Executive Officer Travis Stice on Tuesday said, "Because of the dollars we've spent over the last three years really reducing our methane emissions, that doesn't appear, as we understand it, to be a needle mover."

—Timothy Puko contributed to this article.

Lightning Strike Near the White House Leaves Three Dead, One Injured

By Ginger Adams Otis

Three people, including a couple celebrating their anniversary, died after a lightning strike near the White House, police said Friday. A fourth victim remains hospitalized in critical condition.

The two men and two women were apparently struck by lightning around 6:30 p.m. Thursday, according to the

Metropolitan Police Department. The four were caught in Lafayette Square, which is directly north of the White House, as a line of powerful summer storms moved through Washington, D.C. They were found near a large tree in the square, said Vito Maggiolo, a spokesman for the District of Columbia Fire and Emergency Medical Services Department. Police identified two of the

fatalities as James Mueller, 76 years old, and Donna Mueller, 75 years old, a married couple from Janesville, Wis.

The name of the third person who died, a 29-year-old man, was being withheld pending family notification, police said.

Michelle McNett, a niece of the Muellers, said the couple was in the city to celebrate their 56th wedding anniversary.

"They loved to dance. They were great dancers, always the first ones on the floor," said Ms. McNett, who also lives in Janesville. "They were very family-oriented, very loving."

The couple had five children, 10 grandchildren and four great-grandchildren, she said. They always had dogs in the house, rooted for the Green Bay Packers and adored babysitting their grandchildren and great-

grandchildren, she said.

Members of the U.S. Park Police and the Secret Service who were nearby gave aid to the victims until emergency crews arrived, officials said.

The storm Thursday was one of several that formed over the Washington and Baltimore area around 6:15 p.m., said National Weather Service meteorologist Bob Oravec.

"The storms came up

quickly, as they do, and formed a line and moved eastward across the area," he said. "It was very active lightning-wise, which is fairly typical for summer."

From 2006 through 2021, lightning caused an average of 28 deaths a year, according to the Centers for Disease Control and Prevention. About 10% of people struck by lightning die.

Jobs Revival Shows Labor Market Shift

Wages rise faster, fewer are seeking work and some industries recover

By SARAH CHANEY CAMBON

U.S. employers in July fully replaced the 22 million jobs lost at the start of the pandemic and the unemployment rate returned to a half-century low, showing the vastly changed labor market has recovered from the tumult created by Covid-19.

With the 528,000 added jobs last month, the U.S. economy gained back all the jobs lost early in the pandemic, the Labor Department said Friday. The unemployment rate also fell to its prepandemic half-century low of 3.5%.

Even with the jobs recovery, the labor market has changed in many ways. Wages are rising at a much more rapid rate. Fewer Americans are seeking work. And some industries, such as those tied to e-commerce and goods production,

have fully recovered, while others, including health-care and restaurants are well short of prepandemic levels.

Here is a breakout of how different industries and demographic groups have fared as the U.S. labor-market recovery reaches a historic moment.

Leaders and Laggards

A shift to e-commerce has helped drive up employment in transportation and warehousing during the pandemic. The sector was still churning out jobs last month, adding about 21,000 workers. Warehouse employment was up by 36% in July 2022 compared with February 2020 just ahead of the pandemic. Couriers and messenger companies, which deliver packages to homes, also logged double-digit payroll growth over this period.

Manufacturing employment is now slightly above prepandemic levels. Employment at semiconductor manufacturers increased 0.9% in July from a month earlier and is also above February 2020 levels,

which should help ease chips shortages that have roiled supply chains and auto production.

Payrolls in the leisure and hospitality sector—which includes restaurants, bars and hotels—remain down by 7.1% from February 2020 levels, after falling nearly 50% in the first two months of the pandemic.

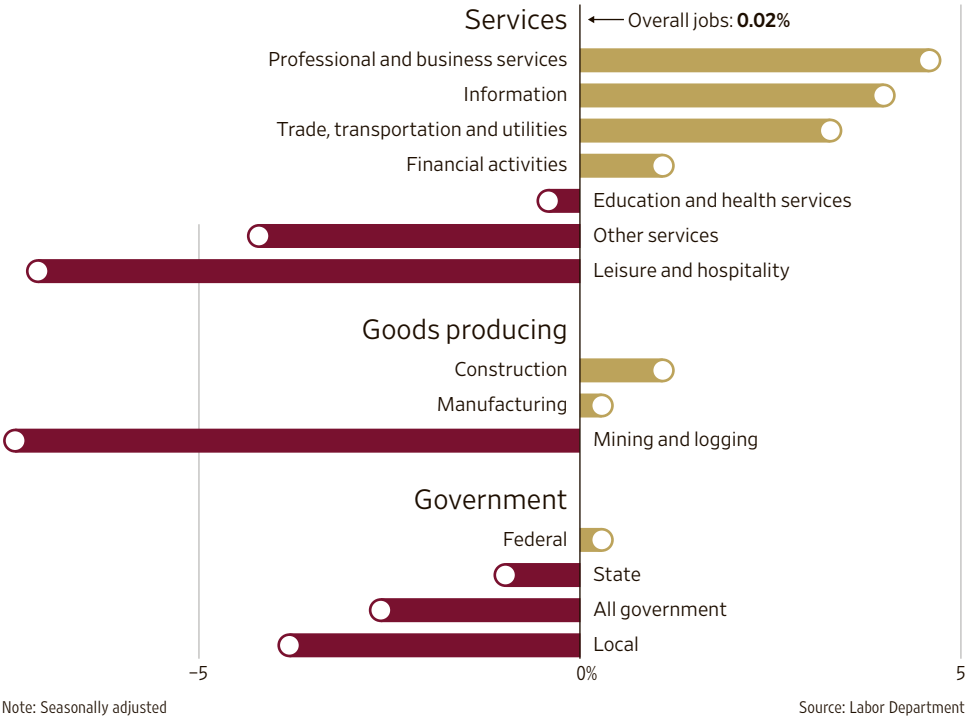
The sector has added jobs each month since the start of 2021, including 96,000 in July. Many economists expect the leisure sector to help drive payrolls growth in the coming months, as it has more room to recover and could benefit from continued demand for travel and summer vacations.

Worker Demographics

Unemployment rates have tracked similarly for men and women throughout much of the pandemic, after the initial onset of Covid-19 drove up joblessness more sharply for women.

Women tend to work in roles in healthcare and food preparation that suffered steep

Payrolls by sector in July, change from February 2020



job cuts in the spring of 2020. Employers in those industries have since brought back large numbers of workers, sending the female jobless rate down to 3.4% in July 2022 from a peak of 16.1% in April 2020. The male unemployment rate logged in at 3.5% last month, down from 13.5% in April 2020.

Jobless rates have also varied by race, pointing to an uneven recovery for workers. Un-

employment among Black Americans was 6% in July, well above rates for whites, Hispanic and Asian workers.

Wage Pressures

The historically low jobless rate is propelling wage gains as companies compete for a limited pool of workers. Average hourly earnings for private-sector workers rose 5.2%

in July from a year earlier, far exceeding February 2020's annual gain of 3.1%. Faster wage growth hasn't kept pace with inflation, which hit a nearly 41-year high of 9.1% in June.

The robust wage gains point to greater worker bargaining power but could also keep inflation elevated. Companies often pass along price increases to compensate for their higher labor costs.

Food, Drink Workers Are in Demand

By ALLISON POHLE

More bartenders, waiters, waitresses and cooks are back on the job.

The U.S. economy added more than 500,000 jobs in July, with the gains partly driven by hiring from food service and drinking establishments. Overall, there was a net increase of 74,100 of these jobs in July, up from a 47,200 net increase in June.

Driving the gains were rising demand from diners going back out to eat. There have also been other signs of strength in hospitality lately, with more travelers flying on airplanes and checking into hotels. Many of these hospitality businesses have picked up hiring despite two straight quarters of economic contraction and some signs of a cool down in overall consumer spending.

Owners, executives and industry analysts say they expect the leisure and hospitality sector to continue adding jobs for now as the industry remains below the levels of staff it needs. Employment in leisure and hospitality is still lagging below its February 2020 level by 1.2 millions jobs, or 7.1%.

"They're not fully out of the woods, but are improving," says Truist Securities analyst Jake Bartlett, of restaurant staffing levels.

Earlier in the pandemic, consumers mostly directed their spending on goods. They began to splurge on travel and dining out as pandemic-restrictions eased.

Harold's in the Heights in Houston, a restaurant focused on Southern cuisine, currently employs 35 people but could use as many as 38, says owner Alli Jarrett. Right now, many employees are working too many hours while picking up shifts for people who don't show up or have child-care issues, she says.

Ms. Jarrett says the restaura-



Restaurants and bars added 74,100 jobs last month, up from an increase of 47,200 in June.

rant hired a lead line cook this week who walked out in the middle of the busy shift.

"You schedule appropriately, and then all of a sudden two people decide they don't want to work anymore, so you start the cycle again," she says.

Analysts and economists predict job growth in these industries will remain strong in the coming months as labor and hospitality continue to recoup staffing levels.

A majority of restaurants are seeking to fill positions, with 84% of restaurant operators saying they will likely hire additional employees during the next six months if there are qualified applicants available, according to a National Restaurant Association survey of 4,200 operators fielded between July 14 and Aug. 5.

In the hotel industry, hiring has gone up as occupancy has increased.

More travelers are staying in urban markets as midweek business travel returns, and weekend occupancy in cities has also improved, according

to hotel analysts. The nominal average daily rate for rooms was \$158.79 for the week ended July 23, making it the second-highest level recorded by hospitality data and analytics company STR since 2000.

As travelers pay higher prices, they expect a commensurate level of service. Some hotels might have kept their restaurants closed or reduced hours and will be looking to staff up so they meet customer expectations for the brand.

Analysts and economists warn the ceiling for job growth in sectors such as accommodation will likely be lower than prepandemic levels.

Sean Snaith, director of the Institute for Economic Forecasting at the University of Central Florida, said the cost of living is still outpacing wage growth, which could be a problem for hospitality over time. Food, shelter and transportation costs have increased, which means less available spending for dining out and travel.

Moreover, businesses have learned to make do with lower

staffing levels.

"What was 10 people needed is probably more like nine on a go-forward basis because of the efficiencies from the pandemic," says Michael Bellisario, a senior research analyst at investment bank Baird, of hotel staffing levels.

By the end of 2022, hotels are expected to employ 84% of their prepandemic workforce, according to a report from global advisory firm Oxford Economics.

Fast-food restaurants have recovered almost all of their prepandemic jobs, while full-service restaurants have recovered about 91% prepandemic employment, according to a report from Gordon Haskett Research Advisors.

—Heather Haddon contributed to this article.

Listen to a Podcast



Data Keep Fed on Its Policy Path

Continued from Page One

soon slow its rate rises. But that depends crucially on a slowdown in economic activity, especially hiring, and Friday's report offered no such signal.

Since last week's Fed meeting, labor market data suggest wages have been even stronger than earlier reported, while hiring has been brisk. Employers added 528,000 jobs in July, recouping all of the jobs lost since February 2020, and the unemployment rate fell to 3.5% from 3.6% during the previous four months, the Labor Department said Friday.

Meanwhile, wage growth was stronger than economists anticipated in July, with average hourly earnings rising 0.5% from June and 5.2% from

a year ago. Wage growth in June was also revised higher, indicating that earlier data overstated the magnitude of a recent deceleration in the brisk pace of wage growth.

A separate Labor Department report on employee compensation released July 29 that is widely watched inside the Fed also poured cold water on the idea that wage growth was slowing.

The behavior of wages is particularly important to the Fed right now because of concerns that companies are raising wages because they can pass higher labor costs on to consumers as a result of the current inflationary environment. Together, the two labor reports could fuel worries of such a wage-price spiral.

Fed officials have pushed back this week against investors' expectations for a sooner end to rate rises. Chicago Fed President Charles Evans told reporters this week that if the economy slowed as he was anticipating, he would support raising rates by a half-percentage point at the central bank's

meeting in September. But he said a third consecutive rise of 0.75 point, or 75 basis points, wasn't off the table if economic data were hotter than anticipated.

"The kinds of things that would make larger rate increases more important, like in September, would be if you really thought things weren't

The behavior of wages is particularly important to the Fed right now.

improving," Mr. Evans said Tuesday. "I think that there's enough time to play out that 50 is a reasonable assessment, but 75 could also be OK."

At a news conference last week, Mr. Powell said there was some evidence that the U.S. economy was slowing down as needed to bring inflation down, which fueled a rally in markets as investors began

to speculate that the Fed might end rate rises sooner.

"There's a feeling that the labor market is moving back into balance....But it's only the beginning of an adjustment," Mr. Powell said last week.

Mr. Powell said that to slow and then stop their rate increases, officials needed to be confident that inflation was going to return to its 2% target. "That's not something we can avoid doing. That really needs to happen," he said.

Mr. Powell also said the outlook remained unusually uncertain, which could make it difficult to anticipate the central bank's coming decisions. "We think that demand is moderating. We do. How much is it moderating? We're not sure," he said.

Consumers still have significant unspent savings from the pandemic, and the labor market "is very hot," Mr. Powell added. "So it's the kind of thing where you think that the economy should actually be doing pretty well in the second half of the year, but we'll have to see. We don't know that."

July Hiring And Wages Are Robust

Continued from Page One

raise rates even faster to cool the economy. Bond prices fell, sending yields higher.

Job gains were widespread. Employers in leisure and hospitality added jobs at a solid clip, as restaurants and bars continued to recover. Payrolls also grew in healthcare and professional and business services, which includes many white-collar jobs.

Industries vulnerable to Fed rate increases also performed well. Construction firms, manufacturers and finance companies all added to payrolls.

Businesses have continued to hire despite cooling consumer spending and rising risks of a recession. Overall employment also has nearly returned to prepandemic levels. But demand for workers in some sectors is easing as the economy transitions away from the red-hot expansion that followed the elimination of Covid-19-related restrictions on business activity.

Some companies such as Walmart Inc. and Robinhood Markets Inc. are cutting staff, but overall layoffs are slowly rising, according to weekly unemployment claims.

U.S. job openings remained elevated but fell in June to their lowest level in nine months and fell by 600,000 from May, according to a separate report from the Labor Department released Tuesday. Total job openings remained well above the number of unemployed workers looking for a job.

Fed officials are hopeful they can achieve a "soft landing" for the U.S. economy as they try to bring down inflation without a major increase in unemployment. Fed Chairman Jerome Powell told reporters recently that the number of job openings could fall significantly without a big rise in unemployment.

"From a Fed perspective, this report says, 'let's keep pressing on the policy brake' because inflation is uncomfortably high," said Greg Daco, chief economist at EY-Parthenon, a consulting firm.

So far, average weekly layoffs have ticked up only slightly, and anecdotal evi-

dence suggests that they are primarily affecting sectors like technology and real estate, which are more sensitive to interest-rate increases. A number of tech companies, including Microsoft Corp., Meta Platforms Inc. and Netflix Inc., in recent months have laid off employees or stalled hiring.

Demand for workers is still high in sectors that haven't fully recovered from Covid-19, including leisure and hospitality, education and healthcare.

Matt Zebatto, chief executive of Life's WORC, a nonprofit that runs group homes, job training and other programs for individuals with developmental disabilities in New York City and nearby counties, said that his agency's staffing challenges are approaching crisis levels. Out of 730 positions for direct support professionals—employees who staff group homes round-the-clock—Mr. Zebatto is trying to fill more than 200.

The organization has been hamstrung by reimbursement rates from governmental healthcare programs such as Medicaid that haven't kept up with prevailing wages in the labor market, hurting his ability to hire. In many areas, the rate is currently \$15 an hour, and even with an expected inflation adjustment, the rate will remain under \$16.

"You can't automate helping someone put on adult diapers or helping someone into a tub," Mr. Zebatto said.

Some economists expect more people to look for work as inflation weighs on household budgets.

Rapidly rising prices is the main reason older workers are unretiring, according to a survey by the jobs site ZipRecruiter. In the firm's June survey, among the 21.5% of current job seekers who say that they previously retired at some point, 35.8% ranked inflation as the top reason that they have returned to the job market. A further 26.2% said that they are rejoining the workforce because they are running out of retirement savings.

More slack in the labor market will likely lead to workers having less leverage over hours, pay and benefits, economists say.

"We're already seeing job-seeker confidence fall somewhat," said Julia Pollak, chief economist at ZipRecruiter. "Just small movements for now, but the changes are all in the same direction: a fall in bargaining power and leverage."

denied that they are running out of retirement savings.

denied that they are running out of retirement savings.



A 'now hiring' sign in a window in New York City last month.

WORLD NEWS

Tricky Relationship Gets Trickier

The Taipei stop strengthened U.S. ties, but created security risks with China

By CHARLES HUTZLER
AND ALEX LEARY

House Speaker Nancy Pelosi's visit to Taiwan drew praise for bolstering a U.S. partner struggling to fend off China, but set off a response from Beijing that is creating new risks to regional security and is further straining relations between the two powers.

In response to Mrs. Pelosi's Taiwan stop, China pressed ahead Friday with a second day of large-scale military exercises, suspended climate-change talks and some military contacts with the U.S., and placed unspecified sanctions on Mrs. Pelosi and her family. U.S. Secretary of State Antony Blinken said Beijing was overreacting, and Mrs. Pelosi sounded defiant.

"We will not allow them to isolate Taiwan," she said in Tokyo, the last stop in her visit to some of the U.S.'s closest partners in the region.

Mrs. Pelosi has said her trip was meant to strengthen mutual security, economic partnership and democratic governance. Particularly important, she said, was to show solidarity with Taiwan's democracy and declare the U.S.'s commitment to defending it.

For Beijing, Mrs. Pelosi's visit confirms a deepening suspicion that the U.S. is backtracking on previous commitments to limit ties with Taiwan, and that its political and military support strengthens Taipei's resistance to China's goal of a political union with the island—an objective Beijing has vowed to achieve by force if necessary.

After warning against the Pelosi visit, China has sought to use the current tensions to



In Tokyo, House Speaker Nancy Pelosi, center, said she returns to the U.S. 'inspired to carry on our work building a free and open Indo-Pacific.'

alter the security balance around Taiwan and shore up nationalistic sentiment in favor of Chinese leader Xi Jinping.

The multiday military exercises, which Beijing announced as Mrs. Pelosi landed in Taipei, have encircled Taiwan and edged closer than previous drills. Military-affairs specialists said they are watching to see whether the exercises morph into other assertive displays of control by China's military and create a new, tension-filled norm in the region.

"How much do they want to leverage this to routinize military operations around Taiwan? How soon do they leave? Do they establish a greater military presence permanently?" said Oriana Skylar Mastro, a fellow at Stanford University and the American Enterprise Institute.

Dr. Mastro said Mrs. Pelosi's

Taiwan visit likely gave the Chinese military a pretext for carrying out already planned exercises intended to solve specific problems. Mrs. Pelosi noted that too, saying Friday that Beijing was "probably using our visit as an excuse."

Overall, military affairs and political analysts said, the trip left Beijing asserting its military dominance around Taiwan and unsettled some allies while discomforting the White House.

Beyond the current tensions, relations between the U.S. and China have been strained across the board, as the two major powers compete for global primacy, military dominance and control of cutting-edge technologies. Areas where they once cooperated—including the global economy and North Korea's nuclear program—have dwindled.

China's Foreign Ministry on Friday further shrank areas of cooperation, taking off the agenda discussions on counternarcotics, transnational crimes and repatriating illegal immigrants, as well as suspending climate-change and some military-to-military talks.

Before news of Mrs. Pelosi's trip leaked to the media in mid-July, the Biden administration and China's leadership were engaged in tentative efforts to stabilize unsteady relations.

Mr. Xi is in the midst of securing a third term as Communist Party leader this fall, defying norms set by his immediate predecessors. A crisis with the U.S. could take the spotlight off him and mar the glory of that moment, said Yun Sun, a China specialist with the Stimson Center national security think tank in Washington.

A China crisis also would be a politically costly diversion for the Biden administration, given its efforts to keep Western allies united in support of Ukraine against Russia's invasion and an array of domestic challenges, from high inflation and to low poll ratings.

A central feature of President Biden's China policy is leveraging the U.S.'s extensive alliance network as a counterbalance to Beijing. At the same time, allies in East and Southeast Asia, who are wary of China but rely on its markets, don't want to choose between Beijing and Washington, administration officials have said.

Ending her trip Friday, Mrs. Pelosi said she returns to the U.S. "inspired to carry on our work building a free and open Indo-Pacific."

Japan Sees Threat in Beijing's Maneuvers

By PETER LANDERS
AND CHIEKO TSUNEOKA

TOKYO—China's firing of missiles near Japan has left little doubt that Tokyo would be pulled into any potential war over Taiwan—and would be part of the U.S.-led alliance likely to defend the island.

China's military launched five missiles that landed inside Japan's exclusive economic zone on Thursday, Tokyo's Defense Ministry said, describing it as the first such case. U.S. Secretary of State Antony Blinken, on a visit to Cambodia, said the moves against Japan were "understandably causing them, and all of us, grave concern."

The launches were part of exercises that simulated a blockade of Taiwan, and the inclusion of targets near Japan sent an unmistakable message, said Mahisha Sato, who heads the ruling Liberal Democratic Party's foreign-affairs committee.

"If you're talking about surrounding Taiwan or imposing a blockade, of course in that case it means you're bringing Japan into it as well," said Mr. Sato, a former army officer. China's missiles "have made it plain for the eye to see that our outlying islands and Taiwan are in the same war zone," he said.

On Friday, Prime Minister Fumio Kishida discussed the



China's military conducted launches as part of exercises that simulated a blockade of Taiwan.

issue over breakfast with the person whose visit to Taiwan sparked Beijing's ire, House Speaker Nancy Pelosi. "We affirmed that Japan and the U.S. would continue our close collaboration to preserve peace and stability in the Taiwan Strait," Mr. Kishida said. He demanded that China halt its military exercises immediately.

Until recently, the idea of the U.S. and Japan fighting together to help Taiwan beat back a Chinese invasion was

more of a theoretical notion, and Japan was often at pains not to offend China, its biggest trading partner. That began to change last year as Beijing stepped up its threats to capture the democratically self-governing island by force. Japanese leaders, including the late former Prime Minister Shinzo Abe, started describing a Taiwan conflict as one that would directly involve Japan, and calling for U.S.-Japan military planning to defend the island.

Concerns about Taiwan have accelerated moves by Japan to give its military more leeway to get involved in regional conflicts alongside the U.S., its main ally.

In the wake of Mrs. Pelosi's trip, any pretensions of comity between Beijing and Tokyo—which were supposed to be celebrating the 50th anniversary of diplomatic ties—fell by the wayside.

A statement by foreign ministers in the Group of Seven, a club of wealthy nations that

includes Japan, said Beijing had no justification to use Mrs. Pelosi's visit as a pretext for aggressive military activity.

In response, China canceled a meeting between its foreign minister and his Japanese counterpart in Cambodia. Foreign ministry spokeswoman Hua Chunying said that by joining the G-7 statement, Japan "confounds black and white and tries to justify the U.S.'s infringement on China's sovereignty."

The Chinese missiles at their closest fell less than 50 miles from Japan's Yonaguni island and disrupted Japanese fisheries. Beijing challenges Japan's claim to an exclusive economic zone in waters near Taiwan.

President Biden has said the U.S. would help Taiwan defend itself against attack, although the White House has tried to walk back those remarks. Some of the closest U.S. forces are on the southern Japanese island of Okinawa, which hosts U.S. Air Force and Marine bases.

Some in Japan criticized Mrs. Pelosi's visit, saying it was unnecessary, and Tokyo shouldn't be drawn into an aggressive anti-China strategy led by Washington. Those in Mr. Kishida's ruling camp, however, are calling for more military spending and three-way coordination between the militaries of the U.S., Japan and Taiwan.

China Puts On Display Of Anger

Continued from Page One
planes and 13 warships carried out maneuvers off Taiwan's coast on Friday, Taiwan's Ministry of National Defense said. During the operation, some of the aircraft and ships sent by China's military crossed the median line in the Taiwan Strait, a notional boundary that Taipei says demarcates areas of de facto control, the ministry said.

China says it also flew missiles directly over Taiwan for the first time, though Taiwan says their path through the atmosphere limited the risk.

U.S. Secretary of State Antony Blinken, in Cambodia for a

regional meeting, described the actions as a "significant escalation." The White House, meanwhile, said the aircraft carrier group USS Ronald Reagan would remain in the region to monitor the situation. The White House also summoned Chinese Ambassador Qin Gang to protest Beijing's actions and warn against manufacturing a crisis.

China claims self-governed Taiwan as sovereign territory and characterizes threats to that position as one of the few issues that could spark war with the U.S. The U.S. takes no position on Taiwan's sovereignty but is legally obligated to help the island defend itself, including by selling it weapons.

Beijing says a visit to Taiwan by the third-ranking U.S. politician, Mrs. Pelosi, violated American agreements to honor a One China Policy and may encourage politicians on the island to seek independence. It says it is within its rights to

take action to defend its sovereignty. "China has been compelled to act in self-defense," Jing Quan, a minister in China's Embassy in Washington told reporters Friday.

The suspended dialogues over climate and seven other issues were announced Friday in a terse statement from Beijing.

'We have the ability to switch the exercise into a real war at any point.'

jing's Foreign Ministry, which cited the visit by Mrs. Pelosi, a California Democrat.

Beijing also said it was scrapping some working-level military exchanges, including scheduled calls between military leaders and two security meetings, though the Pentagon

said it remained committed to such exchanges. "Any responsible state would recognize that we need them now the most," said Todd Breasseale, the acting Defense Department press secretary.

Beijing also suspended cooperation on fighting crime, including counternarcotics talks focused on Chinese exports of the manufactured opioid fentanyl.

China stopped short of stronger action to protest Mrs. Pelosi's visit, such as recalling its ambassador or cutting off higher-level government or military contact with the U.S. Its officials still hope to schedule a face-to-face meeting later this year between President Biden and Xi Jinping, who is expected to extend his term as Communist Party leader in the autumn.

Maj. Gen. Meng Xiangqing, a professor at the People's Liberation Army National Defense University, told China's state

broadcaster the missiles over Taiwan flew over locations where the island's military stations Patriot antimissile batteries, which are monitored by the U.S. Navy. Taiwan said Beijing fired 11 ballistic missiles near the island.

The exercises, which are scheduled to conclude over the weekend, have simulated an actual war, Gen. Meng said, with China demonstrating the precision and mobility of weaponry that can now blanket the whole island.

"We can say that we have the ability to switch the exercise into a real war at any point," he said.

In addition to live firing in six zones circling Taiwan this week, China's two operable aircraft carriers joined an exercise in a group formation for the first time, Gen. Meng said.

More than 200 vessels that regularly navigate the waters around Taiwan have moved out from the six zones. Only a

Vessels Leave Area Amid Chinese Exercises

By COSTAS PARIS

More than 200 vessels that regularly navigate the waters around Taiwan have moved out from six zones blocked by the Chinese military, with some cutting short scheduled loadings for importers across Asia.

Only a handful of vessels were still sailing in those zones on Friday, down from an average 240 a day over the past week, data from Lloyd's List Intelligence show.

The Taiwan Strait is a major sea route for vessels sailing to or from China, Taiwan, Japan and South Korea, carrying everything from electronics to base metals, plastics and heavy machinery.

Brokers said ship traffic at Taiwan's big export ports of Kaohsiung and Keelung is down by a third since Wednesday, a day before Beijing fired missiles across the Strait in protest of a visit by U.S. House Speaker Nancy Pelosi that Beijing says violated its sovereignty. China sees the island as part of its territory and has vowed to take control of it, if necessary, by force.

The waterway was crossed by half of the global container fleet last year.

Dragos Ciobanu, a Romanian captain at a European bulk carrier, was loading steel at Kaohsiung on Wednesday when he got an alert message that China had blocked the sea area around the harbor for the live-fire drill.

"What it said was get out of there now," the captain said. "We cut the loading short and the steel importer in Japan will have to wait."

Chinese warplanes and warships carried out maneuvers off Taiwan's coast Friday morning, said Taiwan's Ministry of National Defense. During the operation, China's military crossed the median line in the Taiwan Strait, a notional boundary that Taipei says demarcates areas of de facto control. The drills are scheduled to end Sunday.

Brokers said dozens of ships are anchored outside Kaohsiung with the Chinese navy and air force carrying out maneuvers 16 miles from the harbor entrance.

"It's another snarl for supply chains that are still trying to recover from the mess caused by the pandemic," said Costas Lazaridis, a research analyst at Greece-based brokerage Allied Shipbroking.

Brokers said at least four natural-gas carriers have been diverted from the Taiwan Strait, and two very large crude carriers skipped Kaohsiung and anchored instead at the port of Sha Lung in the northern part of Taiwan.

Kaohsiung is a gateway for ships moving Taiwanese semiconductor chips. It also is an export hub for state-owned CPC Corp. that moves diesel natural gas, gasoline and petrochemicals across the world.

"We'll come back to fill up when it calms down," Mr. Ciobanu said. "We've told the importer in Japan that there will be a delay and they told us to stay out of harm's way."

handful of vessels were still sailing in those zones on Friday, from an average 240 a day over the past week, Lloyd's List Intelligence data show.

While the general mood in Taiwan remained calm after the end of Thursday's exercises, Taiwanese President Tsai Ing-wen called on Beijing to act with reason and restraint.

"Taiwan will not escalate conflict, but we will resolutely defend our sovereignty, our security and our democracy," she said in a video released Thursday.

Visiting Japan on the final leg of her Asia tour, Mrs. Pelosi said the U.S. would continue engaging with Taiwan despite criticism from China.

"We will not allow them to isolate Taiwan," she said at a news conference in Tokyo on Friday.

—Peter Landers
and Costas Paris
contributed to this article.

WORLD NEWS

Moscow Curbs Western Investors' Ability to Sell

By ANN M. SIMMONS

Russia barred investors from nations it deems unfriendly from selling shares in certain strategic enterprises through the end of the year, a move that further strains relations between Moscow and countries that have leveled sanctions against Russia for its war in Ukraine.

The ban went into immediate effect following a decree signed by Russian President Vladimir Putin on Friday and is part of a range of other special measures being enacted in the sphere of finance and fuel and energy, Russia's state news agency, TASS, reported.

The restrictions cover the acquisition and sale of stakes in companies on a list of strategic enterprises and joint-stock companies and their subsidiaries, according to the executive order. Included in the ban are the shares, rights and obligations of the Sakhalin-1 oil and gas project in Russia's Far East, TASS reported. The operator Exxon Neftegaz, a subsidiary of the U.S. Exxon Mobil Corp., owns 30% in it, the agency

said, while Russia's Rosneft owns 20%, Japan's Sodeco 30%, and India's ONGC Videsh 20%, the agency reported.

Exxon said it was reviewing the decree but declined to comment on it.

In addition to Rosneft, other strategic businesses approved by the presidential decree include the multinational energy corporation Gazprom, the state-controlled pipeline transport company Transneft, the hydroelectricity company RusHydro, and the diamond mining company Alrosa, along with several other joint stock companies and enterprises.

Mr. Putin's decision also covers contributions to authorized capital, participation interests, rights and obligations belonging to the participants in production-sharing agreements, joint venture agreements or other agreements on the basis of which investment projects are implemented in Russia, TASS reported.

Assets owned by foreign persons from hostile states also fall under the new law, the agency said.



People watched cargo vessel Navi Star, carrying 33,000 tons of corn to Ireland, leave the Ukrainian port of Odessa on Friday.

First Grain Convoy Leaves Odessa

By YAROSLAV TROFIMOV AND JARED MALISIN

The first convoy of ships carrying Ukrainian grain sailed from the port of Odessa, in a sign that last month's agreement with Russia on facilitating Ukrainian food exports is holding even as fighting rages.

The convoy consisting of the bulk carriers Navi Star, Rojen and Polarnet left Friday carrying nearly 60,000 tons of corn, passing the city whose horizon largely has been clear of vessels since the war began on Feb. 24.

In Russian-occupied southern Ukraine, north of the port city, meanwhile, shelling hit a nuclear power plant.

Ukraine's nuclear regulator, Energoatom, said three shells hit the area of the Zaporizhzhia nuclear power plant, the largest in Europe, on Friday, severing a high-voltage power line. The plant's management shut one of the station's reactors after the incident, and there was no release of radioactive substances, the regulator said.

Energoatom said Russia, which controls the area, deliberately shelled the plant. Russian occupation authorities accused Ukraine of carrying out the attack.

Russian artillery units stationed in the vicinity of the plant regularly shell the Ukrainian-controlled city of Nikopol on the other side of the Dnipro River. Ukraine usually responds with targeted drone strikes.

Eyewitnesses reported another Ukrainian strike near the southern city of Kherson on Friday. Kyiv has used U.S.-supplied HIMARS missile systems to hit military bases, bridges and ammunition depots in Russian-occupied parts of Kherson in recent weeks.

Russian and Ukrainian forces continued clashes all along the front line, with Russia again shelling the cities of Mykolaiv in the south and Kharkiv, and storming Ukrainian positions in the eastern Donetsk region.

Mykolaiv was hit three times in the early morning with long-range artillery and rockets, destroying a house

and causing a fire, according to the municipality.

In Kharkiv, Russian rocket strikes hit several housing blocks, a market and a shopping mall, with three people severely injured, according to the regional administration.

In the Donetsk region, Russian forces continued to attack

site in the town of Mykolaivka near Odessa, said the Ukrainian military.

In the Russian-controlled southern region of Kherson, which Ukraine wants to retake in a counteroffensive, the head of the Moscow-appointed regional administration and one of the most prominent collaborators with occupation authorities said he has stepped down because of "health reasons."

Vladimir Saldo, who served as mayor of Kherson between 2002 and 2012, said his duties will be taken over by Sergey Elisseyev, a recently dispatched Russian functionary who served as the deputy head of administration of Russia's Kaliningrad region.

Ukraine considers public figures such as Mr. Saldo who work with the Russians to be traitors and several of them have been assassinated in occupied territories.

Russia is making plans to hold a referendum next month on annexing Kherson to Russia and has started distributing Russian passports to residents.

Erdogan, Putin Bolster Ties



Turkish President Recep Tayyip Erdogan, left, and Russian President Vladimir Putin discussed the war in Ukraine, grain shipments, the Syrian conflict and improving economic ties between the two countries during a meeting at Mr. Putin's Black Sea residence in Sochi on Friday.

Ex-Inmates Detail Torture In Russian Prison Camp

By OKSANA GRYTSENKO AND JAMES MARSON

DNIPRO, Ukraine—The Russian guards treated their new Ukrainian prisoners with trepidation at first, ex-inmates said. The captives had defended the southeastern port city of Mariupol for months against an overwhelming invasion force. Many of them were from the Azov Regiment, a National Guard unit that Russia tars as a brutal band of neo-Nazis.

Then the beatings began, the former prisoners said. Guards turned on loud music to drown out the screams.

Last week, an explosion killed more than 50 soldiers and injured dozens more in the building where they were being held at the prison, located in the part of the eastern Ukrainian province of Donetsk that is under the control of Russian-installed authorities.

Ukraine said Russia gathered prisoners in the building and deliberately blew it up to cover up torture and executions. Ukrainian military intelligence said Wednesday in a preliminary assessment that Russian mercenaries blew up the building using a highly flammable substance, causing the fire to spread rapidly.

Russia says the explosion was caused by a strike from a long-range rocket launcher provided to Ukraine by the U.S.

The U.S. expects Russia to try to frame Ukraine for the attack, White House national security spokesman John Kirby said Thursday, citing "some spurious press reports to this effect where they have planted evidence."

An independent investigation appears unlikely. Russia has said it would carry out a probe, but the International Committee of the Red Cross said it hasn't been given access to the site. Under the Geneva Conventions, the Red Cross has a mandate to inspect the conditions of places where prisoners of war are held.

Accounts from three former prisoners held in the camp from early April to early July

describe grim conditions, including torture, overcrowded cells and lice infestations.

"The sounds of beatings were so loud and terrifying that we couldn't sleep," said 35-year-old Yevhen Maliarchuk, a civilian former captive. "They beat mostly soldiers, but civilians were also punished for any transgression."

The Russian Defense Ministry and the Information Ministry of the Russian-installed authorities in Donetsk, the so-called Donetsk People's Republic, didn't respond to requests to comment.

Human Rights Watch said in a July report that it had gathered evidence that Russia tortured prisoners of war in southern Ukraine, two of whom died, as well as arbitrarily detaining dozens of civilians, torturing many of them.

Ukrainian officials and former prisoners say the Donetsk People's Republic established a detention center at the abandoned Correctional Colony No. 120 in Olenivka earlier this year.

At first it was used to hold people such as Stanislav Hlushkov, a 37-year-old civilian who was seized in spring as he was trying to evacuate people from Mariupol. He said he painted and plastered the prison block, and even paid for building materials as a part of a deal with the administration of the colony to improve his living conditions.

The facility, converted by Soviet authorities from an ag-

ricultural school in the 1980s, had no water supply or heating, former prisoners said. Water was scarce and either had a bitter taste or smelled as if it had been collected from a river. The detainees were kept in overcrowded, lice-ridden cells, with as many as 35 people in a room designed for four.

Mr. Hlushkov said that he and other captives were made to sit on their haunches for around two hours with their hands behind their heads while guards were checking names.

The prisoners were mostly volunteers who were trying to aid civilians in Mariupol or members of Ukraine's military. It was much worse for captured soldiers, who had to run a gantlet of guards hitting them with wooden sticks, iron bars and belts, said Mr. Hlushkov. He said he saw one soldier lying motionless after one such beating and then being taken to a mortuary van.

In the middle of May, the camp was prepared for new arrivals. The flag of the Donetsk People's Republic was replaced with the Russian tricolor. Russian guards arrived. More than 2,000 new prisoners were brought to the camp from Azovstal, the steel mill in Mariupol where the surrounded defenders of that city made a last-ditch stand. Running low on ammunition, food and medical supplies, they had surrendered in May.



The scene inside the building after the explosion at Olenivka.



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WORLD NEWS

Israeli Strikes Kill at Least 10 In the Gaza Strip

In response, Islamic Jihad said they fired more than 100 rockets at cities across Israel

By DOV LIEBER
AND AARON BOXERMAN

TEL AVIV—Israel carried out airstrikes in Gaza on Friday that killed at least 10 people, and militants in the Palestinian territory retaliated by launching dozens of rockets, in the deadliest escalation of violence since an 11-day conflict last year.

The Israeli military said it started an air campaign against what it said were sites and members of Palestinian Islamic Jihad across Gaza, after the Iran-backed militant group threatened to attack Israel for the arrest of one of its senior members in the occupied West Bank.

The Israeli airstrikes killed at least 10 Palestinians, including a 5-year-old girl, and wounded at least 75, according to the Gaza Health Ministry. Israel didn't comment on the civilian casualties.

Israel's military estimated about 15 Islamic Jihad mili-

itants, including a senior commander named Tayseer Mahmoud al-Jabari, were killed.

In response, Islamic Jihad said they fired more than 100 rockets at Tel Aviv and other Israeli cities across central and southern Israel on Friday night, setting off air-raid sirens and sending scores of Israelis running to nearby bomb shelters.

The Israeli army said it identified 74 rockets fired toward Israel, 11 of which fell inside the Gaza Strip. No casualties were reported. The Israeli military said its Iron Dome missile-defense system intercepted most of the rockets that crossed into Israeli territory.

"Our action in Gaza today was against concrete threats that disturbed daily life in the south," said Prime Minister Yair Lapid. "Israel is not interested in a wide-scale battle in Gaza, but also does not fear it."

Friday's violent escalation raises fears of a wider conflict after a period of relative quiet on the Israel-Gaza border. After the deadly conflict in May 2021, both Israel and Gaza-ruler Hamas indicated they wanted to avoid an all-out war, but tensions have re-



Israel launched airstrikes Friday on Gaza after Islamic Jihad threatened to attack it for the arrest of one of its senior members.

mained high. The battleground between the Israelis and Palestinians has since shifted from Gaza to parts of the West Bank, where Hamas and Islamic Jihad have developed extensive networks of support.

Hamas, deemed a terrorist organization by the U.S. and much of the international community, has fought successive wars with Israel since its takeover of the Gaza Strip in 2007, which led to a strict blockade

by both Israel and Egypt.

Israeli Defense Minister Benny Gantz mobilized 25,000 reserve troops, a sign that Israel anticipates the fighting will last at least a few days.

Before Israel began its offensive Friday, Mr. Gantz visited the Gaza border and vowed to end the threat "one way or another."

The Israeli military said Friday's airstrikes hit two Islamic Jihad antitank units that were

on their way to attack Israeli forces. Tensions spiked after Israeli troops arrested a senior Islamic Jihad official, Bassam al-Sa'adi, in the West Bank on Monday night.

Islamic Jihad's military wing immediately placed its forces on high alert, prompting Israel to shut Gaza's border crossings and impose restrictions on movement in Israeli towns near the enclave.

Egyptian and international

mediators intervened in an attempt to calm the situation. Islamic Jihad demanded that Israel guarantee Mr. al-Sa'adi's safety, cease nightly raids against the group in the West Bank and release another member of the group who was on a hunger strike, said Islamic Jihad official Daoud Shehab.

Hamas has so far refrained from entering the current fight.

—Anas Baba in Gaza City contributed to this article.

Moscow Is Open to Prisoner-Swap Talks

By MAURO ORRU

A senior Kremlin official said Moscow was ready to discuss a prisoner swap with Washington that people familiar with the matter say could see U.S. women's basketball star Brittney Griner and former Marine Paul Whelan traded for a Russian arms dealer imprisoned in the U.S.

The comments from Russian Foreign Minister Sergei Lavrov, in a news conference in Cambodia, came a day after a Russian court sentenced Ms. Griner to nine years in prison following her guilty plea and conviction on charges she brought a marijuana product into the country. The U.S. maintains Ms. Griner has been wrongfully detained.

"We are ready to discuss this topic, but within the framework of a channel that was agreed upon by Presidents Putin and Biden," Mr. Lavrov said Friday in Phnom Penh, on the sidelines of a regional forum of the Association of Southeast Asian Nations. Mr. Lavrov didn't give any more details of the framework. Mr. Biden had raised the issue of Americans imprisoned in Russia with Russian President Vladimir Putin at a high-profile summit in Geneva last year.



A Russian court has sentenced U.S. women's basketball star Brittney Griner to nine years in prison.

U.S. Secretary of State Antony Blinken, who was also in Phnom Penh for the Asean forum, acknowledged Mr. Lavrov's remark and reiterated the U.S.'s "significant concern" about the Russian government's legal system and its use of "individuals as political pawns."

"We put forward, as you know, a substantial proposal

that Russia should engage with us on," Mr. Blinken told reporters. "And what Foreign Minister Lavrov said this morning and said publicly is that they are prepared to engage through channels we've established to do just that, and we'll be pursuing."

President Biden, when asked Friday about the admin-

istration's efforts to bring Ms. Griner home, said: "I'm hopeful. We are working hard."

Ms. Griner's sentence was close to the maximum 10-year penalty for the charges of drug possession and smuggling that she faced. The sentence also includes a fine of 1 million rubles, about \$16,300. She will be transferred to a

penal colony, the judge said Thursday, with the 5½ months she spent in detention before her trial included in her term.

Russian prosecutors said Ms. Griner, a Phoenix Mercury star who for years has played with UMMC Ekaterinburg during the WNBA offseason, had vape cartridges containing a total of 0.702 gram of hashish oil in her luggage when she arrived in Russia in February—one week before the invasion of Ukraine. Ms. Griner admitted to carrying the drugs but said she packed them by mistake and never intended to violate Russian law. She presented an Arizona doctor's prescription to use marijuana to treat pain.

Ms. Griner's lawyer, Alexander Boykov, said Friday that it would take up to three months for an appeal to be filed and considered. "We don't agree with such a harsh sentence," he said in comments carried by Russian state news agency TASS. "In normal judicial practice this is five to six years, and a third to half of cases are suspended sentences."

While Mr. Boykov acknowledged there was little chance of an appeal being granted, he said it was worth trying.

—Keith Zhai in Phnom Penh, Cambodia, contributed to this article.

Iran Seeks End to U.N. Probe Of Nuclear Program

By LAURENCE NORMAN

Iran is demanding the closure of a multiyear probe by the United Nations atomic agency into its nuclear program as a condition for restoring the 2015 nuclear deal, diplomats said, a major hurdle blocking an agreement.

Negotiators from the U.S., Iran, the European Union and other parties to the deal resumed talks in Vienna on Thursday aimed at restoring the 2015 accord. The negotiations seek agreement on the steps Washington and Tehran must take to return to compliance with the deal's terms.

Talks on reviving the nuclear pact stalled for months over several remaining Iranian demands, but U.S. and European diplomats agreed to return to negotiations this week to try to secure agreement around a draft text presented by the European Union.

The Biden administration has set restoring the nuclear deal as one of its key foreign-policy goals, and with Iran's nuclear program advancing rapidly and U.S. midterm elections coming in November, Western officials say an agreement is needed now.

The 2015 deal set tight but temporary limits on Iran's nuclear program in exchange for lifting international sanctions on Tehran. The Trump administration took the U.S. out of the agreement in May 2018. Tehran has since massively increased its nuclear program.

Western diplomats involved in the talks said Friday negotiators were making progress in closing the contested points, including language around what economic assurances Iran would get if Washington quit the deal in the future.

On Friday, officials from the three European countries that negotiated the accord—the U.K., France and Germany—warned Iran there would be no reopening of negotiations on key points in the draft text.

The International Atomic Energy Agency probe was kicked off by Israeli allegations in 2018 that Iran had stored nuclear-weapons-related equipment at a site in Tehran. The IAEA found traces of man-made nuclear material at several sites, and demanded explanations of why it was there and what happened to it. Iran has stonewalled the investigation.

U.S. and European officials have told Iran the probe is separate from the nuclear talks, noting that a resolution is between Iran and the agency. There was no comment from the IAEA.

Truss Leads Race to Become Next U.K. Prime Minister

By MAX COLCHESTER

EXETER, England—Foreign Minister Liz Truss has consolidated her lead in recent days over her rival Rishi Sunak in the race to become the next British prime minister, partly by promising she can deliver lower taxes to get Britain's moribund economy growing again.

As Conservative Party members this week began the monthlong process of choosing a new leader to succeed Boris Johnson, polls show Ms. Truss with a big edge ranging from five to 34 points over Mr. Sunak, the former treasury chief.

Ms. Truss spent the past decade as a stalwart government minister dutifully serving three consecutive Conservative Party leaders. But in recent weeks she has cast herself as an insurgent prepared to break with recent Conservative orthodoxy, particularly over the party's traditionally cautious approach to public finances.

In recent days she has promised billions of pounds of tax cuts, criticized the Treasury department as "a block on progress" preventing greater economic growth, pledged to soften targets for the reduction of carbon emissions and vowed to keep a tough line against Russia.

"I am a fighter," she said at a campaign speech Monday in southwest England. "Now is not the time for business as usual."

Both candidates are trying to appeal to the party base at a time when the U.K. economy is stagnant, the government's tax take is approaching its highest level in 70 years and inflation is at a 40-year high. The Organization for Economic Cooperation and Development predicts that U.K. economic growth will be zero in 2023.

Ms. Truss's transformation from government loyalist to low-tax crusader appears to have helped give her a large lead over Mr. Sunak, who has argued that the U.K. must tame galloping inflation first before embarking on tax cuts.

The race still has weeks to run and polls have proved volatile. But oddsmakers currently give an 87% probability that Ms. Truss will become the next British prime minister on Sept. 6, the day after the final tally of votes from some 160,000 grass-roots members of the party.

"Much of Truss's interventions are largely based on what members want to hear," said Mujtaba Rahman, managing director of the Eurasia Group, a consulting firm. "They are both running pretty populist campaigns but Truss is more extreme in some of the ideas that she is throwing around."

Ms. Truss's approach has won over people like Richard Wood, a 29-year-old bathroom designer and Conservative member. Walking into the debate on Monday, he said he



Liz Truss addressed Conservative Party members on Monday.

thought Mr. Sunak "more trustworthy" and was leaning toward voting for him.

Two hours later, after hearing the two candidates speak, Mr. Wood had experienced a change of heart. "I completely flipped," he said. "And will be voting for Liz." In particular, he said, he liked her optimistic outlook for Britain.

Added to this mix: Ms. Truss has gained support from Conservative members because she remained loyal to Mr. Johnson, who is still popular with the party base, and

didn't seek his ouster. As Ms. Truss gained momentum, several Conservative Party cabinet ministers declared support for her in recent days.

"We have undergone a very British-style revolution," said David Frost, a former adviser to Mr. Johnson, who now backs Ms. Truss. Success will now depend on "leading the change" in delivering for people after Brexit, he said. That, he argues, means less tax and a leaner state.

The eventual winner will face a challenge reviving Brit-

ain's economy. Weaker trade after Brexit, the pandemic, a cost-of-living crisis fueled by high energy prices from the Russia invasion of Ukraine and a series of scandals under Mr. Johnson's watch have all damaged the Conservative Party, which is trailing the Labour Party in polls after 12 years in power.

To bolster the economy, Ms. Truss is promising to cut payroll taxes immediately and scrap a planned rise in corporation tax, engineered under the Johnson government by Mr. Sunak. Ms. Truss said the tax cuts would be funded by refinancing government debts over a longer time period.

"I think it is wrong when families are struggling to pay their bills to put up their taxes," she said. She also pledged to reinvest the Bank of England's inflation-control mandate to help stimulate economic growth.

Mr. Sunak, and many economists, say cutting tax would stoke higher inflation and force the Bank of England to rapidly raise interest rates, sending voters' mortgage payments higher. Mr. Sunak also argues that it would threaten the Conservative Party's reputation for cautious economic management by loading debt onto future generations.

On Monday Mr. Sunak expressed surprise that Ms. Truss is viewed as a disrupter. "I am definitely the change candidate," the 42-year-old former hedge-fund manager said.

OBITUARIES

DONALD JONAS
1929 — 2022

Retailer Sold Art
To Support Nursing

Donald Jonas was a newly arrived freshman at the University of Richmond in Virginia when his father died of a heart attack at a women's apparel store the family owned in Manhattan.

The younger Mr. Jonas dropped out of college and returned home to work in the family retailing business. He helped run a mail-order operation offering such items as panties labeled for each day of the week. In the early 1950s, he started his own company to sell women's apparel in spaces leased inside department stores and in his own Barbara Lynn shops, named after his wife.

In the 1970s, he joined Albert Lechter to build up a chain of

Lechters kitchen-gadget stores, whose big sellers included garlic presses and pickle grabbers. That chain multiplied in malls in the 1980s but began losing out to Bed Bath & Beyond, Target and other rivals in the 1990s. It was liquidated in 2001.

Mr. Jonas didn't want to end his career on that note. He and his wife, Barbara Jonas, raised \$44 million by selling 15 works of art, including ones by Willem de Kooning and Mark Rothko, to fund philanthropy. Their biggest focus has been support for nursing through scholarships and other programs.

"If you die rich, you die poor really," Mr. Jonas said. He died July 23 at the age of 92.

—James R. Hagerty

HAYS T. WATKINS
1926 — 2022

Accountant Shook Up
A Major Railroad

When Hays T. Watkins was 4, his parents noticed that he had memorized at least two dozen license-plate numbers and could match them with names of the cars' owners. A newspaper in Jefferson County, Ky., described him as a "perfectly normal boy" with "an abnormal love for reading numbers."

True to form, the numbers prodigy grew up to be an accountant. Less predictable was his ascent from a junior staff job at the Chesapeake & Ohio Railway to the chief executive's post at the rail giant CSX Corp.

Mr. Watkins negotiated the 1980 merger of Chessie System Inc., owner of the C&O, with Seaboard Coast Line Industries Inc., creating CSX. Mr. Watkins ran CSX—vari-

ously as president, CEO and chairman—until he retired in 1991.

Eager to create one-stop shipping, Mr. Watkins launched a trucking business and acquired Sea-Land Corp., an operator of container ships. CSX also bought barge and gas-pipeline operations. The company later sold most of those assets to focus on rail services. Customers relied on logistics companies to find the most efficient ways to move freight.

Mr. Watkins died July 29 at the age of 96.

He never had a career plan. "Everyone would be better off, I believe, if they simply concentrated on doing their very best and then basically let nature take its course," he wrote.

—James R. Hagerty

RICHARD TAIT
1964 — 2022

Rainy Afternoon Inspired
Board Game Creator

By JAMES R. HAGERTY

On a rainy afternoon in the late 1990s, Richard Tait and his wife at the time, Karen Fries, were visiting friends in the Hamptons. When the two couples played Pictionary, a game that involves drawing pictures, "we crushed them," Mr. Tait recalled in a podcast.

When they played Scrabble, however, "they crushed us." Mr. Tait felt like a chump.

"Why," he asked, "isn't there a game that has something in it for everyone?"

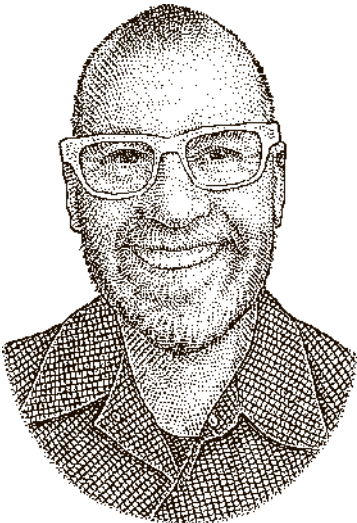
Mr. Tait, a Scottish-born computer scientist who had recently left Microsoft Corp. after a decade as a fast-rising executive there, had been looking for a business idea. With a former Microsoft colleague, Whit Alexander, he founded a company to create the Cranium board game, designed to make everyone feel smart, at least part of the time, by challenging various parts of the brain.

The game caught on and spawned numerous derivatives for Seattle-based Cranium Inc. In 2008, Hasbro Inc. agreed to buy Cranium for about \$77.5 million. That allowed Mr. Tait to chase other entrepreneurial ideas, and to work as a consultant at Starbucks Corp.

Mr. Tait died July 25 at the age of 58. The cause was complications of Covid-19, said Amy Paron, his fiancée.

Finding a market for Cranium challenged Mr. Tait. By the time he was ready to ship Cranium games in 1998, the company had missed the New York Toy Fair and couldn't get space on toy-store shelves.

While lamenting his bad luck over coffee at a Starbucks cafe, he said later, "I looked up and saw all of our target audience standing in line. We called them dating yuppies." Starbucks happened to be interested in offering games and agreed to stock Cranium.



Mr. Tait flew across the country to meet buyers for the Barnes & Noble bookstores, only to be told the chain wasn't interested. Rather than retreating in a huff, he begged two managers at the chain to try the game. Soon Cranium was on sale at Barnes & Noble.

Mr. Tait got the game on the shelves of Virgin record stores by dashing to a book signing by Richard Branson, that chain's founder, and pitching him on the spot.

He rarely missed an opportunity to make a connection—introducing himself to strangers on elevators or in airplanes and chatting with taxi drivers. He was so inspired by the motivational book "Orbiting the Giant Hairball" that he cold-called the author, Gordon MacKenzie, and created an enduring friendship.

Richard John Tait was born Jan. 17, 1964, near Dundee, Scotland, and later lived in Helensburgh, Scotland. His father, an engineer, was a manufacturing executive for Polaroid Corp.

While delivering morning newspapers, young Richard smelled the aromas of breakfast at many homes. That sparked an idea: Why

not offer to deliver bacon sandwiches along with the news? He later told the Scotsman newspaper that the diversification "managed to drive the margins up in my business hugely."

After studying computer science at Heriot-Watt University in Edinburgh, he developed software to help people choose home computers and printers but didn't believe he would find venture capital in Scotland. Advised that his prospects would be better in America, he enrolled at Dartmouth's Tuck School of Business and earned an M.B.A. degree.

Microsoft recruited him as an assistant project manager in 1988. He ascended the ranks with work promoting client-server computer networks. He also was involved with Microsoft's Encarta CD-ROM encyclopedias and early efforts to sell cars online.

As a young Microsoft executive in the early 1990s, Mr. Tait hired Satya Nadella, now the company's chief executive.

An early proponent of the theory that work should resemble play, Mr. Tait decorated his Cranium office with gumball machines and wind-up toys. Walls in the headquarters were painted lime green and sunflower yellow. Mr. Tait's title was grand poobah. His co-founder, Mr. Alexander, was chief noodler. Employees rang a giant gong when it was time to celebrate something. "Richard was just like a little kid," Mr. Alexander said approvingly.

Along with Ms. Paron and her daughter, Mr. Tait is survived by three children.

Having won big on a goofy board game despite a lack of experience in that field, he urged entrepreneurs to be bold. "My personal mantra," he said, "is that Orville Wright did not have a pilot's license."

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WORLD NEWS

Europe's Green Vision Finds Latest Foe in Dutch Farmers

By LUCY PAPACHRISTOU

Trienke Elshof's family has milked cows in the northern Netherlands for more than three decades, but a policy recently proposed by the Dutch government to slash greenhouse-gas emissions threatens to shut their dairy farm.

Dairy cows are as much a hallmark of the Dutch countryside as windmills and canals.

But soon thousands of farms may have to cut their herds.

"We don't know how we can work on our farm in the future," said Ms. Elshof, 54, who has 250 milking cows.

Dairy farmers have been protesting since June, when the government presented plans to halve ammonia and nitrogen emissions by 2030. Livestock release the chemicals through their urine and feces.

Farmers say the proposal threatens nearly all agriculture in the Netherlands—the world's second-largest exporter of agricultural goods by value after the U.S. It is the latest example in Europe of environmental policies that have pitted rural citizens against city dwellers, roiling national politics.

According to leaked government estimates published by local media, roughly 11,200 live-

stock farms would have to close and 17,600 farmers would have to reduce their herds to meet emissions targets. A finance ministry spokesman said the targets are still being adjusted.

Farmers have demonstrate by driving tractors plastered with signs along country roads and chanting in town squares. Some protesters have dumped manure on highways and set hay bales on fire.

The proposed policy would slash nitrogen and ammonia emissions to protect an European Union network of nature areas called Natura 2000. The nature zone, covers 18% of the EU's land roughly 7% of the Netherlands.

Farmers, the government said, have three options: "Becoming more sustainable, relocating or ending [their businesses]." The government is

offering buyouts, but advocates say few have taken them.

Proposed nitrogen cuts range from 12% to 95% by region. Ms. Elshof's farm, less than a mile from a Natura 2000 area, will have to reduce its nitrogen output by 70%.

"There is no way you can be a farmer with this policy," said Sieta van Keimpema of the Farmers Defence Force, a leading farming organization.

WORLD WATCH

THAILAND

Fire at Pub Kills 14
And Injures Dozens

Fourteen people were killed and dozens badly injured when a fire broke out early Friday at a crowded music pub in eastern Thailand, police and rescue workers said. At least a dozen survivors were in critical condition.

Videos on social media showed thick black smoke and then flames pouring from the front entrance as people attempted to flee, some with their clothing on fire. Police said the fire was reported around 12:45 a.m.

The Mountain B pub in the Sattahip district of Chonburi province, about 100 miles southeast of Bangkok, was lined with flammable soundproofing, and it took two hours for firefighters to put out the blaze, Manop Theprith of a private emergency rescue service group told Thailand's PPTV television. His group said 40 people had been injured.

Several witnesses described seeing smoke and fire on the ceiling near the stage, followed by explosions.

—Associated Press

MEXICO

Rescue Crew Tries
To Reach 10 Miners

Round-the-clock pumping slightly lowered the level of water inside the flooded shafts of a coal mine where 10 miners were trapped in northern Mexico, but two days after a collapse it remained too high for



DELUGE: A woman sells fruit along a flooded road after heavy rains in Dakar, Senegal, on Friday.

anyone to attempt a rescue, authorities said Friday.

National Civil Defense Coordinator Laura Velázquez said it was necessary to reduce the amount of water in the 200-foot deep mine shafts before divers or any other specialized personnel could enter. Workers were simultaneously trying to block new water from entering the shafts.

The mine in Sabinas, Coahuila, about 70 miles southwest of Eagle Pass, Texas, collapsed while 15 miners were inside working Wednesday afternoon. Five managed to escape with injuries.

—Associated Press

FRANCE

Official Calls Drought
Worst Ever Recorded

French Prime Minister Elisabeth Borne warned that France is facing its "most severe drought" ever recorded and announced the activation of a government crisis unit.

Ms. Borne said Friday that many areas in France are going through a "historic situation" as the country endures its third heat wave this summer.

"The exceptional drought we are currently experiencing is depriving many municipalities of water and is a tragedy for our

farmers, our ecosystems and biodiversity," she said.

Weather forecasts suggest that the heat, which increases evaporation and water needs, could continue for the next 15 days, possibly making the situation even more worrying, she said.

The government's crisis unit will be in charge of monitoring the situation in the hardest-hit areas and coordinate measures like bringing drinking water to some places. It will also monitor the impact of the drought on energy production, transport infrastructure and agriculture. France now has 62 regions with restrictions on water usage.

—Associated Press

In Memoriam

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Mark Van Stekelenburg
August 3, 2022

GREENSBORO, GA. - Mark passed away on August 3, 2022 at MDAnderson in Houston, Texas, at the age of 71. He was surrounded by his beloved wife, Mirjam, and four children, Noud, Mark, Bart and Victoria. Mark is also survived by his three daughters-in-law, his son-in-law and his nine beautiful grandchildren. Mark spent the bulk of his career in food distribution. From 1992 until he retired in 1998 he was Chairman and CEO of Rykoff-Sexton/US Foodservice Inc. During his tenure, the company grew to be the second largest broad-line foodservice distributor in the U.S.A. Prior to that he was President and CEO of G.V.A., the Netherlands foodservice division of Ahold Delhaize, and served in key management positions with Vendex NV and SHV Holdings. Since 1998, Mark had been an investor, advisor and director in many public and private companies, in a wide range of industries. He also served as an Operating Partner at Champlain Capital and was an Honorary Member of the Board of Trustees of the March of Dimes. Mark will be sincerely missed. In lieu of flowers, the family requests that donations be made to MDAnderson at <http://www.mdanderson.org/gifts>. Please specify 100% of the funds to be used by Dr. Welsh's Lab in memory of Mark Van Stekelenburg.

FROM PAGE ONE

Crypto’s Fall Dings Coinbase

Continued from Page One

Coinbase’s platform are securities. Coinbase, which isn’t licensed to operate as a securities exchange, denies they are. But a potential lawsuit from the regulator could lead to a delisting of some coins and greater hesitation about adding new ones in the future.

A Coinbase spokesman said, “Building a company that will disrupt as many industries as Coinbase was always going to be ambitious. We’ll define our success over decades.” Mr. Armstrong, CEO and co-founder, declined to be interviewed.

Mr. Armstrong, who studied economics and computer science at Houston’s Rice University, was running an e-learning startup in 2010 when he read the original bitcoin white paper by the pseudonymous Satoshi Nakamoto. He soon became enamored of the new ideas of blockchain technology and a digital version of cash.

He started Coinbase in 2012, seizing on an early problem: There was no secure and accessible way for people to store their digital currency.

When customers asked to trade bitcoin, not just store it, Coinbase became an exchange.

In late 2013, Coinbase’s handful of employees worked in a cramped apartment on Bluxome Street in San Francisco, where staffers took calls in the bathroom or in closets. Adam Draper, an early investor, said the first hire was a customer-support specialist, a

Besides the crypto collapse, Coinbase faces a challenge from the SEC.

sign of Mr. Armstrong’s focus on making it easy for investors to bet on crypto: “He wanted Coinbase to be the trusted brand for regulators, consumers and investors.”

Coinbase co-founder Fred Ehrsam quit in 2017, leaving Mr. Armstrong at the helm.

Mr. Armstrong would work late into the night, then come to the office at 10 a.m. or later. Much of his focus was on improving Coinbase’s technology, as he weighed in on new offerings, former executives recall.

Shy by nature, Mr. Armstrong sometimes struggled to communicate with some staffers, former executives said. After Brian Brooks was hired as chief legal officer in 2018, he had weekly check-in meetings with Mr. Armstrong. They sat across from each other and typed comments back-and-forth on Google docs, spending nearly 30 minutes without uttering a word, a person familiar with the meetings said.

After Mr. Armstrong became more comfortable with Mr. Brooks, he began speaking with him in their meetings, the person said. Asked about this, a Coinbase spokesman declined to comment.

Mr. Armstrong told col-



leagues he was reluctant to speak at industry events, some say. Two former staffers described him as “Vulcan”-like, referring to the “Star Trek” humanoids that show little emotion, and said he appeared to be uncomfortable reprimanding underlings.

After hiring more people, Mr. Armstrong delegated some responsibilities and preferred to spend time with his headphones on, coding and working to solve technical problems, a former executive said.

Mr. Armstrong and other executives hurried to expand to keep up with growing interest in cryptocurrencies, hiring people from leading tech and financial firms.

Coinbase sometimes set aggressive hiring goals without a clear understanding of what the new people would be doing, according to former staffers, who said that at times, various sets of employees tackled similar projects.

Staffers often spent much of the day in meetings, sometimes as many as 15 in a day, according to ex-employees. One said that productivity was hindered by internal debates, competition and criticism.

Employees launching new products sometimes worried about “blockers”—a term for others on the staff who tried to hinder new ideas.

Checking LinkedIn

Coinbase executives say they realize they conduct too many meetings and have begun taking steps to reduce them. One said the company may take longer than others to make decisions because it is thoughtful about new products and is more focused on security and compliance than others in the crypto world.

In another quirk of the Coinbase culture, senior executives, including Emilie Choi, president and chief operating officer, regularly scrutinized employees’ LinkedIn pages, sometimes ordering staffers to adjust language on them, according to former employees.

Ms. Choi said she reads the LinkedIn listings to see if employees exaggerate their responsibilities, part of an effort to build a culture of accountability.



At top, the giant video screen on the Nasdaq stock exchange in New York, decorated for the debut of Coinbase shares in April 2021. At bottom, Coinbase CEO and co-founder Brian Armstrong.

While Coinbase raced to add employees and draw up expansion plans, it sometimes was slow in executing them. Coinbase said last October it would launch a marketplace for nonfungible tokens, or NFTs, and shifted some top engineers to the project. It didn’t introduce a beta version until April, and the NFT marketplace has done just \$4.2 million in transactions, according to Dune Analytics.

Coinbase executives disputed the figures but didn’t provide other data on the NFT platform. They said it is too early to count out new initiatives, including the NFT marketplace.

Staffers have in the past debated creating a Singapore-based crypto exchange to offer leverage and other trading capabilities to non-U.S. traders,

but never implemented the strategy, a former executive said. The Coinbase spokesman wouldn’t comment.

This April, Coinbase executives traveled to India to announce a launch of operations there. Within days, Coinbase restricted local-currency transfers after criticism from an Indian regulator. It hopes to resume the transfers soon.

Rich valuation

Sixteen months ago, when Coinbase was going public, eager investors embraced Mr. Armstrong’s vision of bringing bitcoin to the masses. At Coinbase’s value after the IPO, Mr. Armstrong’s 20% stake was worth about \$17 billion. Nine months later, he bought a \$133 million Los Angeles estate, one of the priciest home sales ever

in the L.A. area, according to people familiar with the deal.

Coinbase more than doubled its staff last year. Though it had a history of adding new tokens to its platform at a slower pace than competitors such as Binance Holdings Ltd. and FTX, Coinbase sped up the listing pace in the first half of last year.

Mr. Armstrong said a year ago that Coinbase would ultimately offer “every reputable cryptocurrency to our users (read: not a scam, or illegal).” By the end of 2021, Coinbase supported 172 coins for custody and 139 for trading.

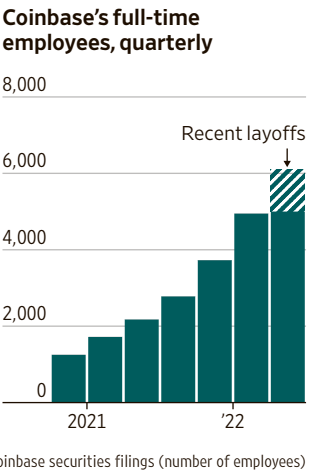
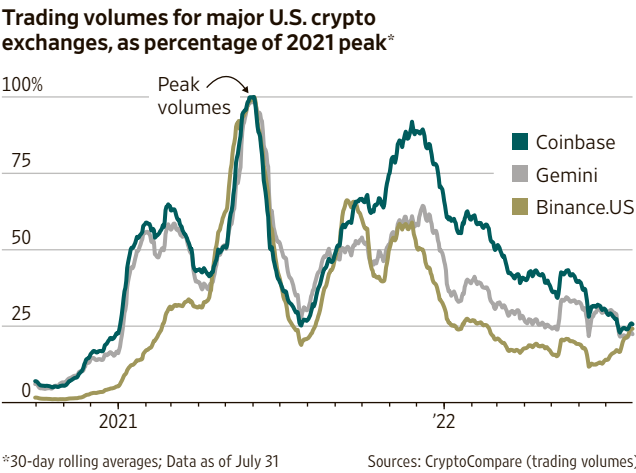
The company continued adding staff this year despite the weakness in crypto values. It reached a headcount of 6,000 this summer, compared with about 300 employees at rival FTX.

As digital coins’ values slid this year, trading volumes shrank and Coinbase shares fell. An employee at one point circulated a petition calling for the ouster of three executives, not including Mr. Armstrong.

The CEO responded on Twitter, calling the petition “really dumb on multiple levels” and writing: “If you have no confidence in the execs or CEO of a company then why are you working at that company? Quit and find a company to work at that you believe in!”

In June, Coinbase laid off 1,100 employees, 18% of its workforce. The move caught many by surprise. Some members of what employees have dubbed “the Coinbase 18”

Coinbase ramped up staffing even as trading volumes fluctuated. Now volumes are a quarter of their 2021 peak, and the company has made staff cuts.



Free Samples Are Back

Continued from Page One

perk of supermarket shopping that all but vanished after the pandemic began spreading in early 2020.

“It was so exciting to me,” Ms. Levine said, referring to the free cheese she ate at a Whole Foods Market, something she said she hadn’t encountered in about two years. “I think it was a part of American society that we lost along with everything.”

Shoppers who have yearned for nibble-sized freebies to return to supermarket aisles say the experience now has a new cache—minute thrills, served on crackers. Consumers are again lining up for slivers of salami or teeny paper cups of guava juice and again relishing the pleasure of snacking their way through grocery stores and not needing lunch after. Some though say they are no-

ting fewer samples, and new rules or social cues about consuming them. Some samples have been given out in little bags by workers behind plastic barriers.

Other businesses have bid free samples good riddance.

“It was a running joke in our staff meeting that people would taste five or six samples and buy something totally different,” said Suzanne Varecka, who owns Honey & Mackie’s ice cream shop in Plymouth, Minn., that sells flavors rang-



Nibble-sized freebies are a hit with grocery store shoppers.

ing from carrot cake to Guinness brownie. She began charging \$10 for a flight of several ice cream flavors when the state prohibited samples. Ms. Varecka said she is continuing to offer flights and doesn’t plan on bringing free samples back.

Hanna Palo, who lives in Dayton, Ore., said that when her local Costco Wholesale Corp. stopped offering samples at the start of the pandemic, she started shopping online. “What’s the point of

going?” she said.

A few months ago, Ms. Palo said, Costco started bringing back its samples. She returned, too. At first she encountered unusual free samples of items such as tissues—which she said she still grabbed. More recently she found freebies ranging from chocolate milk to barbecued meat in almost every aisle. Life feels normal again, she said. “You can slow down and communicate with people.”

At a warehouse store in Long Island, N.Y., Yvonne Sing said a mob quickly formed around a station set up with a slow cooker, where a worker handed out frankfurter samples. “There was a wall of people getting hot dogs,” she said. “I think everybody missed that process of sampling things.”

For some shoppers, the glory days of grocery store grazing haven’t fully returned, because samples are smaller, more limited, or they aren’t food at all, like tin foil.

Jeff Levy, a lawyer in Providence, R.I., said samples he sees at Whole Foods lately are disappointingly limited compared with pre-Covid. Mr. Levy, who described himself as

willing to try anything that’s free, said tiny cheese cubes with toothpicks he sees now don’t compete with the grilled meat and other tidbits staff there used to offer. “Samples are definitely harder to come by,” he said, but “I’m happy that they are back. It breaks up the shopping a little bit.”

Whole Foods said samples vary by location and range from ones offered in containers with tongs for self-serve to those in single-use cups given by staff. The company said stores decide on products and serving styles.

In San Francisco, the Ferry Plaza Farmers Market and Mission Community Market said there are tighter rules around samples, and not all sellers have resumed offering them. Other farmers markets have new limitations, like designated eating zones where shoppers are instructed to take their samples before consuming them.

The return of free samples is helping revive business at Pike Place Market in Seattle, officials there said. Jenny

tried logging into their work computers but couldn’t, and learned they’d lost their jobs only after discovering an email on a personal device. Some told friends they were distraught at how the news was delivered.

A Coinbase spokesman said deciding to reduce the workforce was difficult, but the company took pains to see that the transition was as smooth as possible, giving severance pay and helping people find new jobs.

Late last month, federal prosecutors filed an insider-trading case against a former Coinbase manager, who denied the charges, and at the same time, the Securities and Exchange Commission asserted that seven crypto assets traded on the Coinbase platform qualify as securities. While known as an exchange, Coinbase isn’t regulated as one, the way New York Stock Exchange and Nasdaq are.

Coinbase said it doesn’t trade securities, and criticized the SEC for failing to engage with digital-asset companies or adapt the agency’s regulations to cryptocurrency markets. Coinbase’s business model is largely dependent on revenue from retail trading, so a determination that the seven crypto assets are securities could upend part of that model.

If a court agrees with the SEC that some of the digital tokens are securities, Coinbase would likely have to stop trading them on its exchange. Coinbase itself could potentially face liability, such as fines, if the SEC eventually sues Coinbase over its decision to list the assets.

Either step could have a chilling effect on Coinbase’s future listing decisions, while its overseas competitors would have fewer constraints on their growth. Binance.US, the U.S. arm of Binance Holdings, earlier this week delisted one of the alleged securities.

A Coinbase spokesman said that in 2018 the company acquired the licenses necessary to operate a securities trading platform, though it didn’t do the work necessary to employ them. Coinbase could take the steps to become a licensed securities exchange if this is deemed required, the spokesman said.

Competition

More than 90% of Coinbase’s revenue comes from individual investors. In a potential competitive threat, Fidelity Investments moved in April to let people hold cryptocurrencies in 401(k) accounts, which Fidelity administers for thousands of employers. Coinbase executives said the retail crypto market is large enough that the company won’t be threatened by new entrants.

They added that Coinbase is rolling out digital wallets and other products to help investors access so-called Web 3.0, referring to a new, decentralized iteration of the internet reliant on blockchains.

Ms. Choi, Coinbase’s president and COO, said the company has been through several up-and-down cycles. “We’re investing in the core business and in the future,” she said. “We welcome competition.”

—Dave Michaels contributed to this article.



What’s for lunch?

Yang, president of tofu maker Phoenix Bean LLC, said that when the company had been able to hand out samples at Chicago farmers markets, eight out of 10 people who tried Phoenix’s products wound up buying them. “We call it ‘conversion tofu,’” she said.

Phoenix Bean’s sales fell 40% in 2021, she said, compared with before the pandemic, with sampling prohibited and foot traffic down at farmers markets. Since farmers markets in Chicago reopened with sampling allowed this summer, Ms. Yang said it has made an immediate difference.

In Kenosha, Wis., Nicole Poulsen said her twice-weekly shopping trips to Costco have now turned into a smorgasbord of samples, including cooked foods, prepackaged snacks such as chips and drinks. Her recent favorites include Key lime pie, bacon and chicken chunks. It’s enough to feel like a small meal, she said, if she’s persistent. “I stalk the sample person,” she said.

OPINION

THE WEEKEND INTERVIEW with Nadine Strossen | By Tunku Varadarajan

Make Freedom of Speech Liberal Again

New Milford, Conn.
Old-fashioned liberalism doesn't get much respect these days, and Nadine Strossen illustrates the point by pulling out a hat. "I have to show you this gift that somebody gave me, which is such a hoot," she says, producing a red baseball cap that bears the slogan MAKE J.S. MILL GREAT AGAIN. "Which looks like a MAGA cap," she adds, as if to help me narrate the scene.

As she dons it, I observe that if she walked around town in her bright-blue home state, angry on-lookers would think it was a MAGA hat. "And," she continues, "I can't tell you how many educated friends of mine have said, 'Who is J.S. Mill?' So we really do have to make him great again."

Ms. Strossen, 71, has made a career as a legal and scholarly defender of classical liberal ideals, most notably as president of the American Civil Liberties Union from 1991 through 2008. She brings up John Stuart Mill (1806-73), the British philosopher and parliamentarian, by way of citing his view, as she puts it, "that everything should be subject to re-examination," including "our most cherished ideas." For her, that means "I continue to re-examine my longstanding belief about the mutually reinforcing relationship between free speech and equality, and I continue to be completely convinced that these are two mutually reinforcing values."

A former ACLU president urges the left—and all of us—to re-embrace the First Amendment.

That view has increasingly made her an outlier on the left. "The trope you hear over and over and over again is that free speech is a tool of the powerful," Ms. Strossen says, "that it's only benefiting white supremacists like the people in Charlottesville, or Donald Trump on Jan. 6, or antilabor crusaders, big, bad corporations . . . or fat cats."

She points to a 2018 dissent in which Justice Elena Kagan accused five of her colleagues of "weaponizing the First Amendment." The majority in *Janus v. Afscme* held that labor-union "agency fees"—mandatory payments exacted from nonmembers in lieu of dues—violated the free-speech rights of government employees who declined to join the union. "So according to Justice Kagan, it was 'weaponizing' free speech, to subvert the liberal cause or the progressive cause of labor," Ms. Strossen says. Although she's grown inured to this sort of rhetoric, "it was disheartening to hear it from the Supreme Court."

Contrast that with another free-speech landmark, *Brandenburg v. Ohio* (1969). The liberal Warren court held unanimously that the First Amendment protects speech advocating violent or unlawful conduct, except when the speaker intends to incite "imminent lawless action" and the speech is "likely" to have that effect.

That was an ACLU case, "I'm very proud to say," Ms. Strossen declares. "What's really interesting

is that the immediate beneficiary of that speech-protective ruling"—and the ACLU's client—"was the leader of the KKK in Ohio." To Ms. Strossen's chagrin, "*Brandenburg* has come under attack from many on the left, who would like, among other things, to loosen up the standard for punishable incitement in light of Jan. 6." She doesn't take a position on whether Mr. Trump should be prosecuted for incitement, which she describes as an "intensely fact-specific" question. But she's firm in her view that the *Brandenburg* standard should apply.

Ms. Strossen advises liberals to "be extremely wary of watering down" such protections, if only out of self-interest. She cites the case of a current ACLU client: De-Ray Mckesson, a prominent Black Lives Matter activist who organized a protest after a 2016 Baton Rouge, La., police shooting. A policeman sustained grave injuries when an unidentified demonstrator struck him with a "rock-like object."

The officer sued Mr. Mckesson "on the theory that he negligently staged the protest in a manner that caused the assault," as the Supreme Court put it in *Mckesson v. Doe* (2020). The case is still being litigated, but the justices expressed skepticism about the officer's claim and ordered a lower court to reconsider a pretrial ruling in his favor. To Ms. Strossen, the lesson of *Mckesson* is as simple as the Golden Rule: "Do unto Trump as you'd do unto BLM."

Yet her liberal case for free speech sweeps more broadly. "For many decades now there's been this asserted dichotomy or tension between equality rights and liberty," Ms. Strossen says. "I continue to believe that they're mutually reinforcing, that we can't have meaningful liberty, in a meaningful sense, unless it's equally available to everybody. . . . Every single one of us should have an equal right to choose how we express ourselves, how we communicate to somebody else, what we choose to listen to."

She elaborates in her 2018 book, "Hate: Why We Should Resist It With Free Speech, Not Censorship," and in our interview when we turn to higher education. Campus authorities frequently justify the suppression of "so-called hate speech"—Ms. Strossen is punctilious about including that dismissive qualifier—with what she calls the "false and dangerous equation between free expression and physical violence."

"When people hear the term 'hate speech,' " she says, "they usually envision the most heinous examples—a racial epithet; spitting in the face of Dr. Martin Luther King. But in fact, when you see what's been attacked as so-called hate speech on campus, it's opposing the idea of defund the police, opposing the idea of open borders." Any questioning of transgender ideology or identity is cast as "denying the humanity of trans people, or transphobic." Ms. Strossen hastens to add that "I completely support full and equal rights for trans people," but she says critics are "raising concerns that I think deserve to be raised and deserve to be discussed."

Ms. Strossen, herself a professor emerita at New York Law School, likens the situation on campuses to McCarthyism, "a climate of fear



BARBARA KELLEY

that leads to treating certain people with suspicion or, worse, ostracizing those people and those who try to defend them, and punishing them."

She is careful to note that "I see what I call illiberalism in the classic sense on both sides of the political spectrum, and I never want either one to get off the hook." The Foundation for Individual Rights and Expression has a database of "every documented case, going back to 2015, of a faculty member who has been subject to attack because of what is, or would be if you were on a public university, constitutionally protected speech," Ms. Strossen says.

As of March, a solid majority of the attacks—63%—had come from the left. But "that 37%," Ms. Strossen says, "as far as I know, it gets almost no coverage at all, including on the liberal media." She paraphrases FIRE's summary: "Conservatives denounce cancel culture without admitting that they too engage in it, whereas liberals deny that cancel culture exists without acknowledging that they too are victims of it."

Ms. Strossen sits on the advisory boards of both the ACLU and FIRE. The latter, founded in 1999 as the Foundation for Individual Rights in Education, changed its name this June and said it is broadening its scope beyond higher education. Politico called the rechristening "a challenge of sorts to the ACLU, which has faced criticism in recent years for drifting from its unapologetically pro-free-speech roots."

About this criticism, Ms. Strossen says: "I somewhat agree with that, but I somewhat disagree with it. I'd say the extent to which I agree with it, it's true not only of the ACLU but also of other institutions," including environmental, human-rights and abortion-rights groups. "The younger staff members in all of these organizations," she says, are "becoming much more concerned about woke-type issues within the organization than about the organization's larger mission." That's also happening "in theater and entertainment, also among librarians, and we know it's happening in academia and journalism."

But the ACLU's top executives, she insists, "could not be stronger on these issues" and are "doing everything they can to counter the public misperception." People

regularly ask her "how could the ACLU defend free speech for Unite the Right," the organizers of the infamous August 2017 white-supremacist rally in Charlottesville, Va. "We are the ones that made it possible for them to have that demonstration. And I've been accused of Heather Heyer's murder." (James Alex Fields Jr., who ran Heyer down with his car, was convicted of that crime.) "We've recently defended free-speech rights for Milo Yiannopoulos," a right-wing provocateur who sought to buy political ads in the Washington Metro.

Shortly after Ms. Strossen's presidency, the high court held in *Citizens United v. Federal Election Commission* (2010) that the First Amendment gives corporations more or less free rein to make "independent expenditures" on political speech. "And unions, too," Ms. Strossen emphasizes. Yet that decision is hated by the most of the left. "It gets my goat," she says, "when the liberal critics constantly complain about the decision protecting corporate free-speech rights, but never acknowledge that in the same breath it also protected the same free-speech rights for labor unions."

A vigorous debate ensued on the ACLU's policy-making National Board, which ended up, to Ms. Strossen's dismay, watering down the organization's previously robust position against legal limits on contributions to political campaigns. But it didn't back away from the holding in *Citizens United*. The ACLU's website declares that the organization "does not support campaign finance regulation premised on the notion that the answer to money in politics is to *ban political speech*" (emphasis in original) and notes that the 2010 decision protects the rights not only of profit-making companies but of "non-profit corporations like Planned Parenthood and the National Rifle Association"—examples to which one might add Citizens United and the ACLU itself.

In the dozen years since *Citizens United*, the growth of Facebook, Twitter, YouTube and other social-media behemoths has raised a new and vexing question involving corporate speech. As Ms. Strossen defines the problem, "the greatest censorial power today is wielded by private-sector actors who are completely immune from any kind of First Amendment recourse."

They target not only so-called hate speech but so-called disinformation. "As I look at reports of what is treated as 'disinformation' about everything from the election to Covid, not surprisingly, it's perspectives that are inconsistent with whoever is wielding power, whether it be the Democrats in Congress or in the White House."

As far as the law is concerned, "we individuals have no First Amendment right to convey our ideas or information on these platforms, any more than I have a right to be interviewed. . . . In The Wall Street Journal," Ms. Strossen says. Yet "we need to find some solution to the fact that if you do not have equal access to these powerful platforms, you are not going to be able to participate equally as a member of our democratic society."

She doesn't think the answer is government regulation of content-moderation policies: "That, to me, is as bothersome as the government telling The Wall Street Journal how it should exercise its editorial discretion." She says she's keeping an open mind about various suggestions—user-controlled content filters, antitrust actions to promote competition, designation of the biggest platforms as common carriers, which would prohibit them from discriminating among customers. "There are experts who work full-time just on this range of issues," she says. "To the best of my knowledge, not a single one has unqualifiedly endorsed any approach."

Ms. Strossen lives with her husband, Columbia Business School professor Eli Noam, in a rustic Connecticut house. The Housatonic river gurgles alongside us as we speak in the backyard. She stopped teaching in 2020 but keeps up an active schedule of public engagements—250 a year since 2018 by her estimate, many of them on Zoom during the pandemic. A dying wish of the libertarian writer P.J. O'Rourke (1947-2022) was that she replace him as host of a three-part documentary, "Free to Speak," which the Free to Choose Network will air in 2023. "I'm the second choice for this," she says, "but I'm so thrilled."

She is a determined optimist. If classical liberal ideas are out of fashion, she says, part of the reason is that "we've made so much progress" during her lifetime, which has bred complacency: "People now take their rights for granted, and they no longer remember what it was not to have such a protective freedom of speech or a right to make basic decisions about bodily autonomy or about personal or sexual intimacy."

On campus, she admits that things are worse than they've been at least since the McCarthy era—but she still tries to look on the bright side. "I am absolutely convinced that a future generation is going to look back on this time and say this is another very bad time," she says. "I'm very hopeful of that. I'm hoping it comes sooner rather than later."

Mr. Varadarajan, a Journal contributor, is a fellow at the American Enterprise Institute and at New York University Law School's Classical Liberal Institute.

How Miami 'Caught a Wave' and Became the Hot New Tech Hub



CROSS COUNTRY
By Mario Loyola

Miami
This city has become the favorite destination for people escaping progressive dystopias like San Francisco and New York. During the pandemic it had the country's hottest real-estate market, which has yet to cool despite a likely recession.

Miami has had real-estate booms before. The last one went bust in 2008, and property values took a decade to recover. Is Mayor Francis Suarez worried about a repeat? "Not at all," he says in an interview. "There, you had a world-wide financial bubble based on bad financial principles. Here, you have a migration of \$2 trillion"—the assets under management of firms that have moved to Miami since the start of the pandemic. Citadel, one of the largest U.S. hedge funds, recently announced that it's moving here from Chicago.

Miami has "caught a wave," as Mr. Suarez likes to say, in part because he's rolled out the welcome mat for businesses. The city leads the nation in tech-job growth and migration and

is among the top 10 U.S. cities for venture-capital investment. CrunchBase news reports that Miami-based companies raised \$2.6 billion in capital in 2021, a more than 20-fold increase from \$128 million in 2018.

Mr. Suarez sees a self-reinforcing aggregation of talent and capital: "If you're an ideator and you're a creator, you're going to go to the place where there's the best concentration of other people who can help you accomplish your goals."

A broader trend is also at work: intensified competition among states. Progressives have long sought to use federal power to neutralize the competitive advantages of states with low levels of regulation and taxation. A poisonous example is the federal income-tax deduction for state and local taxes, or SALT. Part of the tax code for more than a century beginning in 1913, the deduction protected high-tax state governments by reducing their residents' incentive to move elsewhere, while punishing low-tax states by transferring part of their responsibly for-gone revenue to profligate neighbors.

Thus the 2017 tax reform, which capped the SALT deduction at \$10,000, was historic. By exposing

high-income workers in blue states to the full brunt of their states' levies, it restored the natural incentive to move to places like Florida and Texas. In-migration was already increasing when Covid hit.

Government and private-sector responses to the pandemic created new reasons to move. Remote work weakened connections to offices in California, Illinois and New York.

A business-friendly mayor helped. So did the quick Covid reopening and the loss of SALT deductions.

Those same states stuck to oppressive Covid-19 mandates, softened their crime policies, and pushed woke indoctrination in schools. Gov. Ron DeSantis went in the opposite direction, defying what he called the "woke mob," reopening quickly, and declaring Florida "the freest state in these United States."

The 15 months between April 2020 and June 2022 saw a net migration of nearly 300,000 people to Florida, more than any other state.

Among those earning more than \$200,000 a year, four times as many people moved to Florida as to New York in 2019 and 2020. Florida led the country in income migration, gaining more than \$20 billion in net income from 2019 to 2020, while California and New York each lost almost as much.

Florida has been trending Republican, but many of its big cities lean Democratic, and both parties have a vibrant presence in Miami. Many Sunshine State Democrats are more conservative than their counterparts in places like California and New York. Rep. Val Demming, a member of the Congressional Black Caucus and Sen. Marco Rubio's likely challenger in November, promises to protect Florida from woke ideas. "Defunding the police?" says one of her commercials. "That's just crazy."

"Part of our secret sauce in Miami is that we have bipartisan support for transforming Miami into a hub for innovation and entrepreneurship," says Felice Gorordo, CEO of the networking platform eMerge Americas. Mr. Gorordo cites the good relationship between Mr. Suarez, a Republican, and Miami-Dade County Mayor Danielle Levine-Cava, a Democrat. Mr. Gorordo himself

served in the George W. Bush White House and was recently nominated by President Biden for a senior post at the World Bank.

Mr. Suarez is only 44 but represents an older style of Republican. He didn't vote for Donald Trump in 2020, endorsed Mr. DeSantis's Democratic opponent in 2018, and thinks the governor is ambivalent about Miami's tech boom. "He's been anti-tech because it's a good political narrative for him," Mr. Suarez says. "I've been very pro-tech, because I look at it from an ecosystem and creating high-tech jobs perspective."

Miami will need a lot of talent to sustain its tech-hub aspiration, and unlike San Francisco and Boston, it doesn't have world-class engineering schools. Peter Yared, who launched and sold six tech startups in Silicon Valley before moving to Miami early in the pandemic, thinks immigration is the answer: "San Francisco and New York recruited tech workers from India and China. We should be recruiting the best engineers from all over Latin America."

Mr. Loyola teaches environmental law at Florida International University and is a senior fellow at the Competitive Enterprise Institute.

OPINION

REVIEW & OUTLOOK

Trading One Bad Tax for Another

What Sen. Kyrsten Sinema giveth, she taketh away. That's the main conclusion from the tax bargain she struck Thursday with Sen. Chuck Schumer over changes to Mr. Schumer's tax-and-spend deal with Sen. Joe Manchin. Some tax provisions in the misnamed Inflation Reduction Act were improved, although as always with the current Congress at considerable economic cost.

Ms. Sinema nixed tax changes on carried interest that would have hit private-equity investors, and she moderated the damage of the 15% minimum tax on book earnings by allowing for accelerated depreciation of business investment. This is an improvement and offers a reprieve for U.S. manufacturers in particular, as we've been writing.

In exchange, however, she and Senate Democrats are imposing another bad idea—a levy on share buybacks. This new tax would apply at 1% on the market value of shares that companies buy back from their shareholders, with limited exceptions such as buybacks intended to prevent dilution of existing owners when employees exercise stock options.

Details of the new proposal are still scarce, but Mr. Schumer said Friday it would raise \$74 billion. That would more than offset the \$55 billion in putative revenue Mr. Schumer says the Democrats are foregoing by allowing accelerated depreciation and other tweaks to the book tax.

Progressives and some conservatives with a shaky grasp of economics are fixated on buybacks, because they believe share purchases are a tool for fat-cat executives to goose earnings per share while starving their companies of investment. It's more like the opposite.

Companies use buybacks to return cash to shareholders for which they don't have a bet-

ter use. Shareholders who sell shares back to the company can invest the proceeds elsewhere. That beats letting the cash sit on corporate books earning interest while CEOs get complacent or decide to buy a business they don't understand how to run.

Buybacks aren't tax free: Owners who sell shares back to the company realize a taxable capital gain. Any boost in the share price contributes to a higher taxable gain for remaining owners when they sell their shares in the future.

Why not pay dividends instead? Companies and shareholders might prefer buybacks in some instances, such as if the company is disbursing a one-time lump sum or shifting the balance of equity and debt on its books. For the economy overall, buybacks have the effect of distributing capital specifically to those owners who choose to participate because they believe they have a more productive use for it. Capital flows from companies that don't need it to companies that do.

Sen. Sinema's 1% levy represents a climb-down from the 2% rate Senate Democrats tried to include in the Build Back Better plan last year. But don't think the rate will stop at 1% once Democrats create this new tax, and don't assume there are no economic costs even at the 1% rate. This is still a tax on capital and investment by a different name, and it will hit share values and your 401(k).

America needs fewer tax impediments to the free and productive flow of capital to investors and entrepreneurs, as Sen. Sinema recognized with her other changes to the Schumer-Manchin plan. Alas the progressive demand for more revenue, and to punish business, is insatiable, so any tax gimmick they can conjure up to cobble together 50 Senate votes will do.

The stock buyback levy will hurt shareholders far more than CEOs.

Manchin Rides Alone on Permitting

West Virginia Sen. Joe Manchin learned Thursday that his Democratic colleagues couldn't care less about permitting reform. Or at least he should have. Not one joined him in voting for Alaska Sen. Dan Sullivan's Congressional Review Act (CRA) resolution to reverse a Biden rule that raised regulatory roadblocks to public works and private projects, including fossil-fuel development.

The resolution passed 50-47 with Republicans voting unanimously in support. Two Democrats and a Republican were absent. The CRA allows a simple majority of both chambers to pass a resolution of disapproval to kill a rule recently finalized, but the resolution must still get the President's signature.

Mr. Sullivan's resolution will likely be dead on arrival in the House since Speaker Nancy Pelosi won't bring it to the floor. But it's all the more revealing that no Senate Democrat besides Mr. Manchin voted for it when it was essentially a free vote. Can they really be counted on to vote next month for a package of permitting reforms that he claims to have negotiated with Democratic leaders?

The Biden rule finalized in April reverses some modest Trump reforms to permitting that limited environmental reviews, under the National Environmental Policy Act, to the "reason-

ably foreseeable" impacts of projects. Under the Biden revisions, federal agencies will have to consider the "cumulative" and "indirect" impacts too.

These revisions will drag out reviews and give project opponents more ammunition for lawsuits. While the Trump reforms were helpful at the margins, they didn't go nearly far enough. That job lies with Congress. What's needed are wholesale revisions to the nation's half-century-old environmental laws that limit litigation and government obstruction.

Mr. Manchin on Thursday called the Biden Administration's approach to permitting "dead wrong" and said the CRA vote was "a step in the right direction." Yet what does it say that his Democratic colleagues won't take even this baby step? Does he really expect them to take bigger strides that would expedite his Mountain Valley Pipeline and other fossil-fuel projects?

Democratic leaders may attach Mr. Manchin's so far unspecified reforms to a continuing budget resolution to fund the government in September, which suggests they will rely on Republican votes to pass them. But don't discount the odds that Nancy Pelosi and Chuck Schumer will use even de minimis permitting changes as a bargaining chip for more spending.

No other Democrat voted to override an onerous new Biden rule.

Another Way to Help Taiwan

China is trying to show the world this week that it can isolate Taiwan, with a show of live-fire military exercises and trade restrictions. One non-military way the U.S. can respond is by expanding economic and free-trade ties with the island democracy.

Beijing claims its escalations are a response to House Speaker Nancy Pelosi's trip to Taiwan this week. After meeting with President Tsai Ing-wen, the House Speaker said she discussed "a trade agreement that might be possible and soon." That's good news, and the Democrats now running Washington could move with dispatch to help Taiwan withstand China's economic coercion.

With \$114.1 billion in two-way trade, Taiwan was America's eighth largest merchandise trading partner last year, outpacing India, France and Italy. Taiwan was the 10th largest U.S. export market and the seventh largest source of imports. But there's room to grow, and Taiwan made a goodwill overture with its recent removal of barriers to U.S. beef and pork. Taiwan's agricultural imports from the U.S. in 2021 rose 18% to \$3.94 billion.

Yet the White House has been slow to move on a Taiwan trade deal, as it also has been on trade in the entire Asia-Pacific region. In May the Biden Administration launched the Indo-Pacific Economic Framework as a way to deepen U.S. economic engagement. Taiwan's chief trade negotiator said this spring that it hoped to become a "full member." But the island was excluded from the framework.

Taiwan's consolation prize is a U.S.-Taiwan Initiative on 21st Century Trade launched in June. But this effort overlaps with the existing U.S.-Taiwan Economic Prosperity Partnership Dialogue. Neither the Indo-Pacific Economic Framework nor the U.S.-Taiwan trade initiative

include negotiations on market access, which limits their economic impact.

Far better would be a bilateral free-trade deal. And if Mrs. Pelosi is serious about countering China's attempt to isolate Taiwan, she could support renewal of the expired trade promotion authority that allows the White House to fast-track trade deals in Congress.

The Congressional Research Service has identified Taiwanese barriers to agriculture, digital services, biotech and medical devices as among the U.S. trade concerns. Trade promotion authority would facilitate negotiations over these issues and reassure Taiwan that Congress won't rewrite a deal once it is signed by the Biden Administration.

China's pressure campaign underscores the urgency as it conducts live-fire exercises in six areas around Taiwan. This is an escalation compared to China's exercises in 1995 and 1996 in a previous Taiwan Strait crisis. The disruption to air and ship traffic amounts to a temporary blockade. Beijing knows its military intimidation can change the risk calculus of business and deter foreign investment in Taiwan.

On Monday China barred shipments from more than 100 Taiwanese food exporters. Later in the week it banned Taiwanese citrus, as well as two kinds of fish. Bloomberg reports that Beijing has now blocked nearly a third of Taiwanese food items.

China is Taiwan's largest trade partner, and Beijing is betting that Taiwanese businesses will push for conciliation with the Mainland if it increases the economic pain. A trade deal with the U.S. would reassure Taiwanese that the U.S. will stay engaged economically. And it would also reassure the rest of Asia, especially Japan and the Asean countries of Southeast Asia, that the U.S. is there to stay.

The U.S. can ease the pressure of China's economic coercion.

LETTERS TO THE EDITOR

Critical Confusion and a Wandering Movement

In his review of Josh Lambert's "The Literary Mafia: Jews, Publishing, and Postwar Modern Literature" (Books, July 30), Joseph Epstein writes, "Mr. Lambert quotes Ms. Ozick on [Lionel] Trilling confusing her with another female student, 'because we were a connected blur of Woman, the Famous Critic, master of ultimate distinctions, couldn't tell us apart.'" In my long-ago piece in an early issue of Ms. magazine half a century ago (an out-of-date satirical article I have never chosen to republish), I never identified the Famous Critic by name, or where the graduate seminar in question took place.

Since I have not read Mr. Lambert's book, it is impossible to know whether it is Mr. Lambert or some other source who concludes that the reference is to Trilling. Indeed, there were other Famous Critics of the era, among them Irving Howe and

Alfred Kazin, who were charged with misogyny.

Concerning Trilling himself, and as an aside: What was not understood at the time, until Trilling's private journals revealed it, was that he was fundamentally unhappy with the seminar and disgruntled with graduate students in general. And I am dismayed that an unspoken implication in Mr. Epstein's summary may suggest that the sophomoric scorn I then expressed may somehow linger on. I remain grateful for my later warm relation with Prof. Trilling both in correspondence and in person.

A writer's perspective evolves, and so do movements. Today many women's studies departments are as far from classical feminism as can be.

CYNTHIA OZICK
New York

Ms. Ozick is the author, most recently, of "Antiquities."

What We Miss—and Don't Miss—at the Office

Peggy Noonan's column "The Lonely Office Is Bad for America" (Declarations, July 30) makes me recall a tragic time in my life, and the difference my co-workers made. My husband and I had moved to start new jobs. Our families lived hours away. One year after this move, we discovered my husband had terminal cancer. During the six weeks he lived, my co-workers brought meals, came to visit and consoled me. After he died, I told my work friends they would be my family—and they were. They accepted me when I had a teary day, helped me navigate all the changes in my life, and listened when I shared my challenges.

That was 15 years ago, and I'm sure if it happened today nothing would be the same. Working remotely, I would be just an occasional face on a screen. The word wouldn't have gotten around that I was facing a life-changing event. I wouldn't have the personal contact, hugs and encouraging encounters at lunch or in the hallway. Instead, I would be working alone at home.

MELANIE NORRIS SAVNER
Basehor, Kan.

When I started my nonmilitary career in the mid-1980s, managers had a high degree of discretion on how to reward employees and lead them. But the higher up in the food chain I got over the next 30 years, the less ability I had to be a leader and the more I became a cog in the machine. I had less private space and control over my day-to-day activities. The last straw was moving into the open-space office. People were sitting on top of each other.

We have undergone a transformation from being professionals to assembly-line workers. Long before Covid I had been working from home,

where I am more productive, I have control over my life and I feel like a professional again.

LT. COL. DENNIS CONLEY, USMC (RET.)
Corpus Christi, Texas

Those of us who have spent upward of two hours daily driving to and through Boston, Los Angeles, Washington or New York read Ms. Noonan's doubts about telecommuting with palm to forehead. It makes some of us wonder if our favorite columnist keyboards her work in an office at a Manhattan coffee shop over a latte.

PERRY GLASSER
Haverhill, Mass.

Ms. Noonan misses the most important point of all: the negative impact of the "hybrid" office model that has been embraced by corporate America. Corporations greatly shrink their office footprint by offering temporary "hotel space" to their employees on a daily basis, reserved ahead of time. This space can change from day to day; employees need to bring their work materials back and forth.

The office is no longer a home away from home, and given the transient nature of this model, the community that made up the heart of office life doesn't develop.

JEFF VERNEY
West Simsbury, Conn.

Today's office situation presents an opportunity for those young professionals who want to stand out. If your office is open, and many of your colleagues sit at home glaring into a computer, go to the office. Arrive early, stay late, work hard and make sure you interact with your bosses. You will get noticed.

STEPHEN MCGUFFIN
Williamsburg, Va.

Abortion, Trauma and Mothers in Dire Straits

I was surprised at the negative reactions ("Unwanted Children' Are Still Better Off Alive," Letters, Aug. 3) to Erica Komisar's op-ed "The Human Cost of Restricting Abortion" (July 29). While I disagree with many of Ms. Komisar's opinions, she got this one right. My own mother had mental-health issues, and things didn't go well after I was born. The effects of early-childhood trauma can and do last a lifetime. I was fortunate to es-

cape a similar fate as my mother, but it didn't have to turn out that way.

What about an impoverished woman who can't afford to feed, clothe and educate the children she may already have? Better to prevent conception in the first place. But what about the women who may not have access to birth control, or the victims of rape or incest? I can't imagine anything more traumatic than being forced to give birth to a child who will be whisked away immediately, or be forced to revisit the pain of a sexual assault over and over again.

BETSY COX
Dummerston, Vt.

There Can Be No 'Bystander Effect' for Our Police Officers

I think Catherine A. Sanderson's essay "When Police Fail to Act in a Crisis" (Review, July 30) misapplies the bystander effect, which shouldn't apply to the police protecting children from an active shooter, just as it doesn't apply to a secretary answering a ringing phone or fire-rescue responding to a vehicle crash. It's the job's requirement.

When there is an active shooter in a school, every police officer is required to respond immediately to stop the threat. The May 24 shooting at Robb Elementary School in Uvalde, Texas, was a catastrophic failure in human resources and in training.

SOREN BROCKDORF
High Springs, Fla.

Equity Has Never Been Tried

A brief solution to Jimmy Byrn's concerns about military wokeness ("What if They Gave a War and Everybody Was Woke?" op-ed, July 30): Banish toxic masculinity from the military by mandating that all service members, regardless of rank, address each other simply as "comrade."

NICHOLAS BEDNARSKI
Camarill, Calif.

Letters intended for publication should be emailed to wsj.letters@wsj.com. Please include your city, state and telephone number. All letters are subject to editing, and unpublished letters cannot be acknowledged.

Pepper ... And Salt

THE WALL STREET JOURNAL



"It's champagne. They must have gotten the grant."

OPINION

What Pro-Lifers Should Learn From Kansas



DECLARATIONS
By Peggy Noonan

I found myself unshocked by the abortion vote in Kansas, and I don't understand the shock of others. America has come to poll consistently in favor of abortion in the first trimester with support declining in the second and cratering in the third. The people of Kansas were asked if they'd like to remove any right to abortion from their state constitution and allow their legislators to fashion new laws and limits. They said no by 59% to 41%.

They asked for too much because they failed to prepare for the debate after *Roe v. Wade*.

That margin in a conservative state might have been surprising, but not the outcome. The proposal would have looked to voters radical and extreme: *We're going to sweep it away, immediately? It's all or nothing? And we're going to hand all our trust to legislators in hopes they'll be wise?* I have never met an American who confused his state representative with a philosopher king.

In Kansas, pro-lifers asked for too much. People don't like big swerves and lurches, there's enough anxiety in life. They want to absorb, find a way to trust. *Dobbs* was decided only six weeks ago.

And those six weeks have been confusing and chaotic. Nationally, the pro-life movement spent 50 years fighting for something and then,

once it won, its leaders seemed to go silent or sound defensive. It's possible they were attempting to be tactful as opposed to triumphalist, but it left a void and foolish people filled it.

No compelling leader has emerged as a new voice. National energies haven't been scaled down to state activity. Pro-choice forces, galvanized when the *Dobbs* draft leaked in May, raised money, spent it shrewdly, drew in talent and were pushed by a Democratic Party that thought it finally had a game-changing issue. Pro-lifers didn't have an overarching strategy. But everything we know about abortion tells us that when you turn it into a question of all or nothing, you'll likely get nothing. Thoughtful, humane legislation has to be crafted in the states, put forward, argued for.

The pro-life advocates who filled the rhetorical void competed over who could be most hard-line: *There should be no exceptions for rape, if it even was rape. There should be no exceptions for the life of the mother, that gives dishonest doctors room to make false claims. Maybe we can jail women for getting abortions.*

It was gross, ignorant and extreme. It excited their followers but hurt the cause they supposedly care about. There was an air of misogyny, of hostility to women. It was, unlike the most thoughtful pro-life arguments of the past 50 years, unloving, unprotective and punitive.

People heard it and thought: No, that's not what we want.

Moderate, reasoned, balanced approaches will appeal to the vast middle. Arguments over whether women should be prosecuted for crossing state lines to get an abortion won't.

The public face of the pro-life movement looks at the moment loony and vicious. Last Saturday in Florida, Matt Gaetz, the Republican congressman and famous idiot, spoke at a student event and said overweight and unappealing women



Pro-life organizers on election night in Kansas.

don't need to fear pregnancy: "Nobody wants to impregnate you if you look like a thumb." A 19-year-old pro-choice activist then drew his mockery by responding on Twitter, and NPR reports that she cannily used the confrontation to raise more than \$700,000 for pro-choice causes.

We live in a democracy. The pro-life side rightly asked for a democratic solution to a gnawing national problem. To succeed, they need baseline political skills. You persuade people as to the rightness of your vision. You act and speak in good faith so they trust you. You anticipate mischievous and dishonest representations of where you stand. You highlight them and face them. There has in fact been a lot of misrepresentation of where pro-lifers stand and why, and what their proposals will achieve. You have to clear the air. You can win a lot with candor and good faith. You can impress by being prepared and ready.

Most important, there is a political tradition in democracy that consists of these words: "That's asking too much." Don't ask people for more than they can give. Don't go too far,

don't lose by asking for a sweeping decision when people will be willing to go step by step. Ask for as much as they can give, pull them toward your vision, but don't be afraid of going slow and steady, be afraid of overloading the grid. That's part of what happened in Kansas: They were asked to take a step they thought extreme, and they don't like extreme.

You have to be clear in explaining how society will arrange itself if you get the measure you asked for. In this case, the pro-life cause, conservatives and the Republican Party have the chance to speak of, laud and increase state and private help for women bearing children in difficult circumstances. The antiabortion movement will never really succeed unless it is paired in the public mind with compassion for the struggling. The Republican Party had the chance to align itself with women. Has it taken it? Or is it too busy talking about "impregnating" those you find unattractive?

Finally, if you are going to be in politics you had better know what your own people are thinking. NBC's Steve Kornacki noted the morning

after the vote that turnout in Kansas was high—276,000 Democrats, 464,000 Republicans and 169,000 unaffiliated voters. The number of votes against the abortion amendment was more than 543,000. That means a lot of Republicans voted no. A lot who identify as conservative and live in deep red areas voted no. You have to know where your own people are and build policy and strategy around it.

Because this is a democracy. Policy is decided by votes. Every loss contains the seeds of victory, every victory the seeds of loss. Nothing is permanent.

This is America working it out. Some states will be extreme in one direction, some in the other. It's going to be ugly for a while. Sweet reason has seldom been a dominant characteristic of combatants in this fight. Too bad, because in the vast middle there's a lot of it.

A lot of state decisions will likely come down along lines of where national polling has been—15-week bans, exceptions for rape and the mother's life. In the end we may wind up where Chief Justice John Roberts would have put us. The idea in his concurring opinion in *Dobbs* was to maintain a federal right to abortion while finally granting states broad authority in establishing laws and limits that had previously been prohibited by *Roe v. Wade* and *Planned Parenthood v. Casey*. This approach may have restrained the worst excesses of both sides, removed a sense of alarm and helped ease the country into fewer abortions in a post-*Roe*, post-*Casey* world.

The *Dobbs* decision, though, requires something more immediate: true adults in legislatures of all levels, and activists who are serious and have a sense of democratic give. All who fight for life must think about this and be our best selves. Or we will wind up having won all, and lost all.

Woke Medical Organizations Are Hazardous to Your Health

By Heather Mac Donald

The medical profession has succumbed to the notion that it is plagued by "systemic racism." Those pushing this idea are making a large bet with potentially lethal consequences. Public and private research funding is being redirected from basic science to political projects aimed at "dismantling white supremacy" in medicine. The result will be declining quality of medical care and slowing scientific progress.

Virtually every major medical organization—from the American Medical Association and the American Association of Medical Colleges to the American Association of Pediatrics—has embraced the idea that medicine is shot through with racism and inequity. The AMA's 2021 Organizational Strategic Plan to Embed Racial Justice and Advance Health Equity is a thicket of social-justice nostrums: Physicians must "confront inequities and dismantle white supremacy, racism, and other forms of exclusion and structured oppression, as well as embed racial justice and advance equity within and across all aspects of health systems."

Medical and scientific leaders, in the name of opposing racism, are apologizing for their own race. In June 2020, the journal *Nature* identified itself as one of the "white institutions

that is [sic] responsible for bias in research and scholarship." In January 2021, the editor in chief of *Health Affairs* lamented that "our own staff and leadership are overwhelmingly white." The AMA's strategic plan blames "white male lawmakers" for America's systemic racism.

The remedy, naturally, is racial and other preferences. The AMA strategic plan calls for the "just representation of Black, Indigenous and Latinx people in medical school admissions as well as . . . leadership ranks." The lack of "just representation," according to the AMA, is the result of deliberate "exclusion," which will end only when "we . . . prioritize and integrate the voices and ideas of people and communities experiencing great injustice and historically excluded, exploited, and deprived of needed resources such as people of color, women, people with disabilities, LG-BTQ+, and those in rural and urban communities alike."

At the end of their second year of medical school, students take step one of the U.S. Medical Licensing Exam, which measures knowledge of the body's anatomical parts, functioning and malfunctioning. Topics include biochemistry, physiology, cell biology, pharmacology and the cardiovascular system. High scores on step one predict success in a residency; highly sought-after residency

programs, such as surgery and radiology, use exam scores to help select applicants. But some students complain that the pressure to score well inhibits them from "antiracism" advocacy.

Writing in an online forum, a fourth-year Yale medical student describes how the specter of step one affected his priorities. In his first two years of medical school, he had "immersed" himself in a student-led

If physicians are trained to combat 'systemic racism,' their ability to treat disease will suffer.

committee focused on diversity, inclusion and social justice, and he ran a podcast about health disparities. All that political work was made possible by Yale's pass-fail grading system for classes, which meant that he didn't feel compelled to put studying ahead of diversity concerns. Then, step one "reared its ugly head." Getting an actual grade on an exam might prove to "whoever might have thought it before that I didn't deserve a seat at Yale as a Black medical student."

The solution was obvious: abolish

step-one scores. Since January, the test has been graded on a pass-fail basis. The Yale student won't have to worry that his studying will cut into his activism. Whether his future patients will appreciate his chosen focus is unclear.

Virtually all medical schools admit black and Hispanic applicants with scores on the Medical College Admission Test that would be all but disqualifying if presented by white and Asian applicants, and some schools waive the MCATs entirely for select minority students. Courses on racial justice and advocacy are flooding into medical school curricula; students are learning more about white privilege and less about cell pathology.

College seniors, deciding whether to apply to medical school, can read the writing on the wall. A physician-scientist reports that his best lab technician in 30 years was a recent Yale graduate with a bachelor's degree in molecular biology and biochemistry. The former student was intellectually involved and an expert in cloning. His college grade-point advantage and Medical College Admissions Test scores were high. The physician-scientist recommended the student to the then-dean of Northwestern's medical school, where the scientist worked at the time, but the student didn't even get an interview.

This "white, clean-cut Catholic," in the words of his former employer, was admitted to only one medical school.

Such stories are rife. A UCLA doctor says that the smartest undergraduates in the school's science labs are saying: "Now that I see what is happening in medicine, I will do something else."

Medical science has been one of the greatest engines of human progress, liberating millions from crippling disease and premature death. It has also seen its share of dead ends and misconceptions, from the miasma theory of contagion and heroin as a treatment for children's coughs to thalidomide for morning sickness and frontal lobotomies.

The scientific method is a natural corrective to such fatal errors. Now, when it comes to the dubious hypothesis that racism is the defining trait of the medical profession and the source of health disparities, opposing views have been ruled out of bounds. Political neutrality, essential to the scientific method, is a racist dodge that risks "reinforcing existing power structures," according to the editor of *Health Affairs*. The guardians of science have turned on science itself.

Ms. Mac Donald is a contributing editor of *City Journal*, from whose *Summer 2022* issue this is adapted.

I Don't Donate to Politicians, but I Will to Liz Cheney

By Joseph Epstein

I am a minor-league philanthropist. I give modest sums to animal shelters, the preservation of wildlife, children's hospitals, my local public library, the Simon Wiesenthal Foundation and several other organizations and institutions. I don't give to universities, lest they think I encourage their wanderings from their true mission—although I have considered giving \$5,000 to Northwestern University, where I taught for 30 years, and earmarking the money to be spent exclusively on a Jewish tight end for the football team.

I have never given money to poli-

ticians or political parties. Yet I am about to send a \$200 check to Liz Cheney for her Wyoming congressional campaign. Ms. Cheney, who is trailing more than 20 points in the polls against Trump-backed candidate Harriet Hageman, appears all but guaranteed to lose her congressional seat in the Aug. 16 primary. She says she has been unable to campaign openly because of credible death threats posed, one assumes, by ardent Trump supporters. The Republican Party in her home state has abandoned her. It not only endorsed Ms. Hageman but flatly refuses to recognize Ms. Cheney as a Republican.

I have a short but pleasant history with the Cheney family. In 1991, I was a member of the National Council on the Arts, which advises the National Endowment for the Arts. I received a call from Gertrude Himmelfarb, known to friends as Bea Kristol, with whom I, along with her husband, Irving Kristol, and the painter Helen Frankenthaler, was to have dinner. Bea asked if it would be all right for Dick and Lynne Cheney to join us for coffee and dessert after dinner. I said of course, and soon after dinner the Cheneys arrived at the Washington Four Seasons restaurant, with security men hovering near the entrance.

Much of the conversation was led by Mrs. Cheney, then chairman of the National Endowment for the Humanities, asking Helen and me questions about how the endowment was run. I was impressed by how Mr. Cheney graciously gave way to his wife and how little attention he needed. When the Cheneys departed, Helen Frankenthaler remarked on Lynne's penetrating questions and then asked, "But what does *he* do?" (He was U.S. defense secretary.)

On another occasion, Lynne Cheney was to give a talk in Evanston, Ill., and beforehand had a light dinner—a sandwich, coffee, ice cream—at my apartment. She was amiable: itself: modest, thoughtful, good-humored. I found myself won over by the Cheneys and was sorry to see Mr. Cheney's reputation tarnished by his role as vice president in engineering

American entry into the war in Iraq, now considered misbegotten—a reputation that hasn't recovered to this day. In any case, I was partial to Liz Cheney without having met her.

That partiality grew into outright admiration when Rep. Cheney took the strong and ultimately self-sacrificial stand against Donald Trump's behavior during the Jan. 6 riot in the

Her principled stance against Trump, despite the political risks, deserves admiration.

Capitol. She didn't have to do what she did and continues to do on the committee to investigate Jan. 6. Yet she has done it with gravity and high intelligence. Not since Sen. Daniel Patrick Moynihan have I encountered a political figure for whom I felt the same strong respect.

Few politicians risk losing their next election to take the high ground of just action. Ms. Cheney's performance is all the more admirable when placed next to various Republicans—Minority Leader Kevin McCarthy, who is vying for speaker if Republicans take the House, is a sad example—spinning, squirming, hedging their true views of Mr. Trump lest they and their party lose his support in the midterm elections. The

sight is not pretty and gives good reason why politicians, and politics generally, are often held in richly deserved contempt by many Americans.

By dramatic contrast Ms. Cheney bathes not in self-righteousness but genuine righteousness, which is good for the political complexion. She claims to have taken the position she has because she felt it was "right" to do so. "The single most important thing is protecting the nation from Donald Trump," Ms. Cheney said in an interview last month with ABC News. For her, moral rectitude comes before party. This is most impressive—and extremely rare.

As vice chairman of the Jan. 6 committee, Ms. Cheney has come across as smart, strong and authoritative. She has been asked, if she loses her seat in Congress, whether she might be interested in running for president. Unlikely as that seems, I could see her as a vice-presidential candidate on a non-Trump ticket that promises to return the Republican Party to its first principles. On such a ticket, if successful, Liz Cheney could be for women in this country all the things that Kamala Harris has thus far proved not to be.

My check is in the mail.

Mr. Epstein is author, most recently, of *"Gallimaufry: A Collection of Essays, Reviews, Bits."*

Holman W. Jenkins, Jr. is away.

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SPORTS


JASON GAY

Aaron Judge Bet on Himself. Someone Will Have to Pay Up.

The Yankees’ star outfielder is having a season of a lifetime. Where will he be playing next year?



New York Yankees outfielder Aaron Judge is having the best statistical season of his career and is the leading candidate for American League MVP.

 I regret to inform the Yankee Haters of the Universe that the New York Yankees are again very good at baseball. Serious Yankee fans are edgy at the moment—the Pinstripes lost two of three to the Mighty Mariners this week, are under .500 since the All-Star break, and the starting pitching has been messy for a bit. But come on. It sounds like someone complaining about the cup holders in a Bentley convertible.

After all, these Yankees are still a shiny 70-36, behind the Dodgers with the second-best record in the sport, and as of Friday morning, they lead the AL East by 10 1/2 games. Unless the entire roster suddenly forgets how to hit, field, and pitch (as the Red Sox did in July), they are a lock for the post-season, and then who knows what will happen.

(The playoff part also makes Yankee fans edgy.)

But I’m not here to talk about the Yankees. I’m here to talk about Aaron Judge.

It’s been a long time since someone’s had a spring and summer in New York City like Aaron Judge. Entering Friday’s play, the towering outfielder sits atop the major leagues with 43 home runs,

The Mets have become the big spender in town, more Yankees than even the Yankees.

93 runs batted in, 89 runs scored, and a .676 slugging percentage, all while carrying a very solid batting average of .298.

He is amid the best statistical season of his career, is a clear candidate for American League MVP, and is far and away the face of this generally-thriving Yankee club. He is the main character in a noisy city, swatting biscuits to the bleachers and having what appears to be the time of his life.

He could also be a Met next season.

OK, OK, OK, that was a bit much. I apologize. That was un-cool. Sorry.

Please walk your Yankee fan friends back in from the ledge.

But the fact is that Aaron Judge is set to hit free agency after this season. Judge passed on a \$213.5 million, seven-year offer from New York and did the old-school courageous thing of spurning long-term security and betting on himself. He is playing on a one-season salary of \$19 million in 2022, and there’s growing belief he could now wind up with a long-term deal approaching \$300 million, or possibly more.

Whether or not he signs with the Yankees is unclear. It sounds sacrilegious, but it’s possible he could wind up on the Mets, who have a splashy new owner in Steve Cohen and sit in first place themselves. The Mets—not the Yankees—have become the big spender in town, more Yankees

than even the Yankees, and what better way to prove it than by luring the city’s most beloved current athlete?

Or maybe it’s the San Francisco Giants, the favorite team of Judge’s Northern California childhood. Or the freaking Red Sox. Or the freaking Dodgers. Or a freaking mystery team to be unveiled later.

(Please walk your Yankee friends back in from the ledge again.)

Important: Judge is saying he wants to stay in the Bronx. “I want to play for the Yankees. I want to be here for a long time,” he said not long ago, and there’s no reason

to not believe him. There’s been no indication of secret footsie with other franchises, a la the Miami Dolphins and a certain aging QB.

In another era, this would be a layup.

The Yankees would outspend everyone because they were the Yankees, darn it. George Steinbrenner would have moaned and groaned, and probably undermined Judge in the press a hundred times, but there would be no way he’d have risked the chance of his best offensive player waltzing crossstown to Queens or up I-95 to Boston.

But these are different days.

The money is absurd, but there’s growing suspicion on long-term deals for anyone but the brightest young stars. Here, a complicating factor is Judge’s age. He’s 30, a baseball late bloomer.

Do the Yankees want to lock themselves into Aaron Judge until he’s 39 or 40? Judge is peaking late, but his durability—he’s missed chunks of several seasons—has to be factored. He is not a baby phenom like Juan Soto, 23, who recently turned down a 15-year, \$440 million offer from Washington, and was abruptly traded to San Diego.

Someone surely will pay Judge.

Unlike basketball or football, there’s no salary cap in baseball. There’s a luxury tax, but a determined franchise will splurge.

Judge is the starriest player on the biggest franchise in baseball. He is the very definition of the guy who gets the big check. If Judge closes in on Babe Ruth’s single season home run mark of 60 and Roger Maris’s 61—he’s on pace for 66—it’s going to get deliciously tense in the Bronx.

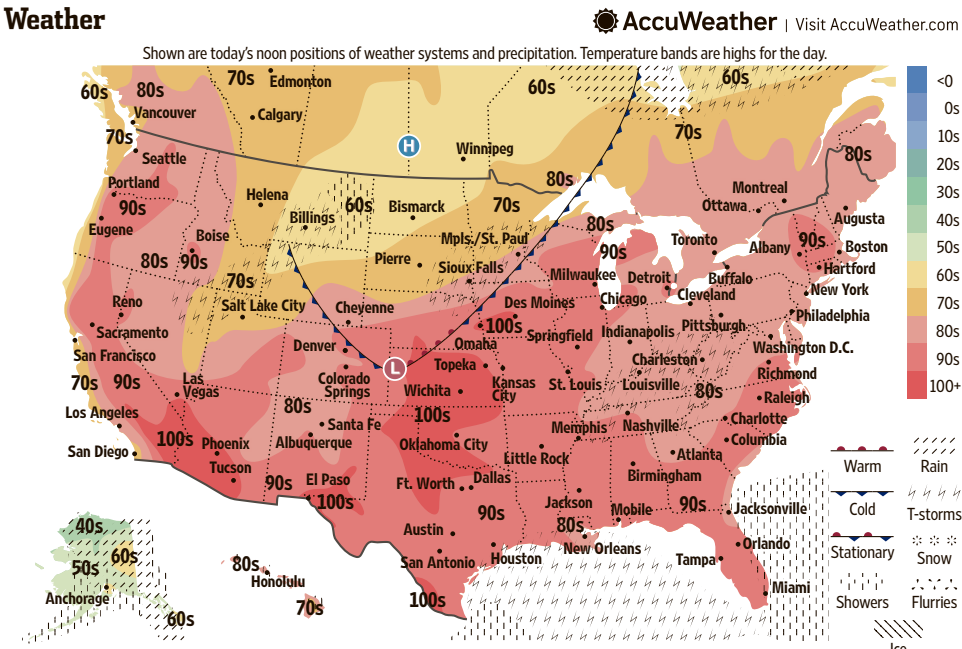
It’s August.

The Yankees are in first place and Aaron Judge is hitting deliriously in pinstripes.

But sure, it’s edgy.

Weather

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



Forecasts and graphics provided by **AccuWeather, Inc.** ©2022

U.S. Forecasts

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

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	61	53	c	60	54	r
Atlanta	89	72	t	86	71	t
Austin	94	73	pc	99	72	pc
Baltimore	90	75	t	92	75	t
Boise	90	60	s	95	65	s
Boston	89	76	t	94	77	pc
Burlington	91	73	c	92	69	t
Charlotte	91	72	t	91	71	t
Chicago	93	76	s	88	71	t
Cleveland	85	72	t	87	74	t
Dallas	99	80	pc	99	81	s
Denver	94	64	t	77	61	s
Detroit	90	73	pc	91	74	s
Honolulu	88	76	sh	87	75	pc
Houston	91	77	t	94	76	pc
Indianapolis	88	72	t	89	74	pc
Kansas City	97	79	s	93	73	pc
Las Vegas	96	81	pc	101	81	s
Little Rock	93	76	s	94	75	s
Los Angeles	86	67	s	89	68	pc
Miami	90	81	sh	89	80	t
Milwaukee	90	76	pc	83	67	t
Minneapolis	83	63	t	75	57	t
Nashville	88	73	t	91	75	t
New Orleans	88	77	t	89	76	t
New York City	87	76	t	90	77	pc
Oklahoma City	99	75	s	96	74	s

International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	69	53	pc	71	55	s
Athens	93	80	s	91	79	t
Baghdad	121	92	pc	117	89	pc
Bangkok	90	79	t	87	79	t
Beijing	93	77	t	93	76	sh
Berlin	75	56	pc	75	56	s
Brussels	70	50	pc	73	52	s
Buenos Aires	58	51	pc	55	47	c
Dubai	107	93	s	109	94	s
Dublin	66	49	c	69	51	pc
Edinburgh	65	55	c	67	53	pc

Watson’s Status Remains Uncertain

By **ANDREW BEATON**

THE NFL PLAYERS union’s response to the league’s efforts to extend Deshaun Watson’s six-game suspension was due Friday. But the possible outcomes for one of the highest-profile disciplinary cases in the sport’s history are still open-ended—even as it seemingly approaches its conclusion.

Watson may be forced to sit out the entire season, as the league initially wanted, and face potential fines. He could also be on the field for Week 1 if the case heads to court. There are also numerous middle grounds, pending the decision from the appeals officer. The two sides could always end the drama themselves with a last-minute settlement.

And the power dynamics are warped by the NFL’s ability under the collective bargaining agreement to send an appeal to someone hand-picked by commissioner Roger Goodell.

The union’s defense of Watson caps a dizzying week that included Watson’s long-anticipated discipline and the NFL pulling a lever to likely lengthen the ban. Watson’s case, which stemmed from dozens of women accusing the Cleveland Browns quarterback of sexual assault or misconduct during massage therapy sessions, was first heard by a neutral arbitrator appointed by the NFL and



The NFL has appealed Deshaun Watson’s six-game suspension.

NFLPA. That arbitrator, former U.S. District Court Judge Sue Robinson, backed up the league’s contention that he violated the league’s personal conduct policy, describing his behavior as “predatory” and “egregious.”

Robinson’s punishment, which she wrote in her decision was based on precedents for violations she termed “nonviolent,” fell far short of what the NFL sought. Watson has denied wrongdoing.

Under the CBA between the league and its players, either side has the right to appeal the length of a suspension. That appeal doesn’t go to a neutral party—it heads to Goodell or someone he designates. It’s a mechanism that gives the NFL the power to get its way in a situation such as this.

The league exercised that

option on Wednesday in an effort to impose a stricter punishment. Goodell opted not to hear the appeal himself, instead sending it to Peter Harvey, a former attorney general of New Jersey. Harvey has previously served as Goodell’s designee in other arbitrations and has advised the NFL on its personal conduct policy.

The league’s case is buoyed by Robinson’s ruling that backed the findings of NFL investigators. Robinson concluded that Watson’s behavior constituted multiple violations of the NFL’s personal conduct policy.

Her ruling also admonished the NFL, though, for seemingly seeking a longer ban, beyond the scope of what had been administered in the past, in response to public outcries.



Charged Debate
Will your next vehicle be an electric bike? **B5**

EXCHANGE

Remote Works
Lessons in creativity from Beyoncé and the Beatles **B4**



BUSINESS | FINANCE | TECHNOLOGY | MANAGEMENT

THE WALL STREET JOURNAL.

Saturday/Sunday, August 6 - 7, 2022 | **B1**

DJIA 32803.47 ▲ 76.65 0.2% **NASDAQ** 12657.55 ▼ 0.5% **STOXX 600** 435.72 ▼ 0.8% **10-YR. TREAS.** ▼ 1 13/32, yield 2.838% **OIL** \$89.01 ▲ \$0.47 **GOLD** \$1,772.90 ▼ \$15.60 **EURO** \$1.0184 **YEN** 135.01



Ford's new executive director of quality wants to empower workers so they flag design and production challenges earlier in the process.

Quality Is Problem 1

Josh Halliburton joined **Ford Motor Co.** in January to help improve its shaky quality record. Within months it was clear how big a challenge he faced.

In May, the auto giant recalled some Ford Expeditions and Lincoln Navigators after reports of fires while vehicles were parked. In June, it recalled roughly 49,000 Mustang Mach-E electric SUVs over concerns that the battery could overheat and cause the vehicle to lose power. In the first seven months of the year, Ford had 46 separate safety recalls on 6.8 million vehicles, more than any other U.S. auto maker.

"That's not good enough," said Mr. Halliburton, Ford's newly hired executive director of quality. "We want to be a quality leader."

An auto maker once touted for its quality record—"Quality is Job 1" was its slogan for much of the 1980s and 1990s—is betting that Mr. Halliburton can help restore its reputation. The 46-year-old executive comes from auto-research firm J.D. Power, where he advised companies on production quality, and his strategy at Ford is to improve how the company identifies problems. He is installing video cameras to catch flaws while products are being built, adding more monitoring of social media to find complaints flagged by customers and pressing workers to raise their hands early about design and production challenges.

The task of this new quality czar is central to the company's larger ambition to challenge Tesla Inc. and other rivals for electric-vehicle superiority in the years ahead. The billions of dollars Ford spends each year on warranty repairs and recalls make it more difficult to reach its goal of shaving \$3 billion in annual costs by 2026 and free up spending

Ford used to tout its reliability record in ads. After a string of recalls, the auto maker is trying to change how it spots problems.

By **NORA ECKERT**



CEO Jim Farley made quality a priority.

for new electric-vehicle models, battery plants and manufacturing plants. Last year Ford set aside more than \$4 billion for warranty costs, up 76% from five years earlier. Its total warranty expenses increased about 17% from 2016 to 2021.

The problems also raise the stakes for the 119-year-old company as it tries to snatch new customers interested in EVs. Chris Spears, a 34-year-old customer-service manager for an oil-and-gas company and Mustang Mach-E owner, said the latest recall of his vehicle gave him second thoughts about the brand after purchasing Ford vehicles for years.

"Maybe next time we need to take a look at a different manufacturer," said Mr. Spears, who lives in the Dallas area.

Quality problems have long been a drag on the company's bottom line. Ford took hefty charges against its earnings several times in the last decade to address issues, and it contended with bungled new-model launches that led to delays. When Chief Executive Jim Farley took over in October 2020, he made quality a top priority, pledging to lower warranty-related costs and earn back customers' trust.

"For these new and very desirable vehicles, you don't want to see problems right out of the gate," said David Whiston, an analyst for Morningstar Inc. "That implies a problem with either design, engineering or manufacturing execution."

The problems continued in 2021. That year Ford allocated \$1,041 per vehicle for covering warranty claims compared with \$713 per vehicle for larger rival General Motors Co., according to an analysis by Warranty Week, a trade newsletter for warranty management professionals. Ford said it can be difficult to compare

Please turn to page B2

Pfizer in Talks to Acquire Biotech Company

Deal would add to its presence in rare diseases

Pfizer Inc. is in advanced talks to buy **Global Blood Therapeutics Inc.**, the maker of a recently approved drug for sickle-cell disease, for about \$5 billion, in the latest move by the drug giant to bolster its portfolio and pipeline.

By **Jonathan D. Rockoff, Dana Cimilluca and Cara Lombardo**

Pfizer is aiming to seal a deal for GBT in the coming days, according to people familiar with the matter. The situation is still fluid, and other suitors are still in the mix, some of the people said. GBT announces its second-quarter results Monday.

Bloomberg reported earlier this week that potential buyers were circling GBT, without naming them. The shares shot up on the news, adding to earlier gains since the spring. They closed Friday up 33% at \$63.84 after The Wall Street Journal reported on the talks with Pfizer, giving GBT a market value of more than \$4 billion.

Please turn to page B2

Stock Market Sees Mixed Signals in Jobs Report

Upbeat data is good but points to rate increases

By **AKANE OTANI AND CAITLIN OSTROFF**

U.S. stocks finished Friday close to flat after a surprisingly strong jobs report cast doubt on the Federal Reserve being able to shift away from interest-rate increases anytime soon.

Investors had come to widely believe that the Fed could pivot to cutting interest rates as early as the first half of 2023, given signs of cooling activity across the economy. That would have been a balm for markets, which have tumbled this year as the Fed has swiftly raised interest rates to combat stubbornly high inflation.

But Friday's employment data showed the labor market was doing anything but cooling.

The labor market added 528,000 jobs in July—more than doubling what analysts had estimated and returning payrolls to their pre-pandemic level. Meanwhile, the unemployment rate fell to 3.5%, near

Please turn to page B11

The Inside Story of Carlos Ghosn's Escape

By **NICK KOSTOV AND SEAN MCLAIN**

Ever the thorough operative, Michael Taylor began laying the groundwork of his cover story as soon as the private jet he had chartered landed in Japan. He and George Zayek were violinists who would be performing nearby, he told a worker at the Osaka private-jet terminal shortly after the Bombardier Global Express arrived from Dubai at 10:10 a.m. local time.

As personnel at Kansai International Airport unloaded suitcases, a guitar case and two large black boxes, Tomoyuki Matsui, the manager of the private-jet terminal's ground-service team, ushered the men to the terminal bus, which took them to the posh Premium Gate Tamayura. Kayoko Tokunaga, a 30-year-old employee fluent in English, was waiting to greet them and com-

fortably struck up conversation with Messrs. Taylor and Zayek as they waited for their passports to be stamped. "Your stay is so short," she remarked, according to transcripts of police interviews.

They had an important meeting outside Japan the following day, Mr. Taylor explained. From the little that Mr. Zayek contributed, he struck Ms. Tokunaga as blunt and disagreeable.

As their luggage was wheeled into the terminal, Ms. Tokunaga eyed the massive cases that she figured must contain amplifiers, even though they looked too large for the purpose.

She also saw a guitar case. Why were violinists carrying a guitar? Mr. Matsui and Ms. Tokunaga had been told the passengers were attending a concert by celebrated vio-

Please turn to page B6



THE SCORE

THE BUSINESS WEEK IN 7 STOCKS

BOEING CO.

BA
2.1%

A strike didn't take off at Boeing. Employees at three of the plane maker's defense manufacturing plants on Wednesday voted in favor of a new contract, the company said, avoiding a potential work stoppage. The vote by around 2,500 members of the International Association of Machinists and Aerospace Workers follows their rejection of an earlier proposal last month. The new three-year contract offers new workers an \$8,000 lump-sum payment and scraps earlier plans to cut company contributions to employees' 401(k) savings plans. Boeing shares **gained 2.1% Wednesday**.

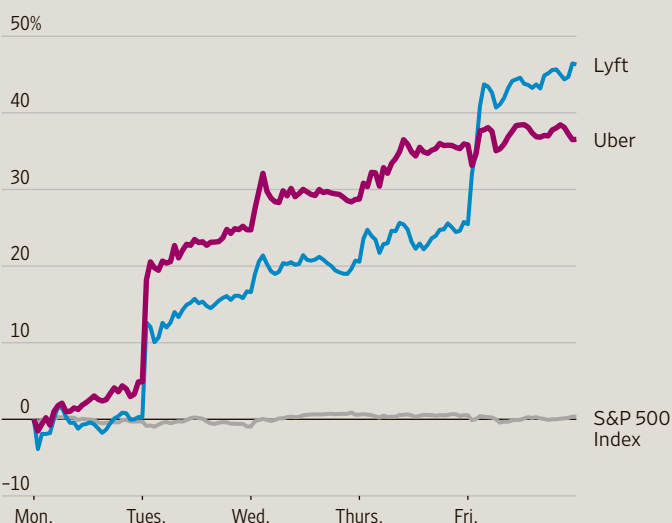
PINTEREST INC.

PINS
12%

If one of Wall Street's toughest activist investors had a Pinterest board, Pinterest would be on it. Elliott Management Corp. confirmed it was the social-media company's largest shareholder, after The Wall Street Journal reported last month that the firm has taken a stake of more than 9% in Pinterest. Elliott has a history of forcing changes such as sales or executive shake-ups. The company's new chief executive, Bill Ready, said he would focus on profitability, as the weakened digital-ad market weighs on sales growth for social-media firms. Pinterest shares **jumped 12% Tuesday**.

PERFORMANCE OF RIDE-SHARE STOCKS THIS WEEK

Source: FactSet



UBER TECHNOLOGIES INC.

UBER
19%

Ride-hailing is revving back to life. Uber's revenue more than doubled in its latest quarter, and the company reported record numbers of drivers and food-delivery couriers after a prolonged shortage. The company said high inflation was causing more people to drive for the platform to help offset rising household costs. Lyft Inc. on Thursday said its supply of available drivers is also improving. Uber shares **surged 19% Tuesday**.

STARBUCKS CORP.

SBUX
4.3%

People aren't giving up their Starbucks fix even as prices rise. The coffee giant said on Tuesday that U.S. customer demand is strong, while higher spending on labor and supplies weighed on quarterly income. Higher prices partially offset the growing costs, the company said. A number of retail and consumer companies have issued profit warnings and projected falling sales as shoppers start to pull back. But at restaurants, spending continues to grow due to pent-up demand after years of pandemic-related restrictions. Starbucks shares **gained 4.3% Wednesday**.

ELI LILLY & CO.

LLY
2.6%

Eli Lilly's Covid treatment sales could use a shot in the arm. The pharmaceutical company on Thursday posted a 4% decline in second-quarter revenue, driven by a drop in sales of its Covid-19 antibody treatment. Lilly saw sales of its Covid-19 treatments fall 13% during the period. The company's results come after other makers of Covid-19 vaccines and products pointed out signs of potentially waning demand. Lilly said lower prices and currency translation also played a part in the declining sales, and the company cut its profit outlook for the year. Lilly shares **lost 2.6% Thursday**.

WALMART INC.

WMT
3.8%

White-collar workers at Walmart got some gloomy news. The retail giant is laying off hundreds of employees in corporate roles, The Wall Street Journal reported Wednesday, a week after the company warned of falling profits and markdowns on excess inventory. The largest private employer in the U.S. joins a handful of other major employers scaling back hiring or cutting some jobs, including Ford Motor Co. and Microsoft Corp. While many of its workers are hourly staff, Walmart has thousands of people in corporate roles. Walmart shares **fell 3.8% Thursday**.

WARNER BROS. DISCOVERY INC.

WBD
17%

It's out with the old and in with the new at Warner Bros. Discovery. After scrapping streaming service CNN+ and axing the movie "Batgirl," the company said it will merge HBO Max and Discovery+ into a combined subscription platform next year as it explores a free, ad-supported service. Chief Executive David Zaslav has canceled movies and shows that were approved by previous leadership. The company also reported quarterly earnings, cutting its outlook due to an advertising slowdown. Warner Bros. Discovery shares **plummeted 17% Friday**.
—Francesca Fontana

Quality Is Job 1 at Ford Again

Continued from the prior page
companies because each reports warranty data differently, but didn't dispute the accuracy of the Warranty Week analysis. GM didn't dispute the numbers, either. This year, in addition to the recalls, auto-safety regulators also opened a defect investigation into 2021 Ford Broncos after receiving reports of what an auto-safety regulator called "catastrophic engine failures" at highway speeds. "We continue to be hampered by recalls and customer-satisfaction actions," Mr. Farley said in a July earnings call. "This affects our cost but more importantly, it falls short on our most fundamental commitment to our customers." The hiring of Mr. Halliburton is part of the latest attempt to find a solution. His arrival came three months before the creation of a Transformation and Quality Office that stands independent from operations and is led by Stuart Rowley, who reports to the CEO and is now chief transformation and quality officer. Mr. Halliburton reports to Mr. Rowley and leads the 200 people within Ford's quality organization. An electrical engineer by training, he has long enjoyed tinkering with old cars and motorcycles in his spare time, said his former colleague Dave Sargent, who has known him since 2007.

He also worked for Ford before, from 2000 to 2004, as a launch engineer. After he left the company, he stayed connected. While he worked as a consultant with research firm J.D. Power, his job was to help clients improve their production quality. He assisted with improvements in more than 100 factories around the world, and Ford was among his clients. "They knew what they were buying before they bought it," said Mr. Sargent. Those who worked with Mr. Halliburton at J.D. Power, where over 17 years he rose to become vice president of global consulting and head of European operations, described him as collaborative, decisive and a quick wit. "He's pretty gregarious, especially for a quality engineer," said Mr. Sargent, a vice president of connected vehicles at J.D. Power.



One of the challenges he identified at Ford was that it tried to make too many last-minute design and engineering changes ahead of a new-vehicle launch, increasing the risk of problems down the line. He said workers rallied to fix problems when they blew up, but weren't empowered to flag them

'That's not good enough,' Josh Halliburton said of Ford's recent history of quality problems.

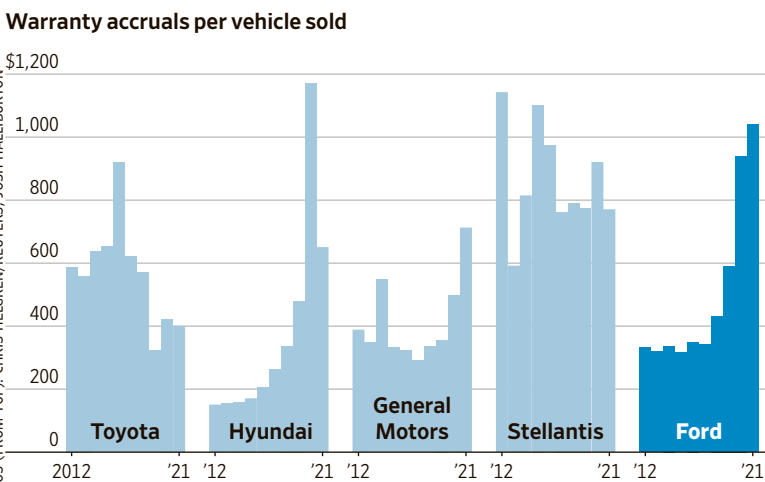
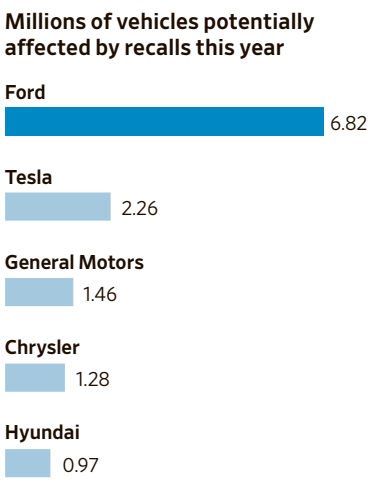
early in the process when there was still time to head them off. "It wasn't a top priority," he said. "Everyone wants to make sure they can hit the targets we are aiming to achieve. If the goal was to launch on time, we were often focused on getting to launch versus prioritizing quality." It's important, he said, to reward those people who do find problems early. "We are aligning specific objectives to the directly responsible individuals for the aspects of quality they are in control of," he said. "Thus making it much more clear how each person di-



Josh Halliburton, left, is the new executive director of quality. In June, Ford recalled some Mustang Mach-E electric SUVs, above.

at all," Mr. Fisher said. Mr. Halliburton said vehicle-launch strategy is part of the problem but not the whole problem. Changing how Ford tests its products is another part of his strategy. Ford recently installed video cameras to monitor the early build of their vehicles—before production—to target any steps they can eliminate or simplify. Higher-tech cameras are now used to inspect the vehicles for quality, too, allowing workers to scour for an incorrectly placed hose or a paint blemish, Mr. Halliburton said. "We are placing more time and emphasis on ensuring everything is done right upfront to prevent quality issues from manifesting later in the development process," he added. The quality czar is also paying more attention to customers who highlight problems on social media. The company has an "Always On" team that monitored different platforms during the launch of Ford's Mustang Mach-E and sometimes engaged with customers about their complaints. That team has since expanded its scrutiny to conversations about other models, such as the electric F-150 Lightning pickup, traditional gas-engine F-150 and Bronco. The team also tracks for any trends about complications. How Ford compares itself to rivals in quality has changed, too. It now sets its quality targets against the benchmarks of its competitors, he said. One example, he said, is the quality of Ford's Bronco SUV as compared with the Jeep Wrangler. Mr. Halliburton said he expects to see Ford's warranty problems improve next year, but it may take two to three years to see the most impactful results. With that, he expects to also mend Ford's reputation with frustrated customers. "I knew it would be an interesting challenge to tackle," he said.

rectly fits into our quality goals." Jake Fisher, senior director for automotive testing at Consumer Reports, said Ford has too many new-model launches bunched together and often makes more substantive changes in its redesigns, while other car companies use more carry-over parts. Rolling out a new model is fraught with difficulties for any car company, so the closer the launches are together in timing, the more complicated they become, Mr. Fisher said. "They make a lot of changes very quickly, and then go for a time without making any changes



Sources: Warranty Week (accruals); U.S. Department of Transportation (vehicles)

Pfizer in Talks to Buy Drugmaker

Continued from page B1

GBT, of South San Francisco, was founded in 2011. Buying the company would add to Pfizer's presence in rare diseases, furnishing a drug already on sale for the treatment of sickle-cell disease as well as two in development that have produced positive results in preliminary studies. The commercial treatment, called Oxbryta and approved in December for children 4 to 11 years after being cleared in 2019 for people 12 and older, had just over \$55 million in first-quarter sales. Sickle-cell disease is an inherited blood disorder affecting about 100,000 people in the U.S., including 1 in 13 who are Black. Pfizer has been interested in sickle cell, but a drug it had been developing failed in 2019. It has another one in early-stage development. There had been few drugs treating the disease, but it has drawn the interest of researchers in recent years due to scientific advances in understanding its molecular roots. Treatments like Oxbryta could face competition from gene therapies in development. Pfizer has been looking to add products to its lineup and pipeline, as the company seeks to find long-running sales growth that doesn't depend on pandemic products. Pfizer's Covid-19 vaccine and pill have driven huge revenue. The company projects \$54 billion in sales from the two products this year alone. Yet analysts expect demand to drop in coming years, putting pressure on the company's non-pandemic portfolio.

Pfizer has been looking to add products to its lineup and pipeline.

The New York-based drugmaker plans to add \$25 billion in revenue from business-development moves like M&A by 2030. Flush with the cash its pandemic products have generated, Pfizer has been inking deals to bolster its portfolio and pipeline. In May, it agreed to buy the rest of migraine drugmaker Biohaven Pharmaceutical Holding Co. for \$11.6 billion. Earlier, Pfizer had bought Arena Pharmaceuticals for \$6.7 billion and said it would acquire privately held respiratory virus drugmaker Reviral Ltd. If the deal for GBT comes together, it would add to a flurry of recent healthcare tie-ups. This past week, **Gilead Sciences Inc.** agreed to buy the privately held U.K. biotech **MiroBio** for around \$400 million and **Amgen Inc.** agreed to buy California-based ChemoCentryx Inc. for roughly \$4 billion. Meanwhile, **Merck & Co.** has been eyeing a deal for **Seagen Inc.** that would be valued at around \$40 billion and broaden its lineup of cancer drugs. Still, healthcare-deal volumes are down by nearly 50% compared with this time last year, according to Dealogic data.

EXCHANGE

SCIENCE OF SUCCESS | BEN COHEN

Get Back to Creativity in Remote Work

Beyoncé and the Beatles documentary show how we can successfully collaborate at a distance



Beyoncé recently came out with her first studio album in six years, an exuberant hour of music called “Renaissance” that I’ve had on repeat in the days since it was released, and there is something unusual about this record: Before listening to Beyoncé, it’s worth reading Beyoncé.

“This three-act project was recorded over three years during the pandemic,” the pop star wrote on her website. “A time to be still, but also a time I found to be the most creative.”

That statement was a useful reminder that stuff coming out now wasn’t just made during the pandemic. It was made possible by the pandemic.

For Beyoncé, that means the escapist quality of the work itself sounds like a product of the era. For those of us who aren’t Beyoncé, it’s not just *what* we produce but *how* we produce it.

Never before has so much changed so quickly for so many people. The fundamental question in creative fields right now is when it makes sense to be with each other physically and when we can be effective working virtually. To put it another, catchier way: Are we more like Beyoncé or the Beatles?

The Beatles exemplified the magic and the misery of being around other people. Beyoncé can make her music without necessarily being around other people.

In that way the most anticipated record of the summer reminded me of a paper that Melanie Brucks of Columbia University and Jonathan Levav at Stanford recently published in the journal *Nature*. It was by sheer coincidence they set out before the pandemic to study a topic that would soon be highly topical: They wanted to look at the relationship between creativity and remote collaboration.

The scholars ran a lab experiment and field study in which two sets of teams—half in the same location, half separated by a screen—brainstormed innovations



and selected their best to be scored by judges. Their results might have been intuitive when they designed a study about video-conferencing in 2016, but they were almost counterintuitive by the time they published in 2022.

“We found that people are less creative when they’re not in the same physical space,” said Dr. Brucks. “But there seem to be tasks that people can perform similarly online as in person—and maybe even a little better.”

We may be worse at *generating* ideas remotely, but not at *selecting* ideas or *executing* those ideas.

And few projects have illuminated both parts of the creative process so clearly as one featuring a group of people as famous as Beyoncé.

Peter Jackson’s documentary “The Beatles: Get Back” was announced on March 11, 2020, the same day the World Health Organization declared Covid-19 a pandemic, which turned a feature-length film meant to be released in theaters into a streaming miniseries three times as long. The most daunting part was figuring out how the whole thing would come together.

But sifting through hours of previously unseen footage turned out to be a fantastic pandemic undertaking.

Mr. Jackson and his crew in New Zealand had been focused on the documentary for more than a year when they found themselves in a strict lockdown. It was a fortunate break that they were past the idea-generation stage. They continued their work from their homes without missing a beat.

A team of Oxford University economists studying the discovery of breakthrough scientific ideas recently analyzed millions of scholarly papers over seven decades and showed that we learned how to be productive through remote collaboration over the past 10 years. Technology we have come to know, love and hate during the pandemic gave us the tools to simulate working in person.

Writing music was a team sport in which most of the players never met one another even before the pandemic. The collaborators making remote contributions to Beyoncé’s latest album included Jameil Aossey and Larry Griffin Jr., who worked on two tracks from Ohio and Texas, respectively.

They didn’t have to be with Beyoncé. They didn’t even have to be with each other.

After her long nights in the studio, engineers sent files of those sessions to these producers with an intriguing sound, and they dropped everything for their chance to work on a Beyoncé album. She selected ideas. They executed. (A spokeswoman for Beyoncé said she is “the only one who could honestly speak of her process” and she was unavailable for interviews.)

This is how collaboration happens these days. But what’s typical now was close to impossible not long ago.

“If you weren’t in the room,” Mr. Aossey said of the way things used to be, “the door was closed on you.”

The team on “Get Back” eventually opened that door again and found themselves back in 1969 hanging out with the Beatles.

There was something wonderfully ironic about their experience reliving the making of “Let It Be,” the Beatles’ final studio album. The filmmakers had the pleasure of watching four people crammed in a room pursuing creative great-

ness—riffing and noodling and experimenting and refining until, suddenly, almost inexplicably, the band had a masterpiece. The documentary team was trying to do the same thing.

Mr. Jackson and the film’s editor, Jabez Olssen, worked together in a bubble so they could build on their remote collaboration and put the finishing touches on the documentary in person. They didn’t have to read Dr. Brucks’s research to understand they wanted to be in the same room. That proximity wasn’t just valuable but essential when generating ideas in the beginning of a project and polishing them at the end. It’s hard to imagine the final product without it, Mr. Olssen told me.

“We would’ve lost all that personal interaction that’s so important when you’re trying to be creative,” he said.

That sentiment wasn’t just a theme of the documentary but also happened to be the animating spirit of the most striking two minutes in the nearly eight hours.

It begins when John Lennon is late to rehearsal and Paul McCartney is fiddling on his bass as he waits with George Harrison and Ringo Starr. He’s toying around, playing with sounds, grasping for...*something*. He’s got nothing and he’s going nowhere, but he doesn’t give up. He keeps tinkering. And then it happens. *Something*. You hear it. You see it. You feel it. Before long George is reaching for his guitar, Ringo is clapping a drumbeat and Paul is singing: “Get back! Get back! Get back to where you once belonged.” By the time John walks into the studio, the Beatles have the makings of a hit.

“They took something they had and they worked it and worked it again and kept iterating and changing it and improving little bits of it and telling each other what they liked and didn’t like,” said Mr. Olssen. “It really shows you that creative genius is a process.”

John, Paul, George and Ringo had to be in the same room to bring their ideas to life. Beyoncé and her collaborators didn’t.

Neither did the people who made “Get Back.” They learned during the making of their documentary about the Beatles that they preferred to be. “It does help to be in the same room,” Mr. Olssen told me via Zoom from the other side of the world. “It’s maybe not as necessary as we used to think it was.”

Another lesson of the Beatles and “Get Back” is that one day we might be in the same room as Beyoncé as she made this pandemic album. It would make for a great documentary in 50 years.

DOMINIC BUGATTO



If Congress passes the Inflation Reduction Act, Americans should expect more IRS audits—especially on filers making more than \$400,000 a year.

The surprise agreement between Sens. Chuck Schumer (D., N.Y.) and Joe Manchin (D., W.Va.) includes provisions adding \$79 billion to Internal Revenue Service funding over the next decade. More than half of it would boost enforcement, while \$30 billion would be to improve operations and technology, and \$3 billion would go for taxpayer service.

In practice these categories can be fluid, as dollars spent to upgrade technology, say, could also improve taxpayer service. But if lawmakers pass the new funding and keep the IRS’s annual appropriations at current levels—which isn’t assured—the agency’s total funding would increase 50% over a decade, according to analyst Garrett Watson of the Tax Foundation.

Treasury and IRS officials have said the new funds for enforcement won’t increase audit rates on filers making less than \$400,000, and on Aug. 4 IRS Commissioner Chuck Rettig sent letters to Congress stating this. The bill omits an earlier proposal requiring banks to report account cash-flow information to the IRS.

Former IRS Commissioner Charles Rossotti, a technology specialist who has advised the Treasury Department and Congress on improving the tax system, endorses new IRS efforts aimed at higher earners. “Most underreporting is from upper-income people, because that’s where most of the income is,” he says.

These taxpayers are also more likely to have income from sources not automatically reported to the IRS. (There’s little cheating on income like salaries or pensions that is reported, according to the agency.) While the IRS is getting good at mining data to find missing income, it lacks the resources to make the best use of its skills.

The boost to enforcement dollars aims to stem a long decline in the IRS’s ability to check taxpayer compliance, especially by the highest earners. From 2010 through 2019, according to a study by the

The IRS May Soon Get Bigger Claws

The agency is in line to get extra funding to go after high-earning tax cheats

Government Accountability Office, the number of audits of taxpayers earning more than \$500,000 dropped by three-quarters, from 53,000 to 14,000. Over this period, the number of key IRS enforcement personnel also dropped 40%, according to agency data.

As enforcement has declined, total taxes owed but not collected have grown. In April 2021, Mr. Rettig told the Senate Finance Committee the current gap might exceed \$1 trillion annually.

Tax professionals say the underfunding is encouraging risk-taking. “Often people start by cutting small corners and then become more brazen, especially when friends and neighbors are doing the same things and don’t get caught,” says Josh Ungerman, a tax attorney with Meadows, Collier, Reed, Cousins, Crouch & Ungerman in Dallas. Mr. Ungerman adds that even with current law he’s busy and has to turn clients away.

According to the Congressional Budget Office, the expanded IRS funding is expected to raise \$204 billion over 10 years. By this analysis, says Mr. Watson, the IRS will raise \$2.50 for each additional dollar invested, because the \$79 billion phases in and the agency needs time to ramp up. In the past, the IRS has estimated a return of \$5 to \$9 for each added dollar once hiring and training are complete.

Former Treasury secretaries, IRS commissioners, and tax-policy specialists across the political spectrum have endorsed the funding

TAX REPORT | LAURA SAUNDERS



proposals. But the American Institute of CPAs has expressed reservations, given the massive backlog of more than 17 million unprocessed paper returns.

“Given the historic low level of taxpayer services, we are concerned about a possible imbalance between funding for taxpayer services and enforcement,” the group said in a letter to Congress.

Here are areas tax specialists say the IRS could drill down on with more funding.

■ **Partnerships.** Individuals who own businesses organized as part-

nerships could be in the IRS’s crosshairs. Income from partnerships flows through to the partner’s own return with no entity-level tax. Since 1990 such income has grown from 5% of total income to 35%, according to the Treasury Department.

Partnership returns are difficult for the IRS to audit, especially if they include tiers of domestic and foreign businesses. According to IRS data, more than four million partnership returns were filed for tax year 2018, but the agency audited only 140 partnership returns that year.

■ **Capital gains.** In 2022, about 70% of long-term capital gains will be earned by taxpayers with income of \$1 million or more, according to an estimate by the Joint Committee on Taxation. While brokerage firms typically report capital gains on sales of securities to the IRS, much less reporting is required on sales of other assets.

The IRS might also focus on assets’ cost-basis—the starting point for measuring taxable gains—and whether assets were held long enough (at least a year and a day) to qualify for long-term treatment. The top rate on long-term gains is now 23.8%, while the top rate on short-term gains is much higher—40.8%.

■ **Collectibles.** CPA David Lifson of Crowe LLP, who advises high-net worth clients, has noticed growth in the ownership of easily portable collectibles, such as the Mickey Mantle rookie-year baseball card that could fetch \$10 million at auction soon.

“Sales of these items aren’t reported to the IRS, so it’s an area that’s attracting more scrutiny now,” he says.

■ **Crypto, crypto, crypto.** The IRS is so concerned about cryptocurrencies’ ability to be used for tax evasion that it put a crypto question on the front of the tax forms most individuals file. It is also pursuing court actions

to force exchanges to identify large crypto investors who may not be compliant with tax rules. With more IRS funding, these efforts could grow.

■ **Estate and gift transfers.** The gift- and estate-tax exemption is now above \$12 million per individual, so few taxpayers owe these levies. Those who will owe them often use permissible techniques to shrink the value of asset transfers, but the IRS could expand audits to check whether the techniques were properly used and all transfers reported.

KIERSTEN ESSENPREIS

EXCHANGE

KEYWORDS | CHRISTOPHER MIMS

The Rise of the Electric Bike

Cheap batteries are bringing down the prices of e-bikes, sales are soaring, and traditional bicycle makers get in on the action



world since their invention—but it’s also due to the significantly more bicycle-and-pedestrian friendly design of many non-U.S. cities. Advocacy groups in the U.S. have been trying to make American cities safer places for people to get around by means other than automobiles, but the rise in pedestrian and cyclist fatalities during the pandemic indicates the country still has a long way to go.

Even in relatively bicycle-friendly Colorado cities like Boulder and Denver, changing roadways so that they accommodate more than just ever-larger vehicles operated at maximum speed is challenging and takes a lot of time. Making even basic bike lanes a priority can mean contending with drivers who are loath to see roads lose a lane.

In the Denver suburb of Lakewood, where the Williamses live, existing bike trails were the deciding factor in making the pair comfortable with ditching their car in the first place, and both are able to stay on trails almost the entire distance of their commutes. When a trip is mostly on roads, they’ll take an Uber or mass transit instead, says Crystal.

Ongoing supply-chain difficulties are fueling stubbornly high prices for new EVs—currently about \$66,000—and e-bike manufacturers



Crystal and Bri-
anne Williams, a
married couple who
live just outside Den-
ver, recently made a
decision that would
have seemed radical
just a few years ago.

The pair, 33 and 29, ditched their car for a pair of electric bikes. Brianne rides hers every weekday, 18 miles round trip, to study at her university. Crystal, a less experienced rider, uses hers a couple of times a week to get to her job downtown, and for errands and outings. Their custom models, assembled by a local e-bike manufacturer, are now their sole means of personal transportation.

“We decided to trade in our car and get electric bikes because gas prices were rising, and no one has time to wait for a Tesla,” says Crystal.

On the road to our electrified-transportation future, many Americans are now traveling by e-bike. Last year, in fact, Americans bought far more of those motorized two-wheelers—880,000, according to industry analyst Ed Benjamin of eCycleElectric—than they did fully electric cars, sales of which totaled about 487,000, according to Cox Automotive.

For years, advocates of a transition to electric vehicles predicted that once the cost of their battery packs fell to the point that a new

EV was about the same price as a gas car, demand for them would explode and they would supplant conventional automobiles. There are signs we are at the beginning of this transition, as new electric vehicles now represent more than 5% of all vehicles sold in the U.S., up from 2% in 2020, according to Cox.

But what those advocates didn’t generally anticipate is that the same proliferation of battery factories built to fuel the automotive industry’s rapacious demand also would drive down prices of batteries for other uses—enabling non-car modes of transportation that hadn’t really existed before. Those include electric scooters and e-bikes capable of the kind of speed, range and dependability that have made them a viable alternative to motor vehicles for some riders and on some trips.

Overall, e-bike sales more than tripled between 2019 and 2021. And about 326,000 e-bikes were imported into the U.S. in the first half of 2022, according to Mr. Benjamin’s data. (Since almost all e-bikes sold in the U.S. are imported, and then quickly sold, this number is a good proxy for how many are purchased.) Because there is some seasonality to e-bike sales, he estimates the figure for all of 2022 will be 700,000. That’s about 20% fewer e-bikes than were sold in 2021, but 55% more than in 2020.

Base models of e-bikes can cost less than \$1,000, midrange options up to about \$3,000, and luxury models—like a \$10,000 one from Porsche—sell for well more.

Meanwhile, in the first six months of 2022, a record number of electric cars, about 370,000, were sold in the U.S., according to Cox Automotive.

However they match up against EVs, the strong sales of e-bikes suggest that even in car-obsessed America, rising prices for automobiles, fuel and insurance are pushing some consumers to at least supplement the use of their cars with e-bikes.

The cost of electricity for charging an e-bike is vanishingly small, compared with the cost of fueling an automobile—between about \$30 and \$50 a year, depending on the cost of electricity where you live and how much you use the bike.

FattE-Bikes of Denver, where Crystal and Brianne bought their e-bikes in May, is one of the few U.S.-based assemblers of e-bikes. “I tell people it’s not a heavy bike, it’s a light electric vehicle,” says company co-founder Kenny Fischer. The company’s bikes include many carlike features, such as rear-view mirrors, tail and brake lights, long-range batteries, a throttle for optional pedal-free riding, and puncture-resistant, oversized “fat” tires that are better able to handle potholes and bad weather.

Kenny Fischer of FattE-Bikes, above, checks on a bike before it is picked up by a customer. The range and power of e-bike batteries have improved dramatically in recent years.



Existing bicycle giants are investing heavily in e-bikes, including Shimano, Giant, and Accell, all of which have annual revenues in excess of \$1 billion. Because e-bikes tend to command much higher prices than conventional bikes, they represent an opportunity for more profit in a business where margins have historically been razor thin, says Mr. Benjamin.

Seattle-based Rad Power Bikes has netted more than \$300 million in investment in order to build its direct-to-consumer e-bike business. The company offers a number of models aimed at commuters, including folding e-bikes, cargo e-bikes capable of hauling a couple of kids or a load of groceries, and moped-style step-through models that replace the traditional

rear bike rack with a padded seat suitable for carrying a second full-grown adult passenger.

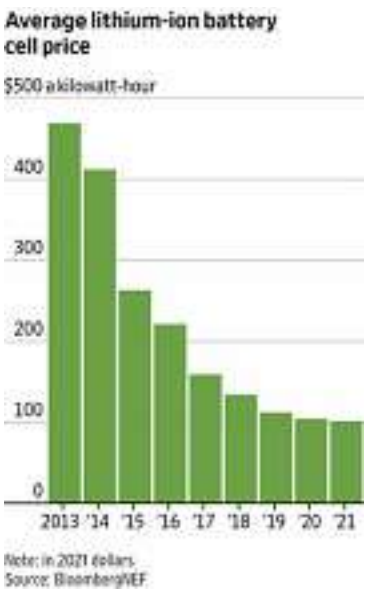
While e-bike sales are strong in the U.S., they are dwarfed by what’s happening elsewhere. In Europe, five million e-bikes were sold in 2021, according to the Confederation of the European Bicycle Industry, more than five times the U.S. figure. In China, annual sales of e-bikes consistently top 30 million, according to Shanghai Metals Market Information & Technology Co.

Part of this is cultural—bikes and scooters have, after all, been a staple of many cities across the

aren’t immune to those factors either. Some e-bike models from, for example, Rad Power Bikes have increased in price by \$100 to \$300 over the past year.

And while the prices for lithium-ion batteries have fallen every year since their invention, that is unlikely to hold true once their prices are tallied for 2022, says Francis Wang, chief executive of NanoGraf, a battery startup that has provided cells to the U.S. Army. Materials critical for the manufacture of batteries, including lithium, nickel and cobalt, have seen their prices explode, especially since the war in Ukraine began. While it’s difficult to predict the future price of lithium-ion cells, there simply isn’t enough of some commodities, like graphite, to satisfy global demand in 2022 and for the foreseeable future, he adds.

How increases in the price of components for EVs and light electric vehicles will play out for the future of personal transportation in the U.S. is difficult to predict. But if they keep electric vehicles beyond the reach of everyday consumers, who are at the same time squeezed by inflation and high fuel prices, e-bikes’ relative affordability could make them more attractive to more Americans—especially as cities continue to build the infrastructure required to make them a viable alternative.



FattE-Bikes of Denver is one of the few U.S.-based assemblers of e-bikes. Kyle Tripp of FattE, shown both left and right, works on the company’s products.

Mr. Ghosn's Stealthy Flight

Continued from page B1
linist Taro Hakase as guests, rather than as performers.

In reality, they were neither. Mr. Taylor had been hired to help Carlos Ghosn, the former chief of Nissan Motor Co. and Renault SA, flee Japan, where he was facing serious criminal charges, having been accused of orchestrating a complex flow of money between Nissan, the Middle East, and his own pocket.

Mr. Ghosn, who has denied wrongdoing, had been the world's most prominent car executive of the 21st century. To the astonishment of naysayers worldwide, he had forged two middling car makers into a global powerhouse, the Renault-Nissan Alliance. Near the end of his career, he had been ready to push through his last great act as an executive—a merger between the French and Japanese car makers.

By Mr. Ghosn's account, a plotting group of Nissan executives had prevented that by conspiring to orchestrate his downfall. His careful plans had been thwarted by a dramatic, unexpected arrest in November 2018. Nissan has said: "The sole cause of this chain of events is the misconduct led by Ghosn."

In mid-2019, Mr. Taylor received a call from one of Mr. Ghosn's acquaintances asking whether he could mastermind an escape. Mr. Taylor roped in his old friend Mr. Zayek and also enlisted his son, Peter Taylor, to play a limited, supporting role in the scheme. The plan was to flee to Lebanon, where Mr. Ghosn had grown up and—most important—a country that did not extradite its citizens.

Now Mr. Ghosn, 65 years old, was out on bail while awaiting trial, which he feared would be unfair, he has said repeatedly. Furthermore, he believed the Japanese court process moved so slowly that he might die before a verdict was delivered. He was willing to risk everything for a chance at freedom.

This account is based on police interviews, security footage, bank statements and other documents, as well as interviews with people familiar with how the escape was conducted, including Mr. Ghosn himself.

On Dec. 29, 2019, Messrs. Taylor and Zayek landed in Japan to pull off the plan.

The men who had come to sneak Mr. Ghosn out of the country made about the least likely pair of violinists imaginable. Mr. Taylor looked like the former Green Beret that he was. Fitter than men half his age, with closely clipped salt-and-pepper hair and a square jaw, he was straight out of central casting.

Mr. Zayek painted an even more striking image. He openly bore the scars of his former life as a Lebanese militiaman. He was partially deaf in his left ear and partially blind in one eye and walked with a pronounced limp, the result of a leg injury decades ago.

From the airport, Messrs. Taylor and Zayek took two vans to the Star Gate Hotel, where they checked in at 11:12 a.m. Mr. Taylor was given room 4009, where hotel staff dropped off their suitcases and the guitar. Mr. Zayek checked into a room six floors above, to which hotel staff brought the two large black boxes.

Messrs. Taylor and Zayek hadn't determined whether they would get Mr. Ghosn out that day or if the whole exercise would turn into a dress rehearsal. As seasoned operatives, they tried to make sure that there would be no surprises or unpredictable scenarios on such a



high-stakes, high-risk mission.

Just before noon, they flagged a taxi and headed for Shin Osaka Station. Mr. Zayek walked to the counter and purchased two tickets for Tokyo.

As Messrs. Taylor and Zayek were checking into their hotel room in Osaka, Mr. Ghosn was having a leisurely morning with his youngest daughter, who was 27. He packed some bags. Ms. Ghosn's return flight to the U.S. provided a convenient cover to send out some of her father's personal belongings ahead of his escape.

They went to lunch, probably for the last time in Tokyo. If anything went wrong, it would be the last meal Mr. Ghosn would eat outside a jail cell for a long time—maybe forever. After lunch, they stopped by the house again to drop off Mr. Ghosn and pick up his daughter's luggage. Mr. Ghosn pushed five suitcases to the garage, where his driver was waiting. Ms. Ghosn told the driver that she had too much baggage and would need to drop some off for a friend to carry back to the U.S. Mr. Ghosn has said his own family played no role in the escape; his daughter hasn't been charged with a crime.

At 2:05 p.m., the car carrying Ms.

The men there to sneak Mr. Ghosn out made the least likely pair of violinists imaginable.

Ghosn pulled up in front of the Grand Hyatt. She shook hands with the younger Mr. Taylor, who had checked in to the hotel the previous day, and he took two of her suitcases up to his room. She got back into the car and headed for nearby Haneda Airport.

At 2:30 p.m. precisely, Mr. Ghosn pushed open the front door of his two-story home and stepped outside. The moment before he crossed the threshold, he was Carlos Ghosn, revered auto executive fighting to clear his name. As soon as he stepped across it to execute his plan, at best he would become Carlos Ghosn the international fugitive. If he was caught, it would be back to jail, perhaps for the rest of his life.

Dressed in a dark jacket and scarf with a woolen cap and sunglasses, he walked west on the main

Mr. Ghosn, above, became Japan's most notorious criminal suspect. He hid inside the larger musical-instrument case at right. Michael Taylor and George Zayek, below, arrived at the Istanbul airport on the jet carrying Mr. Ghosn.

road. He paused and looked over his shoulder before continuing. He had recently complained to a court that Nissan's security contractors spied on his every move.

Nissan wasn't the only monitor. Cameras had been installed outside and inside the foyer of the home by the court, checked once a week by the prosecutors. In addition, a constellation of security cameras on homes and buildings captured every step of Mr. Ghosn's 25-minute stroll to the Grand Hyatt.

Keeping his head down, he made his way through the lobby to the guest-room elevators. He got out on the ninth floor, walked down the hall, and entered room 933, where Peter Taylor was waiting.

The Nozomi express pulled into Shinagawa Station in Tokyo at 3:22 p.m. Michael Taylor and Mr. Zayek got off and boarded a taxi for the Grand Hyatt.

For more than 30 minutes Mr. Ghosn had been in Peter Taylor's room, where he'd changed clothes.

By the time Michael Taylor and Mr. Zayek reached the lobby of the Grand Hyatt, Peter was there waiting, having come down shortly before their arrival. When the two older men appeared, Peter immediately made for the elevator. The trio wanted to appear to be strangers in case the surveillance camera footage was reviewed. More than anything, Mr. Taylor wanted to ensure that his son wasn't seen as an accomplice.

Michael and Peter Taylor, along with Mr. Zayek, entered the ninth-floor room. It was the first time Mr. Ghosn had met his would-be rescuers face-to-face.

"It's time to go home," Michael Taylor told Mr. Ghosn, greeting him with a large smile.

Seven minutes later, the four men left the room with Mr. Ghosn's luggage. Peter Taylor took a taxi to the airport, where he was booked on a flight to China. Michael Taylor wanted his son to get out of the country before anything potentially illegal happened. Messrs. Ghosn and Zayek and Michael Taylor left through the main entrance of the hotel and hailed a cab to Shinagawa



Station. Mr. Ghosn now wore a pair of black, thick-rimmed glasses and a surgical mask, a common sight in Tokyo during flu season. The three men headed for the train platform.

Mr. Ghosn entered carriage 1 with Mr. Zayek. Michael Taylor entered carriage 2. The train left the station for Osaka at 4:55 p.m. Mr. Ghosn's face had been a fixture on TV and plastered on magazine covers for two decades. Seeing him there would be like spotting Steve Jobs on a New York City subway. Mr. Taylor had given him advice about how to behave, urging him not to speak in case people recognized his voice. Don't catch anybody's eye, he counseled. Keep walking, but look straight down to the ground.

The bullet train arrived at Shin Osaka Station at 7:20 p.m. The men filed out, walking in single file, a few paces apart: Michael Taylor, then Mr. Ghosn, then Mr. Zayek.

They piled into another taxi bound for the Star Gate Hotel. Once in the taxi, Mr. Ghosn, who had remained bundled up for nearly three hours on the train, removed his mask to take a few deep breaths of fresh air.

At 8:15 p.m., the trio walked through the entrance of the Star Gate Hotel. Messrs. Ghosn and Zayek went directly to the 46th floor, where the boxes were kept, while Michael Taylor went to the front desk before going to his room on the 40th floor, grabbing the guitar case before heading up to meet the others.

Mr. Ghosn took his time, inspecting the box carefully. He turned to Michael Taylor and Mr. Zayek, resolute. He wanted to get out of Japan that night. There would be no dry run.

While Messrs. Ghosn and Zayek rested and made preparations in the hotel room, Michael Taylor returned to the private-jet terminal to ensure that the plane would leave as planned and to double-check that the personnel there had received a message that their bags shouldn't be scanned. Most charter airlines don't require bags to be checked, so passengers can choose their level of security. Obviously, if the airport were to insist on opening the case containing Mr. Ghosn, the trio might never leave Japan.

Ms. Tokunaga, the English-speaking employee, asked what he was doing there. Passengers who fly on private jets don't often show up 90 minutes before departure.

"Are we going through a security check when we leave?" Mr. Taylor asked.

Ms. Tokunaga told him that there would be no security check. Mr. Taylor said he would head back to the hotel, but not before handing Ms. Tokunaga an envelope.

"Here's a tip for you," he said. Inside, Ms. Tokunaga saw a stack of 10,000-yen notes, each worth roughly \$100. She had never seen that much money at once. She figured there must have been at least

\$10,000 in there.

Ms. Tokunaga told him she couldn't take it. Tips were forbidden. Mr. Taylor declined to take back the envelope and told her to share it with her co-workers. Ms. Tokunaga didn't want to offend Mr. Taylor, so she held on to the envelope. Shortly after Mr. Taylor left, Mr. Matsui, the terminal manager, dialed Ms. Tokunaga. He had been surprised by Mr. Taylor's sudden appearance and wanted to know what was going on.

"I think he just wanted to check the status of the aircraft," Ms. Tokunaga said. Mr. Matsui made his way to the terminal and again asked why Mr. Taylor had come so far ahead of the departure time. Ms. Tokunaga told Mr. Matsui about the envelope of cash. It presented Mr. Matsui with a conundrum.

Mr. Matsui dialed a manager at another agency to discuss whether they could accept the money. They decided it should be returned politely and in a way that wouldn't offend Mr. Taylor.

When Mr. Taylor got back to the hotel, he headed to the 46th floor and entered the room around 9:30 p.m. The private jet was due to leave the Osaka terminal, bound for Istanbul, in one hour.

Mr. Ghosn stood contemplating the box that was supposed to smuggle him aboard the jet. It was the last hurdle—and by far the biggest. Up until now, he had not technically done anything wrong. He was allowed to travel around the country. But he couldn't explain this away. Nonetheless, it was the box he had chosen. It was that or a jail cell.

Taking a final deep breath, Mr. Ghosn lay down on the base of the box. Mr. Taylor pulled a sheet off the bed and laid it over him. Mr. Taylor then put his guitar on top of Mr. Ghosn and tried closing the box. It fit, but the guitar pressed down on Mr. Ghosn. He would have to spend at least an hour in there, and he needed to be comfortable. The sheet stayed. It would be the only camouflage if airport staff decided they needed to look inside.

Mr. Taylor could sense that Mr. Ghosn was nervous.

"Have you ever gone scuba diving?" he asked Mr. Ghosn.

"Yes," said Mr. Ghosn.

Mr. Taylor mimed taking slow, controlled breaths. He looked him in the eyes, communicating calm and confidence.

"Breathe slowly," he reminded Mr. Ghosn.

Mr. Taylor lowered the top of the box, and everything went black.

This article is adapted from "Boundless: The Rise, Fall, and Escape of Carlos Ghosn" by Wall Street Journal reporters Nick Kostov and Sean McLain, to be published on Aug. 9 by Harper Business, an imprint of HarperCollins Publishers (which, like The Wall Street Journal, is owned by News Corp).



WHERE ARE THEY NOW?

After fleeing Japan, **Carlos Ghosn** is living as an international fugitive in Lebanon, which doesn't extradite its citizens. He is living in a house Nissan purchased for him years before the accusations against him.

◀ **Michael Taylor** pleaded guilty to aiding Mr. Ghosn's escape and started a two-year sentence at Tokyo's Fuchu Prison in the summer of 2021; he spends much of his day in solitary confinement.

Peter Taylor is serving a slightly lighter 20-month sentence at Yokohama Prison for the same crime as his father.

◀ **George Zayek** (rear) is also a fugitive in Lebanon, where he flew separately from Mr. Ghosn. Japan issued an Interpol red notice against him; he is wanted on suspicion of aiding Mr. Ghosn's escape.

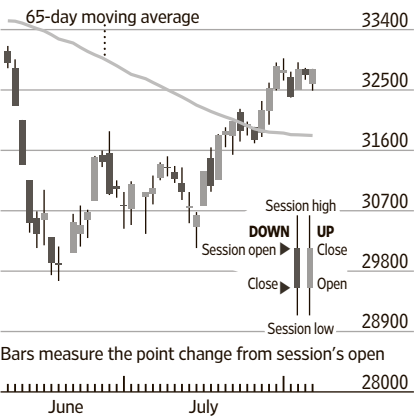
MARKETS DIGEST

Dow Jones Industrial Average

32803.47
▲ 76.65
or 0.23%
All-time high
36799.65, 01/04/22

Last Year ago
19.36 24.00
P/E estimate * 17.41 19.35
Dividend yield 2.14 1.79

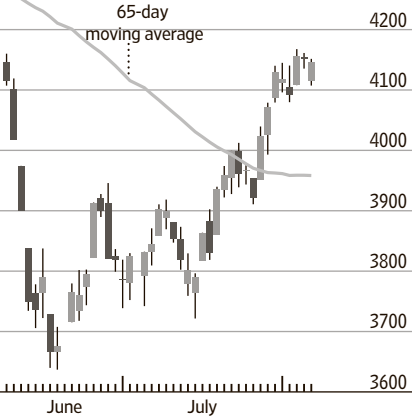
Current divisor
0.15172752595384



S&P 500 Index

4145.19
▼ 6.75
or 0.16%
All-time high
4796.56, 01/03/22

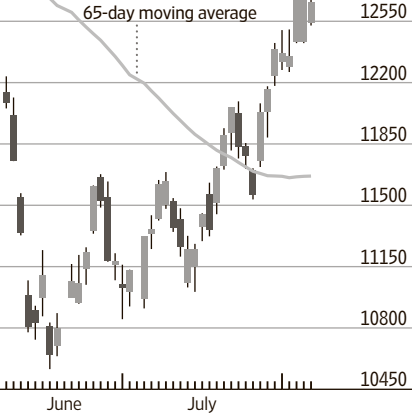
Last Year ago
22.56 31.24
P/E estimate * 18.22 22.37
Dividend yield * 1.58 1.33



Nasdaq Composite Index

12657.55
▼ 63.03
or 0.50%
All-time high:
16057.44, 11/19/21

Last Year ago
26.82 36.01
P/E estimate ** 23.06 29.15
Dividend yield ** 0.83 0.67



Weekly P/E data based on as-reported earnings from Birinyi Associates Inc. * Based on Nasdaq-100 Index

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg	YTD	% chg 3-yr. ann.
Dow Jones										
Industrial Average	32814.61	32489.62	32803.47	76.65	0.23	36799.65	29888.78	-6.8	-9.7	8.4
Transportation Avg	14604.44	14334.28	14601.05	122.31	0.84	17039.38	12868.60	0.7	-11.4	13.3
Utility Average	1022.10	1004.45	1013.96	-7.66	-0.75	1071.75	869.74	9.4	3.4	8.1
Total Stock Market	41835.54	41330.99	41775.13	-10.76	-0.03	48929.18	36759.60	-9.3	-14.1	12.7
Barron's 400	954.40	937.84	952.80	5.31	0.56	1127.20	852.16	-7.8	-13.9	13.5
Nasdaq Stock Market										
Nasdaq Composite	12720.44	12525.77	12657.55	-63.03	-0.50	16057.44	10646.10	-14.7	-19.1	17.9
Nasdaq-100	13286.02	13070.36	13207.69	-103.35	-0.78	16573.34	11127.57	-12.6	-19.1	21.2
S&P										
500 Index	4151.58	4107.31	4145.19	-6.75	-0.16	4796.56	3666.77	-6.6	-13.0	13.4
MidCap 400	2508.49	2468.21	2504.28	13.77	0.55	2910.70	2200.75	-7.8	-11.9	10.4
SmallCap 600	1239.94	1221.74	1239.40	6.10	0.49	1466.02	1087.48	-8.6	-11.6	10.8
Other Indexes										
Russell 2000	1922.55	1884.18	1921.82	15.37	0.81	2442.74	1649.84	-14.5	-14.4	8.9
NYSE Composite	15274.78	15100.63	15273.23	49.02	0.32	17353.76	14097.05	-8.8	-11.0	6.9
Value Line	573.29	565.06	572.83	2.02	0.35	696.40	510.18	-14.0	-14.7	4.3
NYSE Arca Biotech	5101.89	4973.10	5096.78	30.94	0.61	6019.57	4208.43	-14.4	-7.6	4.5
NYSE Arca Pharma	803.71	798.17	801.11	-2.60	-0.32	887.27	732.23	3.0	-3.2	11.8
KBW Bank	109.14	106.69	108.57	1.38	1.29	147.56	98.36	-14.7	-17.9	4.8
PHLX [®] Gold/Silver	108.02	104.34	108.00	-0.18	-0.17	167.76	100.65	-21.0	-18.5	4.7
PHLX [®] Oil Service	65.64	61.78	64.04	1.32	2.11	88.37	48.31	18.9	21.5	-2.5
PHLX [®] Semiconductor	3077.45	3010.06	3053.39	-28.02	-0.91	4039.51	2458.46	-10.5	-22.6	29.0
Cboe Volatility	22.58	20.76	21.15	-0.29	-1.35	36.45	15.01	31.0	22.8	-4.9

[§]Nasdaq PHLX

Sources: FactSet; Dow Jones Market Data

Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE Amer.
Total volume*	818,671,319	13,775,541
Adv. volume*	507,699,250	10,476,801
Decl. volume*	299,505,360	3,191,864
Issues traded	3,367	291
Advances	1,528	129
Declines	1,685	147
Unchanged	154	15
New highs	27	1
New lows	46	3
Closing Arms*	0.52	0.20
Block trades*	4,370	131

* Primary market NYSE, NYSE American, NYSE Arca only. (†TRIN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

Percentage Gainers...

Company	Symbol	Close	Net chg	% chg	52-Week High	52-Week Low	% chg
Magic Empire Global	MEGL	97.00	93.00	2325.00	235.95	4.00	...
Cooper-Standard Holdings	CPS	8.53	3.50	69.58	28.06	3.53	-62.3
Intelligent Living	ILAG	3.60	1.41	64.38	26.40	1.65	...
Bonso Electronics Intl	BNSO	4.78	1.61	50.75	7.47	2.26	-33.5
Pineapple Energy	PEGY	3.63	1.14	45.78	42.36	2.09	-87.1
Heritage Insurance	HRTG	3.50	1.07	44.03	7.56	2.26	-51.7
Carvana Cl A	CVNA	46.98	13.44	40.07	376.83	19.45	-86.4
Proqyny	PGNY	41.15	11.38	38.23	68.32	25.67	-14.7
Boqii Holding ADR	BQ	2.71	0.70	34.87	18.78	1.33	-84.8
Global Blood Therapeutics	GBT	63.84	15.85	33.03	73.02	21.65	90.1
Bed Bath Beyond	BBBY	8.16	2.01	32.68	30.14	4.38	-70.0
Sensus Healthcare	SRTS	14.55	3.42	30.73	14.82	3.21	301.9
Incannex Healthcare ADR	IXHL	4.89	1.13	30.05	90.00	3.26	...
GH Research	GHRS	15.80	3.63	29.83	30.43	8.72	-22.9
Q&K Intl ADR	QK	3.05	0.69	29.24	5.75	0.60	-43.5

Percentage Losers

Company	Symbol	Close	Net chg	% chg	52-Week High	52-Week Low	% chg
Quoin Pharmaceuticals ADR	QNRX	5.29	-8.77	-62.38	444.00	3.58	-97.5
Hyzon Motors	HYZN	2.78	-1.71	-38.08	11.37	2.47	-60.6
Health Catalyst	HCAT	11.35	-6.92	-37.88	59.50	10.95	-80.0
Mill City Ventures III	MCVT	2.50	-0.89	-26.25	5.40	1.52	-44.4
Kaspian Holdings	KSPN	3.74	-1.30	-25.79	23.21	2.01	-80.8
Exagen	XGN	6.34	-1.96	-23.61	14.90	4.15	-39.3
Regional Hlth Properties	RHE	3.73	-1.06	-22.13	13.90	2.04	-54.9
Heart Test Laboratories	HSCS	2.12	-0.59	-21.77	6.00	1.15	...
Valhi	VHI	40.97	-10.91	-21.03	54.06	21.27	82.3
Histogen	HSTO	2.47	-0.65	-20.83	18.60	2.06	-85.3
Profound Medical	PROF	7.38	-1.92	-20.65	17.74	6.09	-55.0
CN Energy Group	CNEY	2.17	-0.54	-19.93	13.50	1.17	-66.0
Intrusion	INTZ	3.94	-0.93	-19.10	5.47	1.74	-9.2
UserTesting	USER	4.87	-1.10	-18.43	15.98	4.14	...
Funko Cl A	FNKO	21.81	-4.89	-18.30	27.79	15.28	15.8

Most Active Stocks

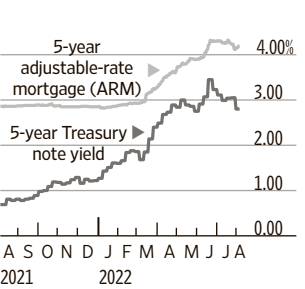
Company	Symbol	Volume (000)	% chg from 65-day avg	Latest Session Close	% chg	52-Week High	52-Week Low
ProShares UltraPro QQQ	TQQQ	141,564	-21.0	35.29	-2.38	91.68	21.32
ProSh UltraPro Shrt QQQ	SQQQ	136,326	12.1	37.38	2.41	67.69	28.15
AMC Entertainment Hldgs	AMC	124,949	194.9	22.18	18.86	52.79	9.70
Advanced Micro Devices	AMD	93,763	-12.1	102.31	-1.54	164.46	71.60
Marker Therapeutics	MRKR	73,375	19556.4	0.54	63.64	2.13	0.25

* Common stocks priced at \$2 a share or more with an average volume over 65 trading days of at least 5,000 shares. †Has traded fewer than 65 days

Consumer Rates and Returns to Investor

U.S. consumer rates

A consumer rate against its benchmark over the past year



Selected rates

Five-year ARM, Rate

Bankrate.com avg [†]	4.19%
Glens Falls Natl Bank Trust Co	2.63%
Glens Falls, NY	518-793-4121
Raymond James Bank, NA	3.00%
St. Petersburg, FL	800-718-2265
Clinton Savings Bank	3.50%
Clinton, MA	888-744-4272
RTN Federal Credit Union	3.75%
Waltham, MA	781-736-9900
Hanscom Federal Credit Union	3.88%
Hanscom AFB, MA	800-656-4328

Interest rate	Yield/Rate (%) Last (●) Week ago	52-Week Range (%) Low 0 2 4 6 8 High	3-yr chg (pct pts)		
Federal-funds rate target	2.25-2.50	2.25-2.50	0.00	2.50	0.25
Prime rate*	5.50	5.50	3.25	5.50	0.25
Libor, 3-month	2.87	2.79	0.11	2.87	0.66
Money market, annual yield	0.14	0.13	0.07	0.14	-0.58
Five-year CD, annual yield	1.85	1.77	0.41	1.85	0.00
30-year mortgage, fixed†	5.43	5.43	3.00	6.11	1.66
15-year mortgage, fixed†	4.76	4.77	2.28	5.39	1.53
Jumbo mortgages, \$647,200-plus†	5.41	5.38	3.03	6.11	1.23
Five-year adj mortgage (ARM)†	4.19	4.13	2.82	4.32	0.02
New-car loan, 48-month	5.07	5.05	3.41	5.09	0.42

Bankrate.com rates based on survey of over 4,800 online loans. * Base rate posted by 70% of the nation's largest banks. † Excludes closing costs.

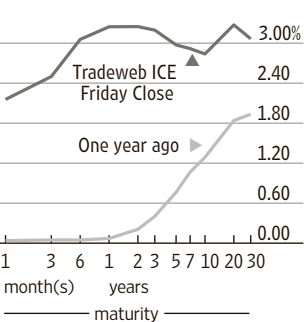
Sources: FactSet; Dow Jones Market Data; Bankrate.com

Bankrate.com rates based on survey of over 4,800 online banks. *Base rate posted by 70% of the nation's largest banks. † Excludes closing costs.

Sources: FactSet; Dow Jones Market Data; Bankrate.com

Treasury yield curve

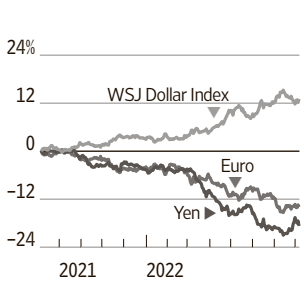
Yield to maturity of current bills, notes and bonds



Sources: Tradeweb ICE U.S. Treasury Close; Tullett Prebon; Dow Jones Market Data

Forex Race

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Corporate Borrowing Rates and Yields

Bond	Yield (%)	52-Week	Total Return (%)
Bond total return index	Close	Last Week ago	High Low 52-wk 3-yr
U.S. Treasury Bloomberg	2186.850	3.120	2.890 3.550 0.850 -9.597 -1.200
U.S. Treasury Long Bloomberg	3595.060	3.230	3.190 3.630 1.720 -20.238 -3.737
Aggregate, Bloomberg	2040.650	3.600	3.420 4.140 1.400 -10.074 -0.961
Fixed-Rate MBS, Bloomberg	2041.460	3.430	3.350 4.240 1.670 -7.944 -1.180
High Yield 100, ICE BofA	3184.632	7.096	7.116 8.427 3.210 -7.297 1.406
Muni Master, ICE BofA	567.079	2.522	2.455 3.191 0.723 -6.056 0.297
EMBI Global, J.P. Morgan	776.162	7.259	7.351 8.085 4.516 -16.585 -3.360

Sources: J.P. Morgan; Bloomberg Fixed Income Indices; ICE Data Services

Track the Markets: Winners and Losers

A look at how selected global stock indexes, bond ETFs, currencies and commodities performed around the world for the week.

Index	Currency, vs. U.S. dollar	Commodity, traded in U.S.*	Exchange-traded fund
BOVESPA Index		3.21%	
Russian ruble	2.85		
Nasdaq Composite	2.15		
Nasdaq-100	2.01		
S&P 500 Information Tech	1.95		
Russell 2000	1.94		
KOSPI Composite	1.60		
S&P BSE Sensex	1.42		
NIKKEI 225	1.35		
S&P 500 Consumer Discr	1.17		
S&P 500 Communication Svcs	1.16		
S&P/ASX 200	1.01		
FTSE MIB	0.81		
WSJ Dollar Index	0.73		
DAX	0.67		
Comex gold	0.57		
S&P 500 Industrials	0.56		
iShJPMUSEmgBd	0.51		
S&P 500 Utilities	0.38		
CAC-40	0.37		
S&P 500	0.36		
Euro STOXX	0.26		
Hang Seng	0.23		
FTSE 100	0.22		
Lean hogs	0.15		
IBEX 35	0.14		
S&P 500 Consumer Staples	0.10		
	-0.03	South Korean won	
	-0.04	S&P SmallCap 600	
	-0.05	Dow Jones Transportation Average	
	-0.06	S&P 500 Financials	
	-0.13	Dow Jones Industrial Average	
	-0.19	iShiBoxx\$HYCp	
	-0.23	VangdTotIntlBd	
	-0.27	Chinese yuan	
	-0.30	Mexico peso	
	-0.34	S&P MidCap 400	
	-0.37	S&P/TSX Comp	
	-0.40	Indonesian rupiah	
	-0.42	Euro area euro	
	-0.57	Indian rupee	
	-0.59	STOXX Europe 600	
	-0.67	iShNatlMuniBd	
	-0.70	iSh 1-3 Treasury	
	-0.70	S&P 500 Health Care	
	-0.81	Shanghai Composite	
	-0.82	iSh 20+ Treasury	
	-0.86	Comex copper	
	-0.91	UK pound	
	-0.95	South African rand	
	-0.97	Corn	
	-1.07	Swiss franc	
	-1.10	Canada dollar	
	-1.10	Australian dollar	
	-1.17	VangdTotalBd	
	-1.21	Japanese yen	
	-1.28	Norwegian krone	
	-1.29	S&P 500 Materials	
	-1.35	S&P 500 Real Estate	
	-1.36	Soybeans	
	-1.39	iShiBoxx\$InvGrdCp	
	-1.51	iSh 7-10 Treasury	
	-1.67	Comex silver	
	-2.01	Nymex natural gas	
	-2.59	iSh TIPS Bond	
	-2.95	S&P/BMV IPC	
	-3.26	Bloomberg Commodity Index	
	-3.96	Wheat	
	-6.82	S&P 500 Energy	
	-8.27	Nymex RBOB gasoline	
	-9.39	Nymex ULSD	
	-9.74	Nymex crude	

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market activity as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. **Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Footnotes:
+New 52-week high.
-New 52-week low.
dd Indicates loss in the most recent four quarters.
FD First day of trading.
Stock tables reflect composite regular trading activity as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

YTD 52-Week **Yld** **Net**
% Chg **Hi** **Lo** **Stock** **Sym** **% PE** **Last** **Chg**

Friday, August 5, 2022				YTD 52-Week				Yld				52-Week				Yld				52-Week					
% Chg	Hi	Lo	Stock	Sym	% Chg	Hi	Lo	Sym	% Chg	Hi	Lo	Sym	% Chg	Hi	Lo	Sym	% Chg	Hi	Lo	Sym	% Chg	Hi	Lo		
-22.22	39.11	25.80	ABB	ABB	2.3	14	29.69	-0.43	-13.42	66.24	45.09	CB	CM	5.1	9	50.46	-23.42	137.10	104.67	GM	1.8	22	122.07		
-4.64	10.39	6	ADT	ADT	17.7	dd	8.02	-0.32	23.08	70.60	29.53	CanNatResources	CNQ	4.5	7	52	-23.59	127.72	104.67	GM	1.8	22	122.07		
-47.7	79.97	60.74	AECOM	ACM	0.8	49	115.7	0.08	-25.77	121.79	98.45	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	GM	1.8	22	122.07		
-2.84	26.52	14.82	AES	2.8	24	20.22	-1.22	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	GM	1.8	22	122.07			
-1.76	67.20	51.28	Aflac	AFL	2.7	9	59.43	0.26	-21.16	301.10	159.04	Carlisle	CSL	3.7	21	300.61	-21.16	301.10	159.04	Carlisle	CSL	3.7	21	300.61	
-4.86	150.28	88.55	AGCO	AGCO	0.9	10	106.21	-0.07	-23.85	155.98	84.7	CarMax	CMX	3.4	7	99.17	-23.85	155.98	84.7	CarMax	CMX	3.4	7	99.17	
-18.46	92.7	70.9	AMC Digital	AMC	11.4	22	21.8	3.52	-21.76	16.4	10.21	Centene	CNC	0.0	0	8.92	-21.76	16.4	10.21	Centene	CNC	0.0	0	8.92	
-23.9	10.65	6.85	AMEREN	AMER	2.3	10	22.3	0.87	-21.76	16.4	10.21	Centene	CNC	0.0	0	8.92	-21.76	16.4	10.21	Centene	CNC	0.0	0	8.92	
-28.83	41.89	25.52	Ansys	ANSS	5.5	28.85	-4.75	-22.79	58.80	20.14	21.82	CarrierGlobal	CARR	1.43	11.88	-0.88	-22.79	58.80	20.14	21.82	CarrierGlobal	CARR	1.43	11.88	-0.88
18.07	51.95	15.54	APA	1.6	4	31.75	1.07	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-2.94	2.44	0.88	Apex Technology	APTX	2.4	10	21.8	0.17	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	
-27.49	89.53	62.67	ASML	ASML	11.7	37	57.31	-11.15	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	
-1.17	21.53	16.62	AT&T	T	6.0	7	18.35	0.08	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	
-22.7	142.60	101.24	Abbott Labs	ABT	17	23.109	-0.47	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-1.95	175.91	105.56	Adia	ADIA	4.1	20	23.0	0.84	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	
-18.84	379.30	219.84	Abbott	ABMD	6.2	29.190	-0.74	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-30.4	83.63	50.07	Acadia Healthcare	ACHC	27	81.37	0.61	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-25.38	41.37	26.17	Accura	ACN	33	309.35	-1.26	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-20.6	86.90	56.40	Acorda	ACB	2.6	10	21.8	0.17	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	
-23.7	69.54	38.8	Adobe	ADBE	42	433.43	-2.84	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-19.37	245.54	164	Adobe	AAP	31	222.932	1.86	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-2.46	130.85	88.81	AdVantage Systems	ADV	2.2	21	23.0	0.84	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	
-29.91	64.46	71.60	AdMicro Devices	ADM	43	102.31	-0.26	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-8.50	16.22	3.90	Aegion	AEG	3.6	5	4.47	0.23	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	
-31.00	71.38	37.20	AerCap	AER	2.0	45	15.4	0.57	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	
-1.76	176.65	124.6	Affirm	AFRM	6.4	33.40	0.85	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-16.31	179.57	112.52	Agilent Techs	A	0.6	32	135.61	-0.1	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	
-5.22	38.4	13.02	Agilion Health	AGL	2.0	25	99.07	-0.07	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	
-22.2	67.14	34.06	AgioPharm	AGP	2.5	26	24.0	-0.30	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	
-13.68	516.39	216.24	Air Products	APD	2.5	26	24.0	-0.30	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	
-29.6	212.8	86.71	Airbnb	ABNB	64	117.11	-2.11	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-17.4	172.25	85.80	Alkermes	AKAM	26	96.28	0.07	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-1.61	291.48	169.91	Alkermes	AKAM	26	96.28	0.07	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-16.88	98.99	36.61	Alkermes	AA	1.8	10	49.52	-1.67	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	
-11.48	88.78	63.92	Alkermes	ALC	0.8	73	112.7	-0.74	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	
-28.34	224.91	130	Alkermes	SABA	5.1	92.56	-4.87	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-22.08	19.89	7.28	Alkermes	ALGN	38	289.39	0.16	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-55.28	73.25	25.05	Alkermes	ALGN	38	289.39	0.16	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-22.82	148.69	69.88	Alkermes	ALGN	38	289.39	0.16	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-28.91	14.22	10.21	Alkermes	ALGN	38	289.39	0.16	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-1.61	65.37	54.00	Alkermes	ALGN	38	289.39	0.16	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-0.55	144.6	111.11	Alkermes	ALGN	38	289.39	0.16	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-3.57	56.28	31.66	Alkermes	ALGN	38	289.39	0.16	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-28.89	22.6	11.58	Alkermes	ALGN	38	289.39	0.16	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-19.88	151.55	101.88	Alkermes	ALGN	38	289.39	0.16	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-18.92	152.0	102.1	Alkermes	ALGN	38	289.39	0.16	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-6.94	47.05	41	Alkermes	ALGN	38	289.39	0.16	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-23.99	23.90	8.81	Alkermes	ALGN	38	289.39	0.16	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-1.45	3.3	2.42	Alkermes	ALGN	38	289.39	0.16	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-2.1	13.61	10.66	Alkermes	ALGN	38	289.39	0.16	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-16.50	88.95	68.32	Alkermes	ALGN	38	289.39	0.16	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33		
-23.91	76.99	40.97	Alkermes	ALGN	38	289.39	0.16	-23.59	127.72	104.67	CapitalOne	CAP	3.2	5	106.33</										

BUSINESS & FINANCE

Gasoline Refineries' Capacity Stretched

Recent decline in fuel prices could reverse if supply can't keep up with demand in U.S.

By COLLIN EATON
AND BENOÎT MORENNE

American fuel makers dialed down production this month, a move that will reduce gas supplies and threatens to slow the decline in gasoline prices.

Since hitting a record national average of \$5 a gallon this summer, gasoline prices have tumbled about 91 cents and could slip to or below about \$4 a gallon by mid-August, analysts said, as economic fears weigh on oil markets and American drivers cut back on fuel purchases.

The longevity of the price reprieve depends partly on how much fuel refineries can continue to make, analysts said. Marathon Petroleum Corp. and Phillips 66, two of the biggest U.S. refiners, said they are planning maintenance work in the second half of the year, with others expected to slow operations during the fall after running at breakneck speed during the summer months.

"We really wanted to meet market demand," said Ray-

mond Brooks, an executive vice president at Marathon, in a call with investors this week. He was referring to the company's refineries being maxed out in the second quarter. As a result, the refiner has to conduct \$400 million in maintenance in the coming months, he said.

Overall, U.S. oil refiners used 91% of their total fuel-making capacity last week, down from an annual high of 95% in late June and the lowest level since May, according to the Energy Information Administration. It is rare to see a 4-percentage-point drop in refinery runs during the summer, said Robert Yawger, executive director for energy futures at Mizuho Securities USA.

"They were squeezing more blood out of a turnip than ever before," Phil Flynn, a senior analyst at the Price Futures Group in Chicago, said of refiners. A slowdown by several refineries would contribute to bringing gasoline's rapid descent to a stopping point, he said.

If the U.S. economy does go into recession, as many economists say it might, fuel demand and gas prices might fall further. But many of the factors that limited supplies and spurred record gasoline prices this summer will remain, in-

cluding a dearth of fuel-making facilities. Another potential obstacle is the Atlantic hurricane season, when refineries often go offline if they fall in the path of severe storms.

Since 2020, about 3 million barrels a day of global refining capacity has been shut permanently. That decline resulted in record refining margins for fuel makers and prompted them to virtually max out their capacity this summer. In addition to planned refinery tuneups this fall, there is limited additional capacity coming online in the U.S. for the foreseeable future. The situation means that if fuel demand rebounds, refiners will struggle to add new supplies.

"Motorists should not yet be breathing easy," said Patrick De Haan, head of petroleum analysis at price tracker GasBuddy.

High prices at the pump have been a key driver of the inflation weighing on American spenders, alongside soaring prices of groceries, hardware and utilities. The national average gasoline price is still almost \$1 a gallon higher than it was this time last year, a political liability for the Biden administration and its Democratic allies in Congress facing midterm elections in November.



High gasoline prices have eased recently but refineries say scheduled maintenance will slow output.

Administration officials say their moves have helped to lower prices, pointing to President Biden's prodding of the Organization of the Petroleum Exporting Countries and its allies, collectively known as OPEC+, to increase production, as well as oil releases from the country's Strategic Petroleum Reserve of about 1 million barrels a day since the end of April.

Those efforts have had some effect, analysts say, but the precipitous drop in gasoline prices is largely due to consumers cutting back on driving during the usually busy summer season because of high fuel prices. More Russian crude flowing into global oil supplies than expected, combined with an economic pullback from China and fears

of a recession, have also helped ease high prices.

U.S. gasoline prices averaged \$4.11 a gallon Friday. The last time gasoline prices averaged above \$4 a gallon for a prolonged period in the U.S. was for two summer months in 2008, according to AAA data. Oil prices fell to \$88.54 a barrel Thursday, the first time since Russia's invasion of Ukraine that oil has settled below the \$90-per-barrel mark.

Refiners' gasoline margins have halved since their record peak in early June, according to Mr. Yawger, as consumers have balked at record prices. "\$5 gasoline killed the golden goose for these guys," he said.

American drivers purchased 8% less gasoline in the week ended July 30 compared with the same time last year, accord-

ing to preliminary data on same-store gasoline sales from data provider OPIS, a part of Dow Jones & Co., publisher of The Wall Street Journal.

Fuel-station owners set the prices consumers see at the pump, based on what they initially paid to fill their underground tanks. They have to sell that fuel for an amount to recoup their investments and manage a profit.

Hussnain Gondal, an entrepreneur who runs a small chain of gas stations in Connecticut and Rhode Island, said that he expected to keep lowering prices at the pump in the next two weeks but that he couldn't predict what would happen after that.

"Relief may be coming, but it might be temporary," he said.

Evergrande Backs Out of Plan for Soccer Stadium

By REBECCA FENG

The final whistle has sounded for **China Evergrande Group's** global soccer ambitions.

The embattled Chinese property giant is canceling a contract to build what was slated to be the world's largest soccer stadium, and is returning land-use rights for the site to the government of Guangzhou in its home province.

Evergrande said it would receive a refund equivalent to about \$818 million, and intends to use the money to help repay a mountain of debt. The property conglomerate, which has around \$300 billion in liabilities, defaulted on its U.S. dollar bonds last year and has failed to pay some of its debt in mainland China.

The massive stadium project had been a high-profile symbol of the excesses of Ev-

ergrande, which spent freely on activities far removed from its core real-estate business during the years when it was flush with cash. Evergrande bought Guangzhou's soccer club more than a decade ago for 100 million yuan, the equivalent of about \$15 million at current exchange rates, and used it to help promote its brand as the developer rolled out residential projects in cities across China.

The Guangzhou Evergrande Football Club won national accolades after clinching the Asian Champions League title in 2013—becoming the first Chinese club to win the tournament in more than two decades. The following year, Alibaba Group Holding Ltd. bought part of the team for 1.2 billion yuan, and it became known as the Guangzhou Evergrande Taobao Football Club. The deal came about after

Jack Ma, Alibaba's founder and then-chairman, had drinks with Evergrande's chairman and founder, Hui Ka Yan.

The team is an eight-time champion of the Chinese Football Association Super League, the country's top professional soccer league. The club dropped both corporate sponsors from its name last year, and is now just known as the Guangzhou Football Club. Evergrande also sponsored a soccer school to groom and train young players, and boasted about its contributions to the country's sports developments in its annual reports.

In April 2020, Evergrande paid about \$1 billion for the

land-use right of a parcel located in Guangzhou's Panyu District. At the time, the developer said it would turn it into the world's largest and most technologically advanced soccer stadium—a lotus-shaped spectacle that would be able to accommodate 100,000 people. It was to be called the Guangzhou Evergrande Football Stadium.

The stadium will "compete with global landmarks such as the Sydney Opera House and the Dubai Burj Khalifa for its beauty" and will be an important landmark as Chinese soccer goes international, said Xia Haijun, Evergrande's former chief executive officer, at

the ceremony that marked the beginning of construction.

Evergrande's original plan was to invest as much as 12 billion yuan in the project. The stadium was supposed to be finished by the end of 2022. Construction has begun, but the project is far from done.

Evergrande became engulfed by liquidity problems last year and is working on a debt-restructuring plan while it tries to deliver on promises to complete numerous unfinished residential property developments across China. Last month, Mr. Xia was ousted after he was found to have been involved in questionable borrowing arrangements.

After the developer returns the land-use right to the Guangzhou Municipal Planning and Natural Resources Bureau, the money Evergrande receives will go into a government-designated escrow account that will be used to pay back the company's debts.

The Guangzhou government will take over the structures currently on the site, and intends to find another company to continue with the project's construction.

Evergrande is expected to incur a loss of roughly 1.255 billion yuan from the transaction, it said in the filing. The developer said it had spent 2.1 billion yuan.



Guangzhou Evergrande Football Stadium, which was started but isn't finished, was slated to be the world's largest soccer stadium.

Sinovation Fund Falls Short of Its Goal

By JING YANG

Sinovation Ventures, a China-based early stage investment fund led by former Google executive Kai-Fu Lee, has held a \$200 million first close of its latest fund, according to a person familiar with the matter.

Sinovation's fifth fund began raising capital in November 2021 with a \$500 million goal, according to a regulatory filing with the Securities and Exchange Commission.

A representative for Sinovation declined to comment on the fundraising.

The first close came as fundraising by China-focused general partners has dwindled to a trickle in light of heightened U.S.-China ten-

sions and Beijing's regulatory assault on internet-focused companies.

A total of 22 China-focused venture-capital funds raised a combined \$7.4 billion through Aug. 4, according to data provider Preqin Ltd. By comparison, 134 funds raised \$22.4 billion over the same period last year. In 2018, the most recent peak for China-focused venture fundraising, 839 funds raised \$93.5 billion collectively, Preqin data show.

Top-tier general partners continue to raise capital despite the fundraising lull. Qiming Venture Partners, which focuses on early- and growth-stage investments in China's consumer, internet and healthcare sectors, in July closed two funds which

raised \$3.2 billion.

Sequoia Capital China, led by entrepreneur Neil Shen, recently raised nearly \$9 billion in four funds from predominantly international investors.

\$7.4B

Funds 22 China-focused funds raised through Aug. 4

Beijing-based Sinovation was founded by Dr. Lee, who oversaw the China operations of Alphabet Inc.'s Google from 2005-09. The firm specializes in Series A and B round in-

vestments and has \$3 billion under management, according to its website. Its roster of limited partners includes Los Angeles County Employees Retirement Association and Spanish banking giant Banco Bilbao Vizcaya Argentaria SA.

The firm's fourth fund closed in 2018 after raising \$500 million.

Sinovation says it focuses investments in artificial intelligence and deep tech, robotics and automation, enterprise software, semiconductors and chips, healthcare and sustainability technologies.

It has backed companies such as Chinese AI powerhouse 4Paradigm; Zhihu Inc., China's equivalent of Quora Inc.; and WeRide, an autonomous driving start-up.

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MARKETS

Data Cloud Wall Street’s Recession Bet

By **GUNJAN BANERJI**
And **SAM GOLDFARB**

Friday’s surprisingly strong jobs data sparked a sharp rise in bond yields and a modest decline in the S&P 500, with investors reassessing popular bets that the postpandemic economy won’t be defined by significantly higher interest rates than the one that preceded it.

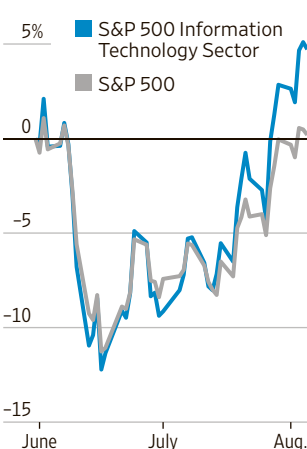
Yields, which rise when bond prices fall, surged after Friday’s report suggested the U.S. economy isn’t cooling quite as quickly as investors had assumed, as both job growth and wage gains significantly outpaced economists’ projections.

The yield on the 10-year U.S. Treasury note settled at 2.838%, according to Tradeweb, up from 2.674% Thursday. In stocks, the Dow Jones Industrial Average edged higher, but the S&P 500 and Nasdaq Composite both fell. Still, the 10-year yield remained well below its 2022 peak near 3.5% after a large decline in July, and the S&P 500 managed a small weekly gain.

Friday’s moves threatened a trade that has helped send major indexes racing higher from their recent lows. Since June 16, the S&P 500 has advanced 13%, while the tech-heavy Nasdaq has jumped 19%.

Fueling that surge: Bets that inflation, which has been at a 40-year-high, will fall in the fu-

Index performance, past three months



Sources: FactSet (Indexes); Ryan ALM (Treasury)

10-year U.S. Treasury yield



ture and the Federal Reserve will walk back from its aggressive pace of interest-rate increases. “The bond market is the driver here,” said Zhiwei Ren, a portfolio manager at Penn Mutual Asset Management. “That’s definitely a big boost for the equity market.”

Mr. Ren said he has recently unwound a position that Treasury prices will fall and yields will rise because he thinks that the Fed will have to slash rates while the economy loses steam, potentially falling into a recession. The move over recent weeks has marked a return to a trend that dominated for years, even during the Covid-19 pandemic: Yields stayed relatively

low and stocks continued a steady ascent, with investors spotting few other alternatives to park their cash. Tech stocks in particular flourished.

Friday’s climb in yields marked the latest burst of volatility in the bond market that showed the consensus on Wall Street can quickly turn. Earlier in the week, yields also climbed after several Fed speakers underscored that additional rate increases are necessary to tame inflation.

Sebastien Page, head of global multiasset at T. Rowe Price, said he was bearish on Treasuries for much of the year in the portfolios he oversees and looked to hold less of them

than the benchmarks he tracks. The firm’s asset-allocation committee has since pared that stance and is considering when to step in to buy stocks.

Still, he said that the lockstep rally in stocks and bonds “feels a little bit premature.”

Supporting the bond-market rally, asset managers recently increased bullish positions on Treasuries to the highest level since December 2019, according to Deutsche Bank data, though leveraged funds such as hedge funds increased their bearish bets.

In mid-June, when the 10-year yield was around its peak, investors were expecting that the federal-funds rate would reach 4% next year.

Interest-rate derivatives on Friday showed rates reaching between 3.5% and 3.75% by early next year, followed quickly by rate cuts. Riskier corners of financial markets have benefited from the shift. Investors piled into junk bonds in late July after six consecutive weeks of outflows, according to Deutsche Bank. The extra premium that investors demand to hold these below investment-grade corporate bonds recently fell to the lowest level since early June, FactSet data show.

And stock funds tracking companies promising fast growth in the future have attracted record inflows relative to value funds—those tracking

stocks that look inexpensive relative to the market—in July, according to research firm Strategas. Investors yanked money from funds tracking commodities and energy funds.

Earlier this year, many investors had placed a premium on firms that are generating high cash flow now rather than further out in the future. But JPMorgan Chase & Co. strategists expect shares of tech and growth companies to outperform other corners of the market in the near term after lagging behind for much of the year, in part because of the drop in yields, according to a recent note to clients.

The Nasdaq Composite climbed 2.2% this week, outperforming the S&P 500’s 0.4% gain. Surprising even some investors, the decline in yields has come at the same time that the Fed has ratcheted up the pace of monetary-policy tightening, having raised short-term rates by 0.75 percentage point at both its June and July meetings. Motivating the Fed to move more quickly, inflation data has continued to come in hotter than expected. Yet investors’ inflation expectations have moved in the opposite direction, driven primarily by signs of slowing economic activity.

Such expectations can be self-reinforcing. Fears that the developed world is heading quickly into a recession have al-

ready helped drive down commodity prices, which analysts expect to show up in the next round of inflation data.

Although data have been mixed, some investors have also become cautiously optimistic the pace of wage growth is slowing, reducing concerns of a wage-price feedback loop.

That assessment is hardly universal. Many investors, looking at the same wage data, have been far more pessimistic, and their concerns were buttressed by Friday’s data, which showed not only a larger-than-expected increase in average hourly earnings last month but an upward revision to June’s numbers.

Should Treasury yields return to prior levels, it isn’t clear that stocks and other riskier assets would react quite as negatively as they did the first time around.

When yields were rising earlier in the year, investors sold stocks not only because of how high yields were at the time but also because it was unclear how high they would need to go before they started slowing the economy, some investors said.

Investors have gained “greater confidence in the ability of the Fed to contain inflation, [and] greater confidence in the idea that you won’t have to go all that high,” said Tony Crescenzi, a portfolio manager at Pimco and member of the firm’s investment committee.

Survey Flashes Bottom for Stock Rout

By **ERIC WALLERSTEIN**

Investors have scoured reams of data for evidence that 2022’s market rout is over. A six-decade-old survey might have made that call in June.

Investors Intelligence’s ratio of bullish advisers to bearish ones, known as the bull/bear ratio, fell to 0.60 during the week of June 21. That was the survey’s most pessimistic reading since the week of March 9, 2009, when it fell to 0.56, according to Yardeni Research. That date also marked the lowest closing level of the financial crisis, with stocks falling 57% from their October 2007 peak before skyrocketing.

This year, the S&P 500 began rising on June 16 after closing down 24% from its peak on Jan. 3, 2022. It has since risen 13%.

Another indicator of investor sentiment, from the American Association of Individual Investors, has also shown increasing, though subdued, optimism. The indicator flashed its most bearish signal in late April when more than 59% of investors expected stocks to be lower over the next six months, compared with a reading near 39% for the week ended Wednesday.

The Investors Intelligence survey of independent investment newsletters, which launched in 1963, is considered one of Wall Street’s longest-standing contrarian indicators, meaning that if sentiment appears to have moved too far in one direction, some investors see it as a signal to do the opposite.

When the bull/bear ratio is below 1, according to Ed Yardeni, president and chief investment strategist of eponymous Yardeni Research, it “is screaming that it is time to buy. It is one of the reasons I thought we probably made a bottom on June 16—the economic and financial situation is nowhere near as frightening as it was in 2009.”

Since the June 21, 2022, reading, sentiment has improved rapidly along with stock markets, with the S&P 500 posting its best monthly performance since 2020 in July. The proportion of bulls in the survey rose 10 percentage points to 41% this week, pushing the ratio to the highest reading since February at 1.37.

To be sure, many forces continue to pressure markets, with investors considering the possible effects of interest-rate increases, inflation and a darkening economic outlook. The latest bull/bear reading, however, remains between levels adherents consider extreme—roughly, 1 and 3.

Strong Dollar, Weaker Yuan Drag Down Gold

By **JULIA-AMBRA VERLAINE**

China’s yuan has depreciated against the dollar. That is bad news for gold bugs.

Gold futures have sagged for several months, and investors often like to cast the blame on higher interest rates. Many risk-averse investors who might buy gold are instead buying U.S. Treasuries, since those yields have risen this year as the Federal Reserve has raised rates.

But China plays a big role, too, according to Goldman Sachs chief commodities strategist Jeff Currie. That is because Chinese consumers account for almost one-third of global retail gold purchases, Mr. Currie said, and a weaker yuan reduces their purchasing power.

According to his research, the yuan has the largest impact on gold among major currencies, followed by Thailand’s baht. “As the Chinese yuan fell, gold followed it lower,” Mr. Currie said.

The yuan has declined for the past five months as of the end of July—its longest losing streak since October 2018. Both the onshore and offshore Chinese currencies have lost more than 5% against the dollar year to date. Traders are worried about the Chinese economy, where growth has slowed thanks to Covid-19 lockdowns and plunging home sales.

Gold, meanwhile, has fallen for the past four months. The most actively traded gold futures contract closed Friday at \$1,772.90 per troy ounce, down more than 13% from highs seen in March. Hedge funds and other speculative investors who sought to protect their returns against inflation have pulled back bets on rising gold prices, reflecting a growing belief that the Fed will do whatever it takes to tame inflation.

Earlier this year, gold benefited from turmoil in financial markets as consumer prices



Gold has fallen for the past four months. Gold jewelry at a Chow Tai Fook retail store in Shanghai.

Gold futures prices, year to date*



*Continuous contract
Sources: FactSet (gold, index); Tullett Prebon (yuan)

Change in the U.S. dollar index and Chinese yuan, year to date



surged and signs of geopolitical turbulence emerged in Europe. Many investors favor gold during economic crises because it can act as a shield against inflation, and asset managers expect gold and other safe-haven assets to hold their value when markets turn sour. It hasn’t worked out that way recently.

Despite prolonged inflation and continuing tensions between Russia and Ukraine, the precious metal is stuck—the latest example of how the Fed’s interest-rate increases are rippling across the globe.

Higher U.S. government bond yields, a byproduct of the Fed’s rate increases, have super-

charged a dollar rally. Though the WSJ Dollar Index slipped earlier this week, it recuperated losses Friday and is still up nearly 10% this year. That pushes down the value of other currencies, like the yuan.

It also makes gold more expensive for overseas buyers. One knock-on effect of the strong dollar is dwindling gold purchases from emerging-market central banks, which have to combat precipitous slides in their currencies by dipping into foreign-exchange reserves. India’s central bank has had to spend its reserves to contain a plunge in the rupee—which fell as much as 6.9% this year.

Gold also competes for investors’ interest with government bonds, which are relatively stable and, unlike gold, offer regular payouts. The 10-year Treasury yield, which tends to move in tandem with expectations for the Fed’s benchmark rate, has risen more than 1.3 percentage points this year. The 2-year Treasury yield has risen 2.5 percentage points.

Equities Pare Losses On Report

Continued from page B1

historic lows.

That left investors with a mixed picture: A key pillar of the economy remains strong, which should be good news for markets. But strong economic data means the rate increases that have sent stock and bond prices lower this year aren’t likely to go away anytime soon.

It also raises questions about whether stocks can continue their recent comeback. The S&P 500 and Nasdaq Composite have now risen for three straight weeks, chipping away at a substantial portion

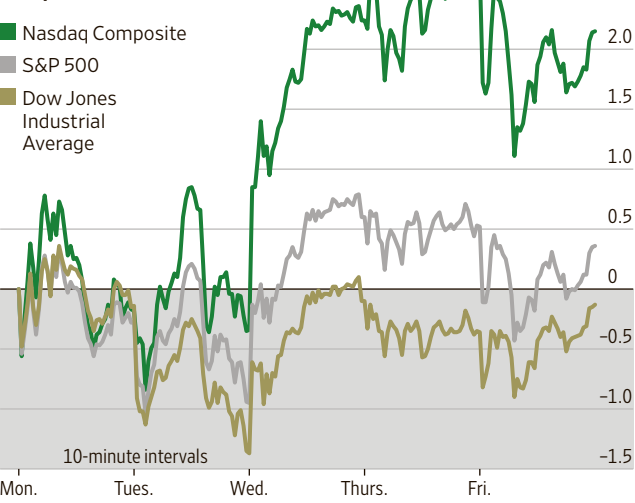
of their losses from the rest of the year.

The S&P 500 dropped 6.75 points, or 0.2%, to 4145.19 on Friday, making up most of its losses from early in the trading day. For the week, it rose 0.4%. The Dow Jones Industrial Average was up 76.65 points, or 0.2%, to 32803.47 and fell 0.1% for the week. The Nasdaq Composite declined 63.03 points, or 0.5%, to 12657.55 and rose 2.2% for the week.

Bond prices fell, with the yield on the benchmark 10-year Treasury note jumping to 2.838% from 2.674% Thursday. “Today’s jobs report is the exact opposite of a slowing economy,” said Thomas Tzitzouris, head of fixed-income research at Strategas. “This report means it’s going to be very difficult to support the view of rate cuts happening anytime before the end of next year.”

Despite the upbeat jobs re-

Index performance this past week



Source: FactSet

port, the spread in yields between shorter-term and longer-term bonds widened further, deepening what is known as a yield curve inversion.

Investors typically demand more income to hold longer-term bonds over shorter-term ones. When shorter-term ones offer higher yields, the economy has often later slipped

into recession.

Shares of AMC Entertainment rose \$3.52, or 19%, to \$22.18 after the cinema chain said revenue quintupled in the recent quarter and that it would issue a special dividend in the form of preferred shares.

Virgin Galactic shares fell \$1.43, or 17%, to \$6.76 after the company delayed its initial launch of tourists into space.

Warner Bros. Discovery shares declined \$2.89, or 17%, to \$14.59 after the new company swung to a \$3.42 billion loss in the second quarter, which it said was partly due to charges related to the recent merger that created the media giant.

Overseas, the pan-continental Stoxx Europe 600 fell 0.8%.

In Asia, major indexes closed with gains. Japan’s Nikkei 225 added 0.9%, South Korea’s Kospi rose 0.7% and China’s Shanghai Composite gained 1.2%.