

# THE WALL STREET JOURNAL.

## What's News

### Business & Finance

- ◆ **American shoppers** spent strongly this holiday season, helping to lift retail sales a seasonally adjusted 0.6% in December from a month earlier, in a sign that consumers can drive economic growth in 2024. **A1**
- ◆ **An internal Meta** presentation in 2021 estimated that 100,000 minors each day on Instagram and Facebook received photos of adult genitalia or other sexually abusive content. **B1**
- ◆ **Apple lost its effort** to delay the implementation of a U.S. import ban of its smartwatches while the company appeals a federal trade ruling. **B1**
- ◆ **Apple's new App Store** payment policies are sparking outrage among software developers who say the iPhone maker is skirting the intention of a court ruling. **B4**
- ◆ **A Boeing 737 MAX 9** door plug that blew out during an Alaska Airlines flight was made in Malaysia, the top U.S. air-safety investigator said, offering new details of the probe into what led to the accident. **B2**
- ◆ **U.S. stocks retreated**, with the S&P 500 and Nasdaq both falling 0.6% and the Dow slipping 0.3%. **B10**
- ◆ **Verizon said it would take a \$5.8 billion charge** to write down the value of its division that offers landlines and internet connections to businesses. **B3**
- ◆ **BP appointed Murray Auchincloss** as chief executive, turning to a company veteran to continue the oil giant's shift toward renewable energy. **B3**
- ◆ **Maersk and Hapag-Lloyd** are teaming up to form a new vessel-sharing agreement from next year, shaking up the global lineup of shipping alliances. **B6**

### World-Wide

- ◆ **Iraq's prime minister** said the U.S.-led military coalition that has been helping his country fight Islamic State militants is no longer needed, though he still wants strong ties with Washington. **A1**
- ◆ **Congressional leaders** struck a cautiously optimistic tone on reaching a deal combining tighter border security with aid for Ukraine, as they emerged from a meeting with Biden at the White House. **A4**
- ◆ **The Supreme Court** appeared ready to overturn a 1984 case that business groups and conservative activists argue has handed too much power to unelected executive-branch bureaucrats. **A2**
- ◆ **More Republicans** are closing ranks behind Trump's campaign to become the GOP presidential nominee following his dominant victory in Iowa. **A4**
- ◆ **Israel withdrew** thousands of troops from Gaza after U.S. pressure to transition to a more surgical phase of its war against Hamas. **A6**
- ◆ **Chinese researchers** isolated and mapped the virus that causes Covid-19 at least two weeks before Beijing revealed details of it to the world, congressional investigators said. **A16**
- ◆ **Cancer rates in the U.S.** are rising for many of the most common cancers, including breast cancer, prostate cancer and melanoma, a new report found. **A3**
- ◆ **Pakistan said it** carried out airstrikes inside Iranian territory, killing Pakistani militants there, in retaliation for an Iranian airstrike inside Pakistan. **WSJ.com**

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## Children of War Search for Shelter in Gaza Rubble



**QUEST FOR SAFETY:** Palestinian children Wednesday make a temporary home inside a building damaged in Israel's bombardment of Rafah in the southern Gaza Strip. Israel, under pressure from the U.S., withdrew some troops from Gaza. **A6**

## Holiday Shopping Exceeded Optimistic Forecasts

Retail sales rose 5.6% from prior year amid rising wages and cooling inflation

By HARRIET TORRY AND NATASHA KHAN

U.S. shoppers spent strongly this holiday season, a sign consumers can drive economic growth in 2024.

Retail sales rose a seasonally adjusted 0.6% in December from a month earlier, the U.S. Commerce Department said Wednesday. The larger-than-expected gain came after a healthy 0.3% increase in November.

"Holiday shopping beat even the usually too-optimistic estimates of retailers," said Robert Frick, corporate economist with Navy Federal Credit Union. "A few months ago it looked doubtful consumers could continue spending at these levels" but rising wages and cooling inflation are "bolstering purchasing power."

From a year earlier, retail sales rose 5.6% in December. That nearly matched December 2022, when sales rose 5.8% from a year earlier, and well outpaced inflation. The consumer-price index rose 3.4% in December from a year earlier, a sharp slowdown from the prior year, according to *Please turn to page A2*

◆ **Stocks decline on strong report**..... **B10**  
◆ **Heard on the Street: U.S. keeps on shopping**..... **B11**

## Iraq Seeks Exit of U.S.-Led Coalition

Iraq's prime minister said the U.S.-led military coalition that has been helping his country fight Islamic State militants is no longer needed,

By Michael R. Gordon, David S. Cloud and Elena Cherney

though he still wants strong ties with Washington.

"We believe the justifications for the international coalition have ended," Prime Minister Mohammed al-Sudani told The Wall Street Journal,

as the war in Gaza frays Iraqi relations with Washington.

Sudani didn't set a deadline for the departure of the coalition, which was formed in 2014 to mentor and support Iraqi forces in regaining control of their country after Islamic State militants seized swaths of northern and western Iraq.

Nor did Sudani close the door to a role for U.S. troops advising Iraqi forces to remain under a new bilateral relationship he said should follow.

But in an interview on Tuesday during the World Eco-

nomc Forum in Davos, Switzerland, Sudani expressed broad dissatisfaction with U.S. policy on the Gaza conflict. The West had turned a blind eye toward the plight of the Palestinians before Hamas's Oct. 7 attack on Israel, he said, calling for increased pressure on Prime Minister Benjamin Netanyahu of Israel to end what he described as genocide.

While Sudani condemned the frequent attacks by Iranian-backed militias on U.S. forces in his country, he also assailed a recent U.S. drone

strike in Baghdad against a militia leader as a "clear violation of Iraq's sovereignty."

The Pentagon declined to comment on Sudani's statements but said the Iraqi government hadn't made any official requests for U.S. forces to leave.

"We continue to see ISIS as an international and a regional threat, and so we can't take our eye off the ball," said *Please turn to page A7*

◆ **Widening Mideast conflict clouds U.S. goals**..... **A6**

## Spotify Struggles With Big Bets

The company expanded beyond music to stay ahead but hasn't been able to consistently make money

By ANNE STEELE

Spotify has a plum position in the audio-streaming business. It's the leading platform, with some 600 million users. Its 30% market share is twice that of its next-largest competitor. Spotify is adding millions of new subscribers a month, and few of its users cancel.

Most companies can only dream of that kind of industry dominance. Yet not even the leading audio-streaming company has consistently made money off audio

streaming.

While customers love the convenience of streaming, the question remains whether companies—in either audio or video—can translate that love to big profits. Spotify pays music labels nearly 70 cents of every dollar it earns from music streaming, its core business, similar to other services.

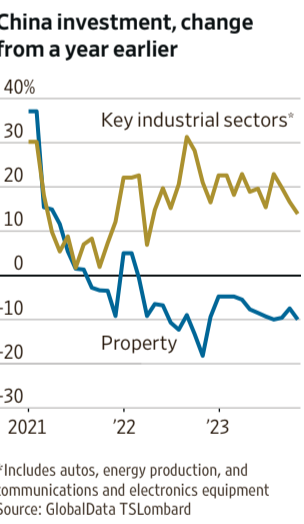
It has lost money in its \$1 billion push into podcasting—a business that has turned out to be less lucrative than many first expected. An effort *Please turn to page A8*

## China Turns Again to Factories In Bid to Kick-Start Economy

By JASON DOUGLAS

China is doubling down on manufacturing to reboot its economy after a turbulent year, a strategy that risks igniting new tensions over trade as countries step up support for prized industries and global growth teeters.

The push for new growth drivers comes as figures showed the world's second-largest economy expanded in 2023 at its weakest rate in decades, aside from the three years when China was closed to the outside world during the Covid-19 pandemic. A drawn-out property crunch means Beijing can no longer rely on debt-fueled real-estate investment to power the economy, and officials have shown little appetite to shift activity decisively to-



economy onto what it hopes will be a healthier trajectory.

Central to that ambition is a plan to dominate global markets in emerging industries, such as electric vehicles, batteries and renewable-energy gear. Chinese companies such as automotive giant BYD, battery maker CATL and solar manufacturer Longi Green Energy Technology are already among the world's most prominent players in those markets.

The hope is that growth in what Chinese officials refer to as the "New Three" industries and other favored sectors will help China's economy banish the specters of deflation and Japan-style stagnation as *Please turn to page A7*

◆ **Heard on the Street: Growth to remain plodding**..... **B11**

### INSIDE



**JOANNA STERN**  
Samsung's Galaxy S24 uses AI features to up the ante in its battle with Apple. **A10**



**BUSINESS & FINANCE**  
Family-fun chains tee up deals to lure back business on weeknights. **B1**

## The Reason the Office Isn't Fun Anymore

RIP eavesdropping. Employees now hide out in privacy booths or conference rooms.

By RAY A. SMITH AND JOHN KEILMAN

When David Witting prepared digital-marketing agency Dept@'s Boston-area offices for employees' return in 2022, he ordered trendy couches, chairs and high tables, envisioning lively collaboration and banter.

Yet when his co-workers arrived, many skipped the furniture and gravitated toward the private booths scattered in the office.

Since then he's jettisoned some of the furniture, and added more booths.

"People are coming in to do occasional big meetings, but

really the rest of the time, they want a quiet private spot to get on a Zoom call," said Witting, a partner at the company. "It's weird."

As Covid-19's remote-work surge fades, some workplaces are quieter and odder than ever. Employees have returned only to park themselves in deserted conference rooms or sound-muffling chambers. Colleagues grumble about booth-hogging co-workers, and some companies have started enforcing time limits on them.

The pods, some resembling old-school telephone booths, have emerged as one of the *Please turn to page A8*

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# U.S. NEWS

## Court Appears Set to Curb Agencies' Power

Overturing Chevron would be a win for conservatives who once hailed the ruling

By **JESS BRAVIN**

WASHINGTON—The Supreme Court appeared ready to overturn a 1984 case that business groups and conservative activists argue has handed too much power to unelected executive-branch bureaucrats—a ruling Reagan-era conservatives originally hailed as a curb on overweening liberal judges.

Justice Neil Gorsuch led the charge during oral arguments Wednesday to overrule the precedent, *Chevron USA v. Natural Resources Defense Council*, which he said has given agencies license to run roughshod over the rights of individuals and others caught in the federal bureaucracy without adequate recourse to the courts. By letting agencies construe laws “when Congress didn’t think about the problem, the government always wins,”

he said.

The Chevron precedent directs federal judges to defer to an agency’s interpretation of federal law when its language is ambiguous, rather than having courts substitute their own interpretation of statutes like the Endangered Species Act or the Clean Water Act. As a practical matter, it means that a regulation, unless it is an unreasonable reading of the statutory language, should be upheld.

Two cases argued separately Wednesday involve a federal program to protect Atlantic herring stocks, but the implications of overturning Chevron go well beyond fisheries, potentially limiting federal agencies’ ability to issue a range of environmental, consumer and workplace regulations.

In *Loper Bright Enterprises v. Raimondo* and *Relentless v. Department of Commerce*, conservative advocacy groups representing fishing businesses contest federal regulations requiring boat operators to pay for federally mandated monitors who ensure that herring

quotas aren’t exceeded.

Rather than accepting the fisheries agency’s interpretation of its authority under an ambiguous law, the plaintiffs say judges should have given equal weight to the business argument and decided the best interpretation of the conservation law.

Justice Sonia Sotomayor said there is often more than one reasonable way to read a statute. “And the question is, Who makes the choice?” she said.

Justice Elena Kagan offered an example of the kind of question that might arise: “Is a new product designed to promote healthy cholesterol levels a dietary supplement or a drug?” Such a question could determine whether the product must be proven safe and effective to go on sale.

The answer, she suggested, was better left for the Food

and Drug Administration, whose staff has scientific and real-world experience with such matters, than a federal judge.

Paul Clement, a lawyer representing the fishing company Loper Bright Enterprises, said such problems had largely been resolved because of better methods of legal interpretation conservatives had championed in more recent years. Unlike in the era of the Chevron ruling, he said, today “the focus is much greater on the text of the statute” itself, leaving judges less room to impose their own policy preferences.

Solicitor General Elizabeth Prelogar, representing the Biden administration, said Chevron not only was workable, but in 40 years had become ingrained in the lawmaking process, with Congress relying on agencies to fill the gaps in leg-

islation. Deferring to agency judgments, as long as they are reasonable, promotes stability and uniformity in federal law, she said, with a single approach applying nationwide rather than various decisions by federal courts across the country.

Justice Brett Kavanaugh countered that the administrative leeway provided by Chevron had the opposite effect. “The reality of how this works is Chevron itself ushers in shocks to the system every four or eight years when a new administration comes in,” he said.

The U.S. Chamber of Commerce and other business groups have filed briefs supporting the plaintiffs. The AFL-CIO and consumer, environmental and health organizations have urged the court to leave Chevron intact.

In the 1984 Chevron case, the Supreme Court reasoned that executive-branch agencies are better positioned than federal judges to apply the statutes they were assigned to implement—and if an agency’s regulations are out of line, it

can be held accountable through the elected president.

Conservatives argue that over decades of congressional gridlock, Chevron deference—as the doctrine is known—has given federal agencies an end run around the lawmaking process.

The original name of the case tells the story: *Natural Resources Defense Council v. Gorsuch*—Anne Gorsuch Burford, that is, the late mother of Justice Gorsuch, whom President Ronald Reagan had appointed to run the Environmental Protection Agency.

The case involved the Reagan administration’s appeal of a decision preventing the EPA from relaxing a Carter-era regulation requiring aggressive efforts to upgrade pollution-emitting equipment at power plants and other facilities.

Three justices recused themselves, and Justice John Paul Stevens was selected to write for the 6-0 majority, which found the Clean Air Act language ambiguous and the EPA chief’s reading of its requirements to be reasonable.

**Conservatives say too much power has been handed to bureaucrats.**

### U.S. WATCH



**UNFORGOTTEN:** Artist Abel Ortiz, left, showed Attorney General Merrick Garland murals of shooting victims Wednesday in Uvalde, Texas. The Justice Department is set Thursday to release the results of an investigation into law enforcement’s response to the May 2022 massacre at Robb Elementary School, where a gunman killed 19 children and two teachers.

#### MAINE

##### Judge Puts Hold on Trump Ballot Ruling

A Maine judge on Wednesday put on hold a decision on former President Donald Trump’s ballot status to allow time for the U.S. Supreme Court to rule on a similar case in Colorado.

Trump’s lawyers appealed in state court when Secretary of State Shenna Bellows removed the Republican front-runner from the presidential primary ballot, but then asked the judge to pause proceedings to allow the U.S. Supreme Court to rule on the Colorado case, which could render the lawsuit moot.

Superior Court Judge Michaela Murphy concluded she lacked authority to stay the judicial proceedings but she wrote that she did have authority to send the case back to the secretary of state with instructions to await the outcome of the U.S. Supreme Court case before withdrawing, modifying or upholding her original decision.

The “Supreme Court’s acceptance of the Colorado case changes everything,” she wrote.

—Associated Press

#### TEXAS

##### Court Cancels Order To Move Barrier

A federal appeals court on Wednesday reversed an order requiring Texas to move a floating barrier on the Rio Grande that drew backlash from Mexico—the latest development in legal battles between the Biden administration and Texas Republican Gov. Greg Abbott over control of migration at the border.

In December, a divided panel of the Fifth U.S. Circuit Court of Appeals sided with a federal district judge in Texas who said the buoys must be moved. On Wednesday, the court vacated the panel’s 2-1 ruling after a majority of its 17 active judges voted to rehear the case.

The series of linked, concrete-anchored buoys stretches roughly the length of three soccer fields. The state installed it along the border with Mexico between the Texas city of Eagle Pass and Piedras Negras, Coahuila.

The Biden administration also is fighting for the right to cut razor-wire fencing at the border and for access to a city park at the border that the state fenced off.

—Associated Press

## Consumers Boost Their Spending

Continued from Page One to the Labor Department.

Moderating spending growth and cooler price gains are consistent with an economy achieving a soft landing, where inflation is tamed without a recession.

Consumers spent more on vehicles, clothing, at department stores, and online in the year’s final month.

Holiday sales during November and December reached a record \$964.4 billion, not adjusting for inflation, the National Retail Federation said Wednesday. The group’s calculation is based on the government’s retail data but excludes sales at auto dealers, gasoline stations and restaurants.

Spending during the holiday period increased nearly 4% in 2023, a slower pace than in the

previous three years but in line with prepandemic trends, NRF said. Most retail categories posted gains this past holiday season, except for furniture and home-improvement stores. Those big-ticket purchases that require financing are generally more sensitive to higher borrowing costs.

Apparel makers Lululemon and Abercrombie & Fitch raised their financial targets on stronger-than-expected late-year sales. American Eagle Outfitters said this month that fourth quarter-to-date revenue, through Dec. 30, was up about 8%.

“I am incredibly pleased with the momentum we are seeing across brands, which has continued into early January,” said Jay Schottenstein, chief executive of American Eagle Outfitters. “Looking ahead to 2024, we remain confident in our ability to deliver healthy earnings growth.”

U.S. shoppers spent a record \$222.1 billion online between November and December, up 4.9% from a year earlier, according to data from Adobe Analytics. The increase in

spending was driven by discounts and use of “buy now pay later” shopping options, Adobe said.

But some companies saw less robust sales.

Nike cut its revenue outlook for the year as concerns mounted that consumers globally might adjust their spending. Outside of shopping events such as Black Friday, Nike was grappling with softening demand while it also experienced weaker traffic to its digital platforms and competition from those offering more discounts. Chief Financial Officer Matt Friend told analysts on a conference call last month.

Steph Davies, owner of The Waxwing, an online gift shop selling handmade goods, said the shopping season started later for the holidays, and orders were smaller than usual. “It was definitely a reserved holiday season,” said Davies, who lives in Milwaukee.

Wednesday’s spending numbers keep the Federal Reserve on track to hold short-term interest rates steady at its next meeting, Jan. 30-31, and con-

template cutting them later this year. Officials anticipated at least three rate cuts this year at their December meeting.

Resilient consumer spending, supported by a still-solid labor market and rising wages, “should tamp down on the expectation of a March rate cut,” said Kathy Bostjanic, chief economist for Nationwide Mutual. She expects “this strong consumer spending will persist at least through the first quarter.”

According to a recent survey of economists by The Wall Street Journal, the economy is estimated to have grown 2.6% in 2023, largely because of robust consumer spending, defying earlier expectations of a recession last year.

Household spending, which makes up about two-thirds of the U.S. economy, is expected to help drive growth this year, too.

That includes spending on the kinds of services, such as travel, that people missed out on during Covid lockdowns.

“Delta carried more travelers this holiday season than any other time in our history,” Ed Bastian, chief executive of Delta Air Lines, said last week. Spending is continuing to shift from goods to services, and Delta’s customers are in a healthy financial position, with travel remaining a priority, he said. He also expects corporate travel to improve this year.

The economic expansion, however, is forecast to slow to a 1% rate in 2024, according to the WSJ survey, because the labor market is expected to moderate and consumers and businesses will feel the lingering effects of higher interest rates.

In December, shoppers benefited from wages that grew at the strongest pace in half a year. They also felt better about their economic situation and the path of inflation, according to consumer senti-

ment readings.

Price drops in a number of categories associated with gift giving were another positive for consumers in December. Although overall inflation heated up in December, the prices of products, including appliances, footwear, sporting goods and toys, declined from the prior month.

The retail sales data are ad-

justed for seasonality to allow for month-to-month comparisons, but not for inflation. The retail report mainly captures spending on goods sold at stores and online rather than most services such as housing, utilities and medical care. The Commerce Department is scheduled to release a more complete spending report at the end of the month.

### CORRECTIONS & AMPLIFICATIONS

**Credit for a photo** of Nikki Haley that ran with a Page One article Wednesday about the race for the Republican presidential nomination belongs to Carolyn Kaster/Associated Press. In some editions, the photo credit was incorrectly given to KC McGinnis for The Wall Street Journal.

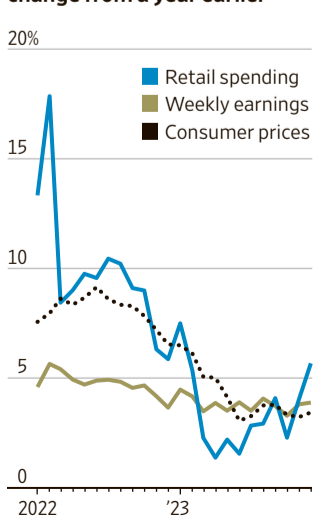
**Budget cuts** announced in New York City in November forced the closure of libraries on Sundays. A U.S. News article on Wednesday about New

York’s costs associated with migrants incorrectly said the library closures were on Saturdays.

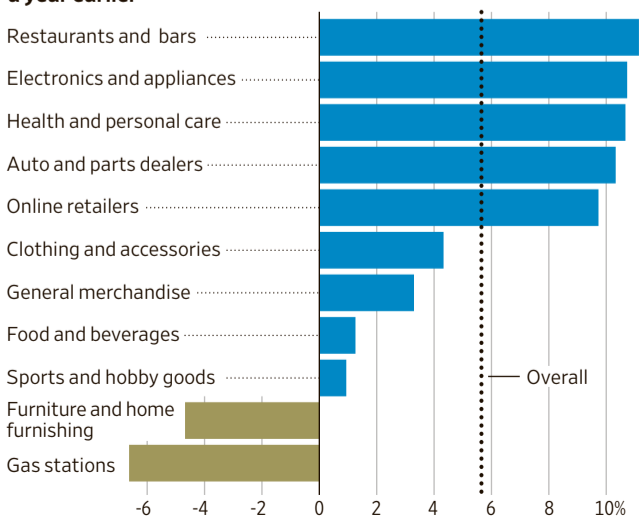
**U.S. investment-grade** corporate-bond issuance rose 1% in 2023 from a year earlier to \$1.2 trillion, according to data from the London Stock Exchange Group. A Jan. 11 Technology article about data-center operator Equinix incorrectly said U.S. investment-grade corporate-bond issuance rose 6% to \$2.1 trillion.

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

#### Spending, wages and prices, change from a year earlier



#### December retail spending for select categories, change from a year earlier



Note: Wages and retail spending data are seasonally adjusted. Wages are average earnings for all private workers. Sources: Labor Department (earnings, prices); Commerce Department (spending)

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U.S. NEWS

# Cancer Case Rates Increase, But Deaths Fall

By BRIANNA ABBOTT

The U.S. is getting better at treating cancer. We're falling behind on preventing it.

Cancer rates are rising for many common cancers, including breast cancer, prostate cancer and melanoma, a new report found. Colorectal cancer is increasing for patients under age 55, part of a demographic cancer shift that is skewing younger for reasons that aren't completely clear.

These increases, along with persistent disparities, threaten the progress made over the past three decades in reducing cancer deaths.

"We're encouraged by the steady drop in cancer mortality," Rebecca Siegel, a senior scientific director at the American Cancer Society and lead author of the report published on Wednesday, said in a statement. "But as a nation, we've dropped the ball on cancer prevention."

Cancer death rates in the U.S. have dropped by a third from a peak in 1991 to 2021, thanks to declines in smoking, earlier detection and better treatments. Lung cancer is the greatest driver of the trend, with deaths dropping sharply even as the disease remains the biggest cancer killer in the U.S. by far.

The researchers looked at federal death data through 2021, the report said. Case trends were analyzed through the end of 2019. Missed screenings and diagnoses during the pandemic contributed to a 9% drop in case rates in 2020, but that is expected to rebound, the researchers said.

## Disparities based on race, wealth and geography hold back progress.

Through the end of 2019, incidence rates were increasing for some of the most common cancers, including breast, pancreatic, uterine, renal and HPV-related oral cancers, as well as melanoma. For breast cancer, the changes are connected in part to declining fertility rates and increasing obesity, while screening rates have held relatively steady, the report said.

The report found that the demographics of cancer patients are increasingly shifting from older to more middle-age adults. The changes are due to both sharp decreases in pro-

tate and smoking-related cancers in older adults, and rising cancer risks for people born since the 1950s.

Colorectal cancer case rates, for example, are declining for those over 65. But there has been a steady increase for adults under 55 since the mid-1990s. For people under 50, colorectal cancer is now the leading cause of cancer-related death for men and second for women, behind breast cancer.

"We're seeing an increase in colorectal cancer in that group, and we're seeing it present as a more advanced disease," said Dr. William Dahut, chief scientific officer at the American Cancer Society. "This is likely to continue until we have mitigation strategies."

The rise in people under 50 with cancer diagnoses has alarmed doctors and researchers, spurring new screening guidelines and research into potential causes, including changes in diet, exercise and environmental factors. The change is linked to some known risks, including higher obesity rates, but hasn't been fully explained.

"It has been hard because the idea is that it has to do with early-age exposures, and now the world is very different than it was 40 years ago," said Brenda Diergaarde, a molecular epidemiologist at the UPMC Hill-

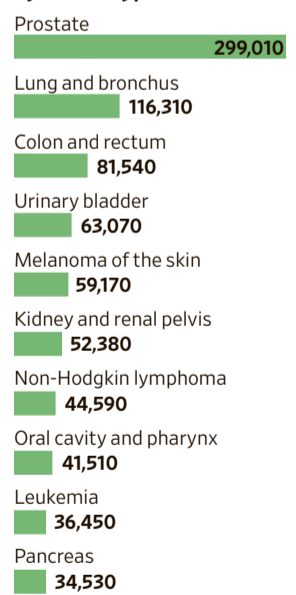
man Cancer Center in Pittsburgh.

Disparities based on race, wealth and geography also hold back progress. Black women have 41% higher breast cancer mortality compared with white women, even though their incidence is 4% lower, a gap that is stagnant since the mid-2000s.

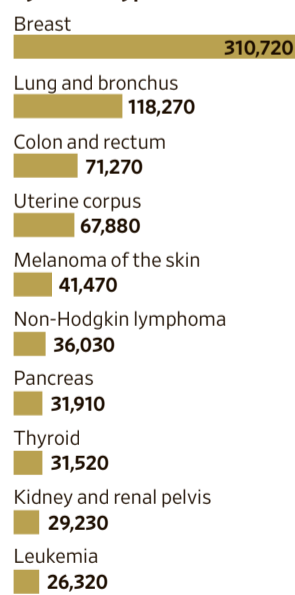
Screening and other routine healthcare that was suspended during the Covid-19 pandemic has been slower to bounce back among people of color, the report said.

Cervical cancer incidence varies, with rates in states including West Virginia and Kentucky double those of Massachusetts, Vermont and Minnesota. That is due in part to differences in uptake of the HPV vaccine, which can help prevent the disease.

### Estimated new cancer cases in men in 2024, by cancer type



### Estimated new cancer cases in women in 2024, by cancer type



Note: Estimates are based on data through 2020, adjusted for case deficit during the first months of the Covid-19 pandemic. Source: American Cancer Society



Kris Burmeister gives private tours of Hawaii's volcanic rift zone. His own home was destroyed by lava flow in 2018.

# Active Lava Zone in Hawaii Is Hot Spot for Home Buyers

By CHRISTINE MAI-DUC

A lack of affordable housing in Hawaii is causing people to choose areas subject to volcanic hazard

PUNA, Hawaii—In 2018, a large volcanic eruption spewed lava, rock and ash into the middle of a subdivision here, gobbling up more than 700 homes and displacing thousands of residents in a slow-motion disaster. Today, it is Hawaii's fastest-growing region.

Land in an active lava zone, it turns out, is relatively cheap. Lured by a shot at attainable homeownership in paradise, island dwellers and mainland transplants alike have been flocking to this area in the shadow of Kilauea, driving up prices in the Puna District.

"In terms of the last bastion of affordability, Puna is it," said Jared C. Gates, a Realtor who was raised on Oahu and came to the Big Island for college in the 1990s. He purchased his first home in 2005, a modest fixer-upper in Puna, on his salary as a waiter. During the past few years, he has been getting more business in Leilani Estates, the neighborhood where the 2018 eruption began.

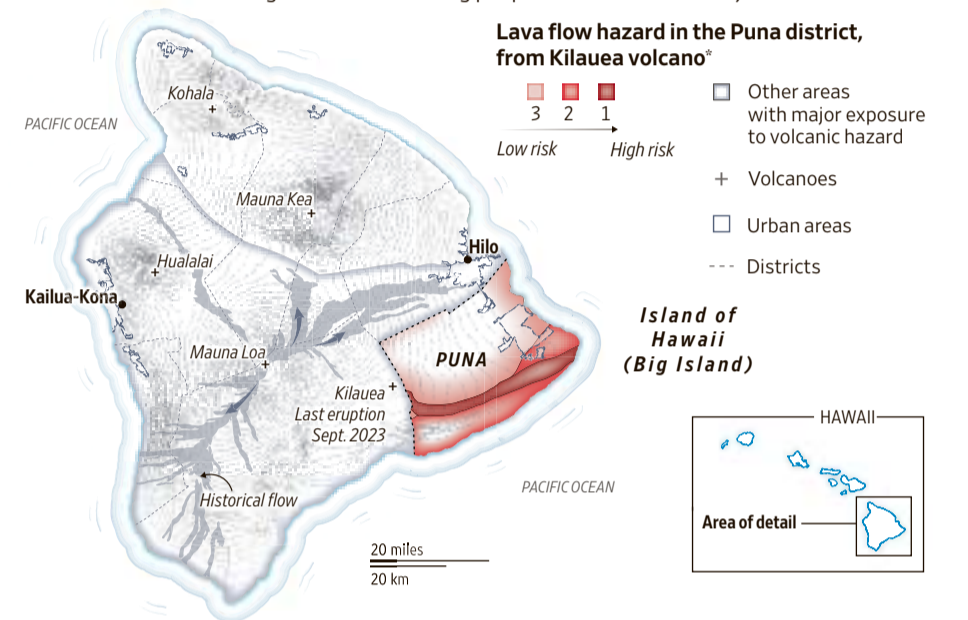
None of the homes that were inundated by lava have been rebuilt. Many homeowners have sold their properties to neighbors or the county in a federally funded buyback program, but that land remains vacant for now. The land has been so transformed that it is hard for remaining owners to know even where their property begins and ends.

"It took out roughly a third of the subdivision; totally surreal," Gates said last fall. "And houses are selling there again."

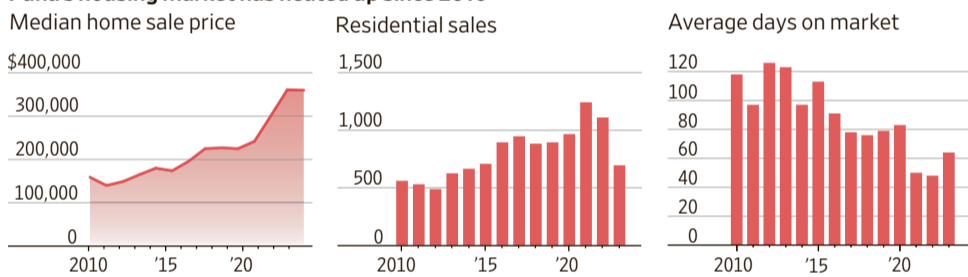
Among Gates's listings that day was a three-bedroom, two-bath home with lush landscaping, two blocks from the mile-wide lava field where heat and steam still radiate from vents in the petrified landscape. "It's a beaut," he said. "It will sell." Three weeks later it did, for \$325,000, cash.

The story of how serene-looking slices of suburbia came to inhabit an active volcanic rift zone is well-known here. In the 1960s, land speculators bought thousands of acres and carved it into lots of an acre or more that were snapped up by investors. There were virtually no requirements that developers pave roads, place utility lines or build other essential infrastructure. To this day, there is no wastewater treatment plant or hospital. Many of the district's 51,000 residents rely on filtered rainwater.

Early buyers included Native Hawaiians looking for an affordable place to call home and mainland hippies intent on off-grid living. As home prices rose in Hawaii and across the nation, however, more working families and mainland retirees



### Puna's housing market has heated up since 2010



\*USGS classifies lava hazard into 9 levels, 9 being the least severe, 1 being the most. Sources: USGS (lava hazard); State of Hawaii (topography, districts, urban areas); NASA (terrain); Hawaii Information Service (Puna sales)

Camille Bressange/THE WALL STREET JOURNAL

went hunting for deals on the Big Island.

County officials say rules tied to federal funding bar local government from building affordable housing in lava zones 1 and 2, which are the riskiest and make up most of lower Puna.

Hawaii County Mayor Mitch Roth said that while the county has added a new firehouse, police station and park facilities there in recent years, the county has limited funds to make major investments in high-risk areas. "Are we going to invest public money in a high-risk place...knowing that whatever you build could be taken out by lava at any time?" said Roth.

The lack of some modern conveniences has scarcely slowed the flow of newcomers. Like many places in the U.S., an influx of remote workers during the pandemic has helped send the housing market here into overdrive.

Among the recent arrivals are David Booth and his partner, Juan Polanco. The former Phoenix residents had been brainstorming tropical locations where they could slash their living expenses and ease into retirement. "The attraction to the Big Island was affordability," said Booth, 61, who now works remotely. He and Polanco, 59, paid cash for a 1,500-square-foot home.

The property sits on a 1-acre lot in Hawaiian Paradise Park, a subdivision in the less-risky lava zone 3. Homes with repeated sales in the neighborhood have seen a nearly 800% appreciation in price since 2000, according to data from the University of Hawaii Economic Research Organization.

Three years ago, Travis Edwards, 48, was driving delivery trucks and living with his mother in Southern California's Inland Empire.

He was sick of the traffic, wildfires and car thefts, he said.

Upon retiring, his mother sold her house and paid cash for a 1-acre lot with two units in Leilani Estates, surrounded by avocado and citrus trees. Lava insurance rates in lava zone 1, the riskiest area that encompasses the entire subdivision, were so high that they simply stopped paying for it, he said.

He mostly shrugs off the dangers, reasoning that they would be reckoning with fires and earthquakes on top of a lower quality of life back in Southern California. "It's just paradise," said Edwards.

# New Rule to Speed Up Healthcare Approvals

By STEPHANIE ARMOUR

The Biden administration on Wednesday finalized requirements to streamline the process for doctors and patients seeking health insurance approval for medical care and treatments.

The rule aims to shorten the timeline for the so-called prior authorization process to as little as 72 hours for many of the tens of millions of people who get their health insurance through Medicare Advantage, Medicaid or an Affordable Care Act health plan by automating some of the processing of the requests.

Plans would also have to share more information with doctors about the status of decisions and information on denials, with a turnaround time of seven calendar days for non-urgent requests.

Prior authorization is among the most contentious processes in healthcare. Plans require it before agreeing to pay for certain care to avoid unnecessary treatment and control costs. But doctors and patients loathe the process because it often involves filling out lots of paperwork and can delay care.

The process has become

such an object of popular frustration that some major private insurers, such as UnitedHealthcare and Cigna Group, have said they were rolling it back.

Some of the new policies will take effect in 2026. Other provisions would start later to give health insurers and doctors time to build the automated electronic processes.

After it was first proposed by the Centers for Medicare and Medicaid Services in December 2022, the rule faced some opposition from AHIP, the trade group for the insurance industry, which said the requirements would be expen-

sive because health plans and doctors would have to install the software.

AHIP on Wednesday said the Department of Health and Human Services' Office of the Coordinator for Health Information Technology should swiftly require vendors to build prior authorization capabilities into the electronic health records.

"We cannot afford to delay any further when it comes to implementing electronic prior authorization capabilities," the group said.

The American Hospital Association applauded the decision.

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U.S. NEWS

Hopes Revived for Ukraine, Border Deal

Johnson calls talks 'productive,' while Schumer sees pact's chances improving

WASHINGTON—Congressional leaders struck a cautiously optimistic tone on reaching a deal combining tighter border security with aid for Ukraine,

By Lindsay Wise, Michelle Hackman and Sabrina Siddiqui

as they emerged from a meeting with President Biden at the White House.

House Speaker Mike Johnson (R., La.) said the discussion was "productive" while reiterating Republicans' demand that changing border

law was a condition for further funding Kyiv, which is one piece of a stalled \$110.5 billion foreign-aid package championed by Biden.

"We understand that there's concern about the safety, security and sovereignty of Ukraine, but the American people have those same concerns about our own domestic sovereignty," Johnson told reporters.

Johnson said Republicans were going to continue to press for a tightening of asylum rules and reinstating a Trump-era policy requiring asylum seekers to wait in Mexico. "We're cautiously optimistic," he said.

Senate Majority Leader Chuck Schumer (D., N.Y.) described the meeting as "very positive," saying there was agreement around the table

that both Ukraine aid and the border must be addressed quickly. On the chances of reaching an agreement in the Senate, he said, "I'd put the chances at a little bit greater than half now."

Schumer said Biden warned lawmakers that if the U.S. doesn't fund Ukraine, the "whole world will change, because people will think that the United States has left its responsibilities" as a global leader, and allies could turn away from America.

Schumer said the Senate will focus on passing legislation funding the government this

week to avoid a partial government shutdown on Friday, and then try to move quickly to the foreign-aid legislation, if an agreement is reached.

In a statement after the meeting, the White House said Biden called for lawmakers to quickly pass funding for Ukraine to "send a strong signal of U.S. resolve," while also making clear "that we must act now to address the challenges at the border."

Republicans have said for months they won't help Democrats advance the foreign-aid package, which includes assis-

tance for Israel and Taiwan and funds to restock depleted U.S. weapons stockpiles, unless Democrats and the Biden administration agree to policy changes to tighten security at the U.S.'s southern border.

A small, bipartisan group of senators has struggled for weeks to reach a border deal, just as the Pentagon ran out of money to send more hardware and ammunition for Ukraine and Russia intensified its ground assaults and missile and drone attacks.

Earlier in the afternoon, Senate Minority Leader Mitch McConnell of Kentucky, the Republican Party's most prominent backer of more Ukraine aid, said he believed a vote on the foreign-aid package could come as soon as next week. He also cautioned Republicans

against assuming they would get a better deal in the future.

Rep. Mike McCaul (R., Texas), who chairs the House Foreign Affairs Committee and attended the meeting, said he is confident that a border deal that unlocks money for Ukraine could come together in the coming weeks. He said Biden said in the meeting he was ready to make significant changes to the border.

Rep. Jim Himes (D., Conn.), the top Democrat on the Intelligence Committee, shared the upbeat assessment of the talks but noted the challenges ahead. "If we're serious about this, we got to figure out how to put the leaders in a position to walk over some broken glass," he said. "Because whatever deal is passed is going to make a lot of people unhappy."

GOP Ex-Rivals Close Ranks Behind Trump

By Aaron Zitner

More Republicans are closing ranks behind Donald Trump's campaign in the aftermath of his dominant victory in Iowa, a sign of widespread belief that he will clinch the GOP presidential nomination.

The latest to join is 2016 rival Sen. Ted Cruz (R., Texas), who announced his endorsement on Tuesday. He joined another leading opponent to Trump in the 2016 primary, Sen. Marco Rubio (R., Fla.), who last week said Trump was the party's best hope for rolling back the policies of Democratic President Biden.

The Iowa result also yielded Trump an endorsement from Vivek Ramaswamy, who dropped out of the 2024 contest after failing to gain traction in the first voting state. Gov. Doug Burgum of North Dakota, an earlier campaign dropout, has also given Trump his support.

Few leading Republicans have lately endorsed the two remaining main rivals to Trump, Nikki Haley and Gov. Ron DeSantis of Florida. Indeed, Rubio snubbed his home state governor, DeSantis, in favor of Trump.

Former New Jersey Gov. Chris Christie, a Trump critic who left the race earlier this month, has declined to endorse anyone despite hopes from Haley allies that he would back her.

The endorsements are the latest sign that Republicans have coalesced behind the former president, even with more than 50 states and territories yet to vote in the nominating contest and Trump's rivals continuing to campaign and run TV ads in hopes of an upset victory. Trump won a commanding 51% in Iowa and fell a single vote short of winning all of the state's 99 counties.

The wave of endorsements leaves a handful of top GOP leaders as outliers for so far holding back from supporting Trump. Chief among them: Sen. Mitch McConnell of Kentucky, the party's Senate leader, and the No. 2 leader, Sen. John Thune of South Dakota. The No. 3 Senate GOP leader, Wyoming Sen. John Barrasso, has endorsed Trump, as have top House Republican leaders.

The Iowa results signaled that even some of the most influential Republicans don't have the power to persuade Republican voters to turn the



Donald Trump shook hands with former candidate Vivek Ramaswamy at a campaign event in Atkinson, N.H., on Tuesday.

page from Trump. Iowa's popular governor, Kim Reynolds, had endorsed DeSantis in the caucuses, as had influential evangelical Christian leader Bob Vander Plaats.

In New Hampshire, Haley has the support of Gov. Chris Sununu, who is widely popular in the state. Sununu holds to a form of conservatism that is out of step with many in the party, a low-tax, pro-business philosophy that also argues that the party is wrong to pursue culture-war issues.

Sununu argues that voters this year will reject the "nonsense and drama" that surround Trump, who lost New Hampshire by a larger margin in 2020 than in 2016, and that Haley represents the new generation of leaders. Former Sen. Judd Gregg, who also served as the state's governor, has backed Haley, as well.

Cruz won the Iowa caucuses in 2016 and went on to amass the second-most convention

delegates that year. At the party's 2016 national convention, he markedly refused to endorse Trump, prompting boos from the crowd.

On Tuesday evening, Cruz said the Iowa caucuses had essentially ended the race.

South Carolina's Feb. 24 primary could be decisive, in a state that Haley has won twice as governor but where she currently trails Trump in public opinion polls. The state's GOP governor, Henry McMaster, en-

dorsed Trump more than a year ago, and its senior senator, Lindsey Graham, backs Trump, as well.

Sen. Tim Scott, the state's other GOP senator, hasn't yet endorsed a candidate after suspending his own campaign for the nomination in November. Scott has spoken directly to Trump, Haley and DeSantis, who have all asked him for an endorsement, according to a person familiar with the conversations.

How Quickly the Front-Runner Could Clinch Republican Nomination

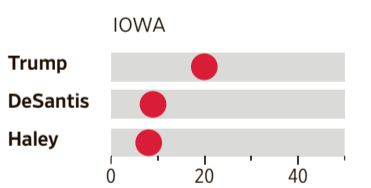
Florida Gov. Ron DeSantis muscled out a second-place finish in Iowa, but he trailed Donald Trump by roughly 30 points. Polls have shown Nikki Haley on the rise in New Hampshire, in some cases closing the gap with Trump to single digits.

But beyond that, there is little to suggest anyone is positioned to damp the air of inevitability around Trump's campaign. If Trump continues winning by margins similar to his dominant performance in Iowa, he is on a path to securing

the delegates needed to clinch the nomination in a matter of weeks. Here's a look at how the delegate math might add up through Super Tuesday.

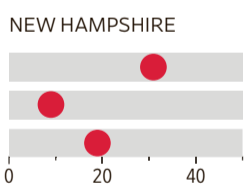
—Randy Yeip

Delegate totals after...

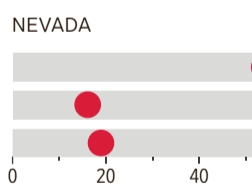


DELEGATES AWARDED TO DATE: 40 (1,215 NEEDED TO NOMINATE)

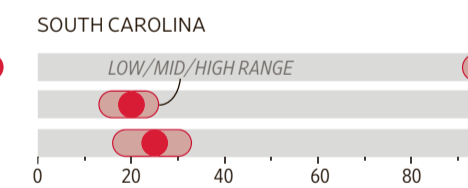
Potential delegate totals after...



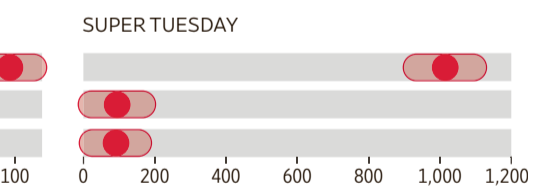
62



92



142



1,145

Iowa

Donald Trump won big in Iowa, netting 20 of the state's 40 delegates—the first points on the board in a race to 1,215. Ron DeSantis and Nikki Haley won nine and eight delegates, respectively. (Vivek Ramaswamy won three delegates in Iowa but has since dropped out).

New Hampshire

A Trump win in New Hampshire on Jan. 23 would be the kind of one-two punch that has the potential to end the possibility of any serious challenge to the nomination. But even if Haley scores an upset, the state's 22 delegates are allocated proportionally. She would likely come away with roughly the same number of delegates as Trump.

Nevada

On Feb. 8, the Virgin Islands and Nevada hold caucuses. All eyes will be on the Silver State and its 26 delegates—but Haley won't appear on the ballot. She is on the ballot for the state-run primary two days earlier, which makes her ineligible.

South Carolina

On Feb. 24 the race turns to Haley's home state, South Carolina. Polls have had Trump leading Haley by 20 points or more, meaning he could walk away with all 50 delegates.

Super Tuesday

If Trump has been running the table to this point and does so again on Super Tuesday March 5, he will be closing in on the number needed to clinch the nomination, and would likely do so by March 19.

Note: The potential delegate estimates shown above account for each state's rules regarding delegate allocation. This includes states with rules requiring candidates to win a certain percentage of the vote to qualify for delegates, as well as states with winner-take-all triggers when the leading candidate meets a certain threshold, usually 50%. Poll averages from FiveThirtyEight were used as a guide for potential vote share for each candidate in each contest. Due to rounding and the range of possible outcomes, individual candidates' delegate totals may sum to more than the total available delegates. Sources: Republican National Committee; TheGreenPapers.com; Frontloading HQ

Judge Threatens to Remove Former President From the Courtroom

By Corinne Ramey

Writer E. Jean Carroll testified Wednesday that Donald Trump shattered her reputation, drawing visible reactions in court from the former president, who received warnings from the presiding judge that his behavior could get him tossed from the courtroom.

Carroll's lawyer twice complained that Trump was speaking loudly and inappropriately from the defense table while the columnist was testifying. Tensions escalated, with U.S. District Judge Lewis Kaplan instructing the former

president to keep his voice down in the presence of the jury. When Trump continued to make comments while Carroll testified, Kaplan threatened to exclude him from the proceedings.

"I understand you are probably very eager for me to do that," Kaplan said.

"I would love it," Trump said, putting up his hands.

"You just can't control yourself in this circumstance apparently," the judge said.

"You can't either," Trump shot back.

Wednesday was the second day of trial in a lawsuit filed

by Carroll, 80 years old, against the 77-year-old Trump. The writer alleges Trump sexually assaulted her in the 1990s and then defamed her by denying the allegations after she went public with them in 2019.

In a related case last year, a different jury found Trump civilly liable for the assault and for making defamatory comments about Carroll in 2022, awarding \$5 million in damages. The new trial centers on comments Trump made while president.

Trump's voluntary attendance at this week's proceed-

ings in New York, which he is juggling with campaign events, marked the first time he and Carroll have been in the same room in years.

Over several hours on the stand, Carroll dwelled little on the alleged assault in a department store dressing room. Instead, she testified at length that Trump's critical comments led to threats from his supporters. She told the jury she was once a successful advice columnist and a writer for "Saturday Night Live," until in 2019, when New York Magazine published an excerpt from her coming book

that detailed her sexual-assault claim. Trump denied having ever met her and said she was lying to boost book sales.

"Now I'm known as a fraud and a whack job," Carroll said. She told the jury that she has been bombarded with as many as hundreds of daily menacing messages, including death threats.

Her lawyer, Shawn Crowley, complained that Trump during the testimony was audibly criticizing Carroll and calling the case a witch hunt.

"It's loud enough for us to hear it," Crowley said.

During cross-examination, Trump lawyer Alina Habba argued that Carroll had received online criticism even before Trump made the comments in question.

"Many people called you a liar on social media before the president issued his statement," Habba said.

At one point, Habba asked for a mistrial because Carroll had deleted some threatening messages, which Habba said she had an obligation to keep due to the lawsuit. "Denied," Kaplan said. "The jury will disregard everything Ms. Habba just said."



## U.S. NEWS

# Harvard Works to Woo Silicon Valley

Endowment brass meets investors to smooth relations over campus tumult

By JULIET CHUNG  
AND BERBER JIN

Executives atop Harvard University's \$51 billion endowment made an unusual tour of Silicon Valley last week to try to smooth relationships with top venture-capital investors. Some have been upset at the university's response to the Oct. 7 attacks on Israel.

Some of the venture-capital executives who invest money for Harvard had pushed the endowment's executives to try to get the university to address their concerns about what they viewed as Harvard's weak response to the attacks and to antisemitism under for-

mer Harvard President Claudine Gay.

Executives at Harvard Management Company, the nation's largest college endowment, met with firms including Sequoia Capital, Kleiner Perkins and Andreessen Horowitz. They also met with Elad Gil, an Israeli-born investor, and Patrick Collison, the chief executive of payments company Stripe; both are influential in Silicon Valley and have been among those who have been more outspoken to Harvard's endowment. Harvard is a direct investor in Stripe.

Private-equity executive Paul Finnegan, the endowment's chair and a member of the 12-person Harvard Corporation that governs the university, also attended some meetings.

"HMC is fortunate to have strong, longstanding relation-

ships with many investment managers who care deeply about higher education," Harvard endowment spokesman Patrick McKiernan said. "It is important to engage with our partners and share with them all of the ways that Harvard is actively working to ensure student safety and protect freedom of speech."

Gay declined to comment through a Harvard spokesman. In her resignation letter earlier this month, she wrote in part that her commitment to "confronting hate" was a "bedrock value" integral to who she is.

The pressure by some of Harvard's money managers, which hasn't previously been reported, adds another dynamic to the tumult that has enveloped elite universities since the attacks on Israel. The uproar was led by big donors such as Apollo's Marc Rowan

and Pershing Square's Bill Ackman, rather than by investors hired by the schools to manage their money.

Harvard's effort also shows the importance of venture capital to the endowment. Harvard has long lagged behind peer endowments in its exposure to venture, which has hurt its returns. The endowment has ratcheted up its venture exposure under Chief Executive N.P. "Narv" Narvekar, who arrived in late 2016, but it wants to further increase that exposure. Demand for spots in the most prominent funds regularly outstrips availability.

Many leading venture capitalists have criticized what they see as a pro-Palestinian bias in academia. The industry also counts several prominent Israeli-born investors and has poured billions of dollars into Israeli startups.

There was some internal

discussion at the endowment about whether the university could lose its spot in future venture funds. Several people familiar with Harvard's tour said it wasn't driven by worries about Harvard losing allocations but by a desire to partner with its managers and answer questions about what was happening at the university.

Harvard executives in meetings last week said that the endowment wasn't political and didn't play a role in choosing Harvard's president, said people familiar with the matter.

Executives also addressed frustration among some managers that Gay's initial statement responding to the Hamas attacks didn't explicitly condemn Hamas or distance Harvard from a statement by student groups laying blame for Hamas's violence on Israel's treatment of Palestinians over

decades. A follow-up statement condemned "the terrorist atrocities perpetrated by Hamas" and said student groups don't speak for Harvard. Finnegan said that Gay had sought input from the deans of Harvard's various schools and that the process had weakened the statement, signed by Gay and the school's leadership.

Gay's resignation has eased the concerns of some managers.

Narvekar was hired from Columbia University to help turn around Harvard's endowment. He was Harvard's fourth endowment chief executive in a decade, not counting interim heads.

Harvard's endowment has gained an average 8.2% a year over the past 10 fiscal years ended June 30, and 9.1% the past five years. Both are the second-worst records in the Ivy League for those periods.

## Tree of Life Synagogue Moves Ahead



**SOLEMN TASK:** Workers begin demolition Wednesday at the Tree of Life building in Pittsburgh, the site of the deadliest antisemitic attack in U.S. history. Most of the structure will be removed and a new building constructed in a way that honors the 11 people killed there in 2018.

## Proposed Law Would Make Sharing Fake Nude Images a Federal Crime

By JULIE JARGON

It could eventually be a federal crime to share digitally altered nude images of real people.

Rep. Joseph Morelle (D., N.Y.) this week re-proposed the "Preventing Deepfakes of Intimate Images Act," which would outlaw the nonconsensual sharing of digitally altered intimate images.

He had previously introduced the bill but has since added Rep. Tom Kean, a Republican from New Jersey, as a co-sponsor. Kean had introduced a bill in November called the AI Labeling Act of 2023, which would require AI-generated content to have clear labeling that identifies it as such.

The bipartisan move Tuesday comes in response to an incident at Westfield High School in New Jersey. Boys

there were sharing AI-generated nude images of female classmates without their consent. When the girls found out, they reported it to school administrators.

Francesca Mani, a 14-year-old student who was told by the school that her photo had been included in some of the generated images, got angry and decided to advocate for other victims. She and her mother, Dorota Mani, have spent the past two months meeting with lawmakers and were present in Washington, D.C., on Tuesday when Morelle and Kean announced the legislation.

"What happened to me and my classmates was not cool, and there's no way I'm just going to shrug and let it slide," Francesca said in a joint statement issued by Morelle's office. "I'm here, stand-

ing up and shouting for change, fighting for laws so no one else has to feel as lost and powerless as I did."

While people have been able to doctor images with Photoshop and similar software for years, new AI image-makers make it easy to produce entirely fabricated photos. There are now dozens of free or cheap face-swapping and "clothes-removing" tools that can be used to doctor real photos—and it is hard for the human eye to tell real from fake, according to AI experts. Any image can easily be shared widely on social and messaging platforms with a few taps.

In addition to making the sharing of digitally altered intimate images a criminal offense, Morelle and Kean's proposed legislation also would allow victims to sue offenders in civil court.



I asked what kind of family Amina wanted. She said, 'A family like yours.' That's when I knew I had to adopt her.

Denise, adopted 17-year-old Amina

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# WORLD NEWS



Israeli soldiers left the Gaza Strip and crossed into southern Israel on Wednesday as part of a partial pullout from the enclave.

## Israel Reduces Forces in Gaza

By THOMAS GROVE  
AND CARRIE KELLER-LYNN

Israel withdrew thousands of troops from Gaza after pressure from the U.S. to transition to a more surgical phase of its war against Hamas, a move that has sparked concerns among some Israeli officials that the pullout could leave the country vulnerable to another surge in militant activity.

The decision to withdraw one of Israel's four divisions from Gaza gives Israel more flexibility to deploy forces to other flashpoints, such as the West Bank, that have emerged since the war began Oct. 7. In drawing down its forces, however, Israel risks undermining its goal of eradicating Hamas.

Those concerns were underscored this week when a barrage of rockets was fired from central Gaza, according to the Israeli military, an area where

the 36th Division had been operating until it was withdrawn. The attack came from a position a little more than a quarter mile from Israeli forces, said Rear Adm. Daniel Hagari, the Israeli military's top spokesman.

Israel has three divisions battling in Gaza, with one each in Gaza's north, center and southern zones, Hagari said. Its broadest deployment is in Hamas's southern stronghold of Khan Younis, he said. Hagari said the 36th Division was rotated out to rest and train.

Giora Eiland, a retired Israeli general, said Israel's shifting tactics would allow more civilians, and militants along with them, to trickle back into northern Gaza. "We paid a very high price for something that is going to have no meaning in a short time," he said.

Israel's heavy bombardment of Gaza, combined with sweeping ground operations, has re-

sulted in heavy casualties for Palestinian civilians and an outcry from allies. The U.S. has called on Israel to reduce troops in Gaza and permit about 90% of displaced Gazans to return to their homes.

It is unclear whether the 36th Division later would be redeployed to Gaza, but the move, announced this week, shows the extent to which Israel feels beholden to international pressure. It also exposes the thorny issue of what constitutes a strategic military victory in a place where Hamas has embedded itself into the fabric of everyday life.

Israeli Prime Minister Benjamin Netanyahu on Wednesday said: "This war...will continue until the end, until we have hit all our goals."

The U.S. has been working to keep the war from expanding into a wider conflict. Attacks by Houthi rebels in Yemen on

ships in the Red Sea have led to strikes on the group by U.S.-led forces, underscoring the risk.

On Wednesday, a Marshall Islands-flagged bulk carrier was hit by a drone as it sailed 66 nautical miles southeast of Aden, Yemen, said the United Kingdom Maritime Trade Operations, a British mission assisting merchant vessels. The vessel was damaged and got help from an Indian warship, said British security consulting firm Ambrey.

The Houthis later claimed responsibility for the attack on the U.S.-owned ship, the Genco Picardy.

The U.S. then conducted strikes targeting 14 Houthi missiles on launch rails that "presented an imminent threat to merchant vessels and U.S. Navy ships in the region," U.S. Central Command said. It was the fourth U.S. strike on Houthi targets in the past week.

## Wider Regional Conflict Complicates U.S. Plans For Postwar Middle East

WASHINGTON—Biden administration officials say the path toward a more stable Middle East goes through the ruins of Gaza. But that goal

By David S. Cloud,  
William Mauldin  
and Vivian Salama

keeps running into the harsh realities of a region plunged into conflict.

The latest blow to the White House plans is the persistent attacks by Houthi forces in Yemen against international shipping in the Red Sea—a show of Arab support for Palestinian militants in Gaza against Israel that has prompted the U.S. and its allies to hit dozens of areas controlled by the Iran-backed Houthis with air and missile strikes. The exchanges are pulling the U.S. into a wider conflict and threaten to worsen regional tensions.

U.S. goals for the region require forging a consensus on who will secure and rebuild Gaza after the Israeli invasion. Secretary of State Antony Blinken and other senior U.S. officials have made repeated trips to the Middle East since Hamas's Oct. 7 attack on Israel, much of the time focused on building support among Arab allies and Israel on mapping out a postwar Gaza.

More than three months on, some progress is being made; Israel has pulled some forces from Gaza, in response to U.S. pressure.

Overall, the U.S. goals are proving elusive amid the continuing war and spillover violence in the Red Sea and elsewhere. Israeli and Arab leaders vital to any resolution remain at odds over how to move to the next phase and what roles they would play.

In the Biden administration's thinking, a blueprint for governing postwar Gaza

would lay the groundwork for more sweeping long-term changes in the region. Key features include a revived process to create a Palestinian state, security guarantees for Israel and the normalization of Saudi-Israeli relations. Those steps would curtail Iran's ability to foment instability, U.S. officials said, though its nuclear program would remain a threat.

Administration officials said its far-reaching blueprint is attainable, though that entails difficult decisions for governments in the region.

"It's hard to imagine, but it really is the only path that provides peace and security for all and, what is more, it is not impractical, it can be done," Jake Sullivan, President Biden's national-security adviser, said in remarks on Tuesday at the World Economic Forum in Davos, Switzerland. "The problem," he said on Wednesday, "is getting from here to there."

Among the first pieces the U.S. needs to fall in place is a more marked Israeli shift to lower-intensity military operations in Gaza.

An Israeli-Hamas agreement for at least a temporary ceasefire—much like one intermediaries brokered earlier in the war—might unlock still other pieces, including the release of some or all of the more than 100 remaining hostages still held by Hamas. Then on the table, according to U.S. plans, would be overhauling the Palestinian Authority so it could take part in running postwar Gaza.

One obstacle to these U.S. plans is Israeli Prime Minister Benjamin Netanyahu's government. As Israel pursues its goal of destroying Hamas's leadership and military capabilities, Netanyahu's government has largely parried Blinken and other senior officials' calls for closer alignment on postwar planning.

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WORLD NEWS

Iraq Seeks U.S.-Led Force's Exit

Continued from Page One Air Force Maj. Gen. Pat Ryder, the Pentagon spokesman. "At the end of the day, again, we are in Iraq at the invitation of the government of Iraq, and we'll continue to consult closely with this valued and important partner."

U.S. officials said some adjustments to the international coalition, which includes about 900 troops from two dozen countries along with a contingent of 2,500 U.S. troops, might be in order. But they have also warned that a premature withdrawal of U.S. and foreign troops would add to the instability in the Middle East by reducing international support for the still-deficient Iraqi forces and providing an opportunity for Islamic State to attempt a comeback.

Sudani said he was no longer worried that the departure of the coalition would undermine Iraqi military capabilities. "There is no cause for concern, as we have capable security forces that can control all areas of Iraq," he said. "The Iraqi-Syrian border is under complete control."

The call for the departure of the U.S.-led coalition is a shift for Sudani, who said last year in an interview with the Journal that foreign troops were still necessary to train and assist Iraqi units in countering Islamic State, though not to participate in combat.

The change underscores the heightened pressure on Sudani since the start of the Gaza war from hard-liners in Iraq, many backed by Tehran, who have stepped up calls for U.S. troops to leave. But it also reflects the desire of some Iraqi officials and commanders to maintain a robust relationship with the U.S. military, which can provide capabilities and resources Iraqi forces can't match on their own.

By calling for replacing the coalition with a bilateral relationship with Washington, Sudani can highlight his role in negotiating a departure of foreign forces while keeping an as-yet undefined military relationship with the U.S. that could include keeping U.S. troops indefinitely, some analysts said.



A missile strike launched by Iran's Revolutionary Guard Corps destroyed a building in Kurdistan region's capital of Erbil on Wednesday.

relationship with Washington, Sudani can highlight his role in negotiating a departure of foreign forces while keeping an as-yet undefined military relationship with the U.S. that could include keeping U.S. troops indefinitely, some analysts said.

"He wants to shore up his flank with Iran and their proxies but at the same time he recognizes that his government can't continue without support from the U.S. and its coalition," a former senior U.S. official said. The Iraqi leader is walking a political tightrope between Tehran and Washington, the official said, and "he is trapped in a bad place."

Farhad Alaadin, Sudan's diplomatic adviser, said Iraq wasn't seeking a rapid departure of U.S. forces.

"The goal is not to get the U.S. out," he said. "We need to agree to establish a timetable for changing the coalition to a bilateral relationship."

Sudani was mostly unknown in the West when he took office in 2022 and has sought to broaden his outreach to the Biden administration and other Western governments in hopes of attracting investment and aid, as well as to counter criticism that his government is too closely aligned with Iran.

His room to maneuver has been limited by Moqtada al-Sadr, a powerful Shia cleric who can mobilize thousands of protesters and armed militia members against the government. Sudani has also worked to retain support of the Coordination Framework, a group of mostly Shiite parties and factions that backed him for prime minister and which is supported by Iran. The bloc controls the most seats in parliament and several key ministries in his cabinet.

The small U.S. deployment in Iraq is a far cry from the 170,000 troops the U.S. military had in the country when

it battled Sunni insurgents and Shiite militias in 2007 during the nearly eight-year U.S. occupation.

Yet the modest U.S. military presence, which operates mostly within the confines of large bases in the country, has become a cornerstone of the U.S. security posture in the region. U.S. forces provide vital logistical support for the roughly 900 U.S. troops in neighboring Syria who are working with local partners battling remnants of Islamic State.

They also advise the Iraqi Security Forces on finding targets, the use of artillery, air operations, logistics and command and control in their continuing fight against the terrorist group. For example, Iraq's air force relies on reconnaissance by the U.S.-led coalition to find targets, according to a Pentagon report issued last year.

Beyond that, the effort to

strengthen ties between the U.S. defense establishment and its Iraqi counterpart is part of an effort to counter Tehran's long-held agenda of trying to pressure the U.S. military to leave the Middle East.

The departure of the U.S.-led coalition could also diminish support for the Iraqi military in other ways. More than \$300 million was appropriated by Congress for the 2023 fiscal year to equip and train Iraqi forces for their counter-Islamic State missions.

"It's imperative that the U.S. maintain at least a minimum security presence in Iraq to mentor, advise and train the Iraqi Counterterrorism Service and the upper levels of the Iraqi Security Forces in general," said David Witty, a retired Army Special Forces colonel who advised the Iraqi Counterterrorism Service. "They are still not fully capable and remain reliant on the U.S. and other coalition part-

ners for some support."

U.S. officials have been reluctant to convene talks to discuss the future of the U.S.-led coalition while U.S. troops are under fire from Iraqi militias. Many of the armed drones and rockets have been intercepted, but U.S. officials said Sudani's government and military forces should do more to stop the attacks.

Sudani has been pressing to begin the talks, and raised the matter with national-security adviser Jake Sullivan at a meeting at Davos on Monday, Iraqi officials said.

Iraq's relations with Iran have been strained since Tehran on Monday fired ballistic missiles at what it said was an Israeli intelligence base in Northern Iraq, which Baghdad denied. Sullivan and Sudani talked about the Iranian attack and about "enhancing cooperation as part of a long-term, sustainable defense partnership," the White House said.

Factories Are Focus For China

Continued from Page One real-estate crunch weighs heavily on construction, investment and consumer confidence.

Longer-term, Beijing wants these and other high-tech manufacturing industries to be in the vanguard of its push to eventually unseat the U.S. as the world's largest economy, while also helping it grow richer and weather the pressure of an aging and shrinking population.

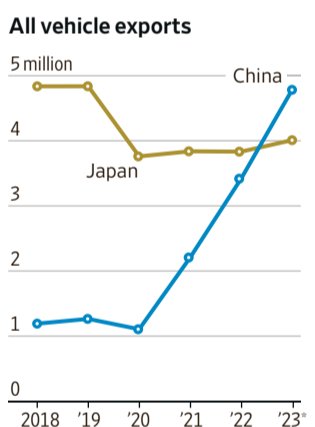
Economists, though, see two big hurdles ahead.

One is that real estate has grown to be such a huge chunk of China's economy that it can't easily be replaced. That implies the hoped-for rebalancing will be accompanied by a spell of much weaker growth in China than households, businesses and investors have come to expect.

The second is that many countries, especially big markets such as the U.S. and Europe, are signaling they aren't that eager to buy the fruits of China's industrial renewal—and in some cases are already raising barriers to Chinese products. The risk is a new round of tit-for-tat protectionism that could put lasting pressure on the global economy.

"If China builds up all this capacity and cannot absorb this capacity domestically, it will be looking for export markets around the world," said Eswar Prasad, professor of trade policy at Cornell University and former head of the International Monetary Fund's China division. "China is feared as a country that could dominate global markets and wipe out domestic producers."

European Commission President Ursula von der Leyen, speaking Tuesday at the World Economic Forum in Davos, Switzerland, said China was one of the continent's most important trading partners, but added: "We need to derisk in some areas." She said recent export restrictions China placed on critical minerals didn't help build trust, and Europe was working to di-



\*through November Sources: CPCA; JAMA

versify its supply chains.

Manufacturing investment in China was a bright spot last year in an otherwise sluggish year for growth. China's economy grew 5.2% in 2023, according to official data released Wednesday, a modest expansion just above Beijing's target for the year but less than the speedier growth rates that were commonplace in the recent past.

But investment in high-tech manufacturing rose 9.9% in 2023 from the previous year, Wednesday's data showed, powered by spending in electronics, aviation and communications.

Unlike Japan, South Korea and Taiwan, which mostly ceded low-end manufacturing to cheaper locations as they became adept at high-tech manufacturing, China is aiming to consolidate its position as the world's factory floor by making not only high-end goods such as aircraft and semiconductors, but also the stuff that it has excelled in for decades, like furniture. In 2022, China accounted for 31% of global manufacturing, according to United Nations data, compared with 16% for the U.S.

One standout success for China in 2023 was its fast-growing auto sector. Aided by surging sales of mostly gas-powered vehicles to Russia, China is estimated to have overtaken Japan as the world's largest car exporter last year. Chinese firms such as BYD and XPeng have set their sights on the growing EV market, causing consternation in Europe especially, where the European Union has opened an antisubsidy probe into cheap Chinese EVs.

Yet this manufacturing prowess and China's pole position in hot industries such as electric cars and solar panels can obscure the economy's reliance on real estate and construction as drivers of growth.

Estimates by Kenneth Rogoff of Harvard University and Yuchen Yang of the International Monetary Fund suggest that real-estate construction, investment and associated activities accounted for as much as 25% of China's annual gross domestic product before the pandemic, compared with between 10% to 15% for most other economies. Add in infrastructure spending and that share reaches 30%.

Rory Green, chief China economist at GlobalData TS Lombard in London, said a generous amalgamation of Beijing's favored manufacturing sectors would add up to perhaps 10% of the country's GDP.

And construction is still fueling Chinese growth, even as the country's residential property woes mean the number of unfinished apartment blocks has grown. Infrastructure investment rose 6.5% in 2023 from a year earlier as the government bankrolled transport and power projects, data show.

"The Chinese economy is still extremely dependent on construction activity," said Julian Evans-Pritchard, head of China economics at Capital Economics in Singapore. "The reason the economy is still growing at 5% is not because EV exports are booming."

Economists at Goldman Sachs concur, calculating that investment in New Three industries in the years ahead won't be enough to offset the drag from China's wider challenges. In a recent report, they estimated that the continuing property slump and declining production of traditional autos would shave 0.5 percentage points off annual growth in the years through 2027—even after accounting for lavish investment in EVs, batteries and renewables. The net impact on jobs would also be negative, they found, since construction tends to be more job-heavy than modern manufacturing. The investment bank anticipates annual growth in China will slow to around 4.5% this year and 3.7% in 2027.

—Kim Mackrael contributed to this article.

Advertisement for WeatherTech SEAT PROTECTOR. The top part features the text 'PRESERVE AND PROTECT' in large white letters on a blue background. Below this is a photograph of a car's interior with a grey seat protector installed on the back seat. At the bottom of the ad, the text 'SEAT PROTECTOR' is displayed in white on a blue background.

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## FROM PAGE ONE

## Spotify Aims for a New Groove

*Continued from Page One*  
to stage concerts and sell tickets has struggled. And Spotify is two years late in rolling out high-fidelity lossless audio, a better-quality offering for audiophiles its major rivals have delivered.

The Stockholm company, with a market cap nearing \$40 billion, competes with services run by deep-pocketed behemoths including Apple, Amazon and Google that don't have to rely on profits from streaming audio.

"Spotify has consistently led people to believe they would have a profitable business that would justify their valuation and used capital raised on the back of that valuation to chase rainbows," said Richard Kramer, founder of tech-focused equity-research firm Arete Research. "None of those rainbows were captured."

### User growth

After years of rapid growth, the company laid off some 2,300 employees in three rounds of cuts last year in its quest for profitability. The most recent claimed 17% of its remaining workforce. CEO Daniel Ek announced the latest round of cuts after reporting strong user growth in the third quarter, and Spotify's first quarterly profit since the first three months of 2022.

Executives say the company has made progress transforming from a music-streaming service to an audio company, and that its recent push into audiobooks, coupled with podcasts and music streaming, will bring sustained profits in 2024. Spotify is the only service that offers streaming music, podcasts and hours of audiobook listening in the same app for \$10.99, bullish investors say, making it distinctive from rivals.

Spotify's "willingness to spend money to the point of loss-making has been a key factor" in its dominant market position, said Tim Ingham, a music industry analyst and founder of trade publication Music Business Worldwide, and a period of austerity is likely to test whether it can maintain that lead.

"They serve a technology that's easily replicable and has been successfully replicated by tech scions," he said. Ingham thinks the company could be an eventual takeover target for companies like Microsoft, Netflix and Chinese giant Tencent, which currently owns an 8.5% stake.

Ek said last month that the company is spending too much money and needs to return to its more resourceful roots as a scrappy technology startup. In a letter to employees, he said that what the company accomplished over the past two years was impressive, but "the reality is much of this output was linked to having more resources."



Florence Welch of Florence and the Machine performed on stage during an event hosted by Spotify in Cannes, France, last year.

"By most metrics, we were more productive but less efficient," he said. "We need to be both."

Spotify was born into a music industry bludgeoned by online piracy. Once-lucrative CD sales cratered as people illegally downloaded music for free. Launched in 2008 in Europe and 2011 in the U.S., Spotify created a new proposition: Instead of buying albums or songs, users could rent access to essentially all the world's music for a monthly subscription, or in exchange for listening to ads.

It wagered that listeners would pay for a better experience powered by a robust music recommendation engine. The gamble worked, but came at a cost. To secure access to the labels' giant catalogs, Spotify settled for royalty terms that would prove a long-term financial albatross.

Other services from Google, Apple and Amazon joined the fray, and Spotify found itself in a race to attract a growing number of streaming music listeners.

Spotify spent heavily when interest rates were low, taking swings large and small. Internally, it placed so-called "mountain bets"—experimental runs at generating a new product, feature or revenue, which often functioned like a startup within the company.

Ek fostered a culture of constant experimentation. "We aim to make mistakes faster than anyone else," he would tell staff.

Shortly after going public in 2018, Spotify tested a feature that let independent artists upload their music directly to the service as part of an effort to make it easier to distribute music, particularly for new acts. The offering irked Spotify's label partners, who felt it en-

croached on their business. Spotify shut the program down after less than a year.

By 2019, executives thought that the service's music recommendation engine was distinctive, but that Spotify needed to further differentiate itself from rivals in an increasingly commoditized business.

### Celebrity shows

Podcasting presented an opportunity to own and license content. Spotify went all in, spending over \$1 billion to sign top podcasters like Joe Rogan and acquire premier podcast studios.

Advertising, a small business within the company that generated less than 10% of revenue, would have to become a major source of revenue. Spotify had to invest and build out new ad sales operations.

While Spotify became the top podcasting platform and its ad business grew, most shows, including some featuring big-name celebrities such as Meghan Markle, lost money. Spotify scaled back its podcast effort this summer, laying off around 200 people and cutting original shows.

With powerful data on what users listen to—and who artists' most devout fans are—concert promotion and ticketing struck executives as a natural extension of its core business.

Spotify started work on a live ticketing project aimed to compete with concert industry giants Live Nation and AEG. With a mantra of "headphones to headliners," and a \$30 mil-

lion annual budget, the Spotify Stages team tried to build out its capabilities to market events on its platform, promote club shows, run fan presales and sell tickets.

Spotify Stages launched in January 2020—shortly before pandemic lockdowns—as a mountain bet. After ticketing some live-streamed events later that year, the experiment started to take shape. An initial team of a half dozen or so grew to about 100.

The Stages team relaunched a live events feed in the summer of 2022 that surfaces upcoming shows by artists a user listens to in their area. It also promoted one-off shows for a few dozen artists based on its listening data—offering them a minimum guarantee, booking the venue and selling tickets.

The team took over an existing Fans First presale program, selling a slice of general admission tickets at small, independent clubs to an artist's most ardent listeners on Spotify.

Its ticketing efforts struggled against limitations in technology—Spotify couldn't sell tickets for shows with reserved seating or with bar codes—and the company's inability to secure inventory. It was never able to strike larger deals akin to Ticketmaster, which forges exclusive, long-term contracts with venues.

The team working on the project was nearly halved in the recent layoffs and has given up on direct ticket sales. It is now largely focused on helping artists sell more tickets via Spotify as a sort of storefront.

### Ticketing struck executives as a natural extension of the core business.

## The Demise Of Office Gossip

*Continued from Page One*  
hottest segments in the \$24 billion North American office-furniture industry. Manufacturers such as Room, Nook and Framery say business has been brisk. But some workers and managers say more booths means less eavesdropping, less gossiping, less camaraderie and less fun.

"It's strange," said William Blaze, a technology recruiter and consultant, referring to colleagues who end up occupying booths for much of their workdays. Blaze, who lives in Atlantic Highlands, N.J., observed the phenomenon while working at tech companies from 2021 to 2023, as well as at a client's Manhattan co-working office where he now works two days a week.

"It seems that the goal of returning to office has been to create a rowdy buzz," said Blaze. "We're not seeing that."

Janet Pogue McLaurin, global director of workplace research at architecture and design firm Gensler, said

workplace privacy has never been more important. Many of the firm's clients, which include big companies such as Amazon, have more than doubled their booths and other private or semiprivate areas since the pandemic.

"This is a huge trend," she said.

Demand for privacy has office architects and landlords scrambling to rearrange layouts. Open-plan offices, often dreaded by employees, are now being peppered with pods and booths that scream "do not disturb."

Jamie Hodari, chief executive of global co-working company Industrious, said some workers are monopolizing private areas in office spaces that were designed for professionals to connect with other professionals. "We see a lot more people linger for two hours post-phone call or a Zoom call because they like having a little space to themselves."

Booth-inclined office workers say their needs have changed post-Covid, and they have a harder time concentrating among noise and distractions.

At CrowdComms, a U.K.-based maker of event technology, managing director Matthew Allen got used to working in near-silence at the office during the pandemic.



Furniture maker Steelcase offers a desk-encircling tent meant to ensure 'territorial privacy.'

When colleagues returned, their phone calls—even at normal volume—annoyed him so much he bought a sound-dampening booth. Though it was ostensibly for the entire office, he soon moved in.

"It's quite selfish," said Allen, who has added a trio of

plants. "I think it has very much become my home."

On social-media sites such as X, Reddit and TikTok, employees generally celebrate the booths. Even Chatty Cathys are seeking them out. One X user tweeted that she locks herself in an office phone booth most

failure.

At a wide-ranging investor day in June 2022—its first since going public—Spotify tried to combat investor fears that the audio-market opportunity is limited and the notion, Ek said, that "some may also think that we're a bad business."

Ek outlined plans to expand into new businesses like audiobooks and reach one billion users by 2030. The company said it planned to improve the profitability of its podcasts and take full advantage of its rich data on fandom to fuel merchandise and ticket sales.

Spotify has had some success in becoming a flywheel of fandom, helped by a banner year for live events, with Taylor Swift and Beyoncé's summer tours in particular spurring sales of vinyl and merchandise. It recently introduced capsule collections of exclusive merchandise with artists including Spanish pop singer Rosalía, Daft Punk and Tyler, the Creator.

Its expansion into selling on-platform promotional opportunities to artists and labels has helped improve margins in its music business.

The company also continues to focus on getting more podcasters to opt into its distribution and advertising services, and struck a deal last month with Warner Bros. Discovery to distribute and sell ads against podcasts from CNN, HBO and Max. Spotify Audience Network—a marketplace that lets advertisers target consumers based on their listening preferences—has seen advertiser participation grow more than 45% over the past year.

As Spotify's current deals with stars like Alex Cooper and Emma Chamberlain come up for renewal, the company aims to revise terms with many of them to pay smaller minimum guarantees and emphasize revenue sharing.

### Audiobook bet

It is in the early stages of a new large-scale bet on audiobooks, a medium it sees as important in distinguishing itself from rivals. For now, it offers 15 hours of free audiobooks to premium subscribers before asking them to top up their accounts with additional hours of listening.

Spotify is betting that audiobook super-users will pay enough to cover much of what the company must pay publishers, according to people familiar with the matter. Publishers are paid by Spotify primarily on the amount of time users spend listening to specific titles, although individual agreements vary.

Spotify passed Apple to become the No. 2 provider of audiobooks behind Audible in the fourth quarter of 2023, according to data firm Bookstat, with an estimated six million units sold or streamed in the U.S. Audible was in first place, with over 50 million.

Another education-focused mountain bet—Master Class-style audio programming—is waiting in the wings. Spotify is planning to start testing such content this year.

—Jeffrey A. Trachtenberg contributed to this article.

days because she talks too much.

Others vent about booths' poor ventilation and small size, or their aesthetics. Kirsten Auclair, a biomedical researcher in San Francisco, shudders at the harsh lighting in the booths she uses to take Zoom calls at work.

"It casts like the worst shadows, you look just kind of, like, on the brink of death," she said. Still, Auclair considers the oasis from colleagues' noise an office lifesaver.

Booth manufacturers insist their products can coexist with collegiality. SnapCab founder and CEO Glenn Bostock said the glass walls of his company's pods allow for a sense of connection with co-workers.

"They can see you," he said. "You can wave at them. You can still interact with people visually but you get that audio privacy."

Other products seek a different balance between isolation and community. Furniture maker Steelcase offers a desk-encircling tent meant to ensure "territorial privacy" instead of silence.

Nook, headquartered in the U.K., makes hut-shaped hideaways intended to provide a sense of psychological safety without being completely enclosed. Nook founder David

O'Coimin said an office filled with phone booths "is like you have a jail instead of having a workplace."

Furniture distributor Thinkspace sells booths that Sid Meadows, principal and vice president, said are designed to allow a low level of outside sound. Humans are wired to crave some background noise, he said, pointing to popular YouTube videos of ambient office chatter.

That matches the findings of a study co-authored by Dr. Esther Sternberg, director of the University of Arizona Institute on Place, Wellbeing and Performance. She and colleagues discovered people became stressed when their surroundings were too quiet as well as too loud. The typical volume of birdsong, at 45 decibels, appears to be just right.

Farmer's Fridge, which sells fresh salads out of vending machines, has eight pods made by Zenbooth and a plethora of conference rooms in its Chicago office. It offers about 40 hideaways for the 85 people who work there, yet that bounty of isolation isn't always enough, even for the CEO.

"I actually live three minutes from here," said Luke Saunders, also the company's founder. "If I really have to get work done, I do it at home."



# PERSONAL JOURNAL.

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**ON THE CLOCK**  
**CALLUM BORCHERS**

In almost any other marriage, Lawrence Katz would be the more illustrious spouse. The former chief economist of the U.S. Labor Department was elected president of the American Economic Association last fall.

Five days later his wife, Claudia Goldin, won the Nobel Prize in economics for her research on women in the workforce.

When the couple walks their golden retriever, Pika, on the campus of Harvard University, where both are professors, students ask for selfies with Goldin. (And sometimes with the dog, Katz says, but never with him.) Goldin is occasionally recognized on airplanes and in restaurants, now that she has achieved a degree of celebrity as the first woman in her field to be awarded a Nobel without a male collaborator.

To put things in power-couple terms that just about everyone else in America can understand: Katz is the Travis Kelce of the couple, the All-Pro football player regarded as one of the best in his sport. Goldin is the Taylor Swift, the all-world pop star whose fame is on another level.

In the latest issue of WSJ Magazine, Kelce describes being blown away by Swift's "aura." Even his mother seems to understand where her son ranks in the relationship: "God bless him, he shot for the stars!" she said in an interview for the magazine's cover story.

Some wildly successful people's better halves are, well, just that.

From Reddit co-founder Alexis Ohanian (aka Mr. Serena Williams) to Michelle Obama, even the most accomplished professionals can be outshined by higher-profile romantic partners. Humility and mutual admiration are critical

when the spotlight plays favorites, according to couples who avoid bad blood and enjoy each other's acclaim.

To be fair, "better" is subjective. Many who excel in their careers might never match their significant others' stature, simply because certain jobs are more public.

"I don't feel any sense that I lost some competitive race," Katz says of his wife's Nobel recognition.

Goldin does claim some household bragging rights—but not about work. She says she's handier than her husband and fitter, too, hitting the gym to lift weights several times a week.

## No star at home

I was in the stands last month when my pitiful New England Patriots hosted Kelce's Kansas City



## Power Couples' Better Halves

Successful people can be outshined by higher-profile romantic partners, like Travis and Taylor



▲ When Harvard economists Claudia Goldin and Lawrence Katz walk their dog, Pika, people sometimes ask for selfies with Goldin, who has won a Nobel Prize.

Chiefs. The tight end had five catches in a 27-17 victory, but the fans around me hardly noticed him. They were too busy scanning luxury boxes, hoping for a glimpse of Swift.

The multiplatinum recording artist is an attention magnet at every game she attends, including last weekend's 26-7 playoff win over the Miami Dolphins. A popular phrase on homemade signs and bootleg merchandise reads: "Go, Taylor's boyfriend!"

Katherine Carttar, executive director of the Urban Land Institute Kansas City, can relate to being



▲ Katherine Carttar, executive director of the Urban Land Institute Kansas City, is married to Kansas City, Mo., Mayor Quinton Lucas.

seen first as someone else's partner. Her husband is the mayor of Kansas City, Mo., Quinton Lucas. At social functions, she's often asked whether she works outside the home. Carttar says she is able to shake it off because she is received differently in other circles.

"If we go to an event where there are more political people or development-industry folks, we are viewed almost separately as authority figures in our own areas and respected for what we do," she says.

Regardless of how others perceive them, there is no star at

home. Carttar, expecting the couple's second child, assures me that the mayor has many diaper changes in his future.

Attorney Michael "Ziggy" Zografakis negotiates major deals as Roku's director of ad-product partnerships.

When business talk turns to chit-chat about family life, he sometimes mentions that his husband is public-radio host Jeremy Hobson, whose program, "The Middle," airs on more than 400 stations nationwide.

"Some people are like, 'Oh, my God. That's crazy!'" Zografakis says. "I've gotten, 'Oh, I listen to him in the shower!'"

Hobson previously co-anchored the NPR/WBUR midday show "Here & Now" and, before that, hosted American Public Media's "Marketplace Morning Report."

Sometimes people who meet the couple for the first time act overly excited and friendly with Hobson, as if they already know him because his voice and personality are familiar.

"The people that I am closest with in life generally knew me before I was hosting a public-radio

show or don't care," says Hobson.

Zografakis is a bit of both. He and Hobson met 14 years ago, when Hobson was an up-and-coming field reporter, and though Zografakis grew up listening to public radio, he says he was never star-struck.

## Owning it

Nobody can make David Mars feel like he has been cast in a supporting role. That's his own take.

"I'm gonna be straight and honest: I married up," he says.

Mars, a partner at the venture firm White Owl Capital Partners in New York, is married to Tony Award-winning actress Patina Miller, who played Commander Paylor in two "Hunger Games" movies and has a leading role in the Starz series "Power Book III: Raising Kanan."

Self-deprecation aside, Mars is secure enough in his own success that he says he doesn't mind being overlooked when he goes out with Miller.

On the contrary, he appreciates her ability to snag tough-to-get dinner reservations.

Having completely different careers helps ward off jealousy, Mars believes. When his wife garners an award, he wholeheartedly celebrates an achievement that he'd never aspire to.

"It is actually the greatest feeling in the world because it is selfless joy," he says.

## All Aboard Cheap Cruises on Older Ships

By JACOB PASSY

Royal Caribbean's Icon of the Seas, a cruise ship over five times as large as the Titanic, is preparing for its inaugural voyage in late January. A subset of die-hard passengers are saying they would much prefer the opposite of that mammoth boat.

Picking an older, smaller cruise might make for less fancy travel, but it comes with obvious advantages. Lower demand for the aged vessels can prompt some big-deal savings. Some of these ships sail more exotic itineraries, and passengers enjoy greater attention from crew members without feeling so crowded.

"Each ship has its own personality," says Mari Marks, a luxury-travel adviser with Protravel International in Beverly Hills, Calif. "Because not everybody is going to love being with over 5,000 of their new best friends."

Royal Caribbean operates the six largest cruise ships in the world. The Icon is now the largest. It can hold more than 7,000 passengers and comes with everything from an ice-skating arena to six waterslides.

### A well-traveled boat

A few years ago, cruise regular and Las Vegas resident David Di Vito went on his first cruise aboard the Oasis of the Seas, which was once the world's largest cruise vessel. Since then he has sailed on multiple Royal Caribbean ships. His favorite is the less-heralded Vision of the Seas.

Vision of the Seas has been in service since 1998. Di Vito and his fiancée, Marina Vail, appreciated that they weren't overwhelmed by crowds and could do the activities they wanted.

While the older vessel didn't have the many niceties of the Oasis of the Seas, they enjoyed themselves. Di Vito liked grabbing a deck chair and watching the ocean. Vail peeled off for trivia games and scavenger hunts.

Fewer people also meant better service, Di Vito, a 34-year-old sound engineer, says. He recalls that the Wi-Fi was more reliable, guest services was more responsive and booking excursions at ports of call wasn't a hassle.

Such trips are often also cheaper. A three-night cruise to the Bahamas from Port Canaveral, Fla., in early September on Royal Caribbean's soon-to-debut Utopia of the Seas started at \$827 a person on a recent search for an interior stateroom before applying discounts. A four-night cruise to Cozumel, Mexico, out of Tampa, Fla., on the Grandeur of the Seas, the cruise line's oldest ship, around that same time started at \$519 a person for an interior room before discounts.

Royal Caribbean didn't respond to requests for comment.

### The big get bigger

Other cruise companies have introduced gargantuan vessels in recent years. MSC Cruises entered the



▲ A trip on Grandeur of the Seas, the oldest ship in Royal Caribbean's fleet, costs a fraction of a voyage on newer vessels.

MSC World Europa into service in December 2022. The ship can hold more than 6,700 passengers.

Carnival's flagship, the Celebration, had its maiden voyage in late 2022. That ship has a maximum capacity above 6,500 passengers—and boasts the first roller coaster at sea.

"Larger ships offer more operational efficiencies, more revenue-generating opportunities and more space to offer a variety of accom-

modations, dining, entertainment and recreational features," says Chris Chiames, chief communications officer for Carnival Cruise Line.

Phil Perrey, a minister from St. Charles, Mo., says he and his wife wanted to sail on one of Royal Caribbean's newer and larger ships. By the time they finished pricing it out, they realized they could pay at least \$300 less to sail on the Celebrity Equinox, which first entered service nearly 15 years ago.

### A ship pro tip

When booking cruises, Perrey takes an approach recommended by travel

advisers. Instead of looking at when a ship first sailed, he checks when it was last refurbished during what is

known as a dry dock. "A 10-year-old ship that hasn't been through dry dock is going to feel older than a 20-year-old ship that got out of dry dock two years ago," he says.

Carnival uses the dry-dock process to install features on its more-mature ships, such as the adult-only Serenity section, Chiames says.

Older ships can come with drawbacks, even if they are recently renovated. They tend to have smaller rooms and fewer cabins with balconies, says Rob Clabbers, president of Q Cruise and Travel in Chicago.

Adam Carnevale, a small-business owner from Hickory, N.C., has sailed most often with

Carnival. Many of his cruises have been aboard the Carnival Sunshine. The ship sails out of Charleston, S.C., about four hours from home. He frequently recognizes passengers and crew members from previous sailings.

Carnevale was less enthusiastic about a cruise he took out of Miami on the Celebration last summer. He says he found the food and service not up to the same level of quality. He also wasn't wowed by the ship's many amenities, which he compared with an ice-cream cone overloaded with toppings. "You don't have to give me all the fancy stuff," he says. "Sometimes vanilla is good."



## PERSONAL JOURNAL.

# AI Makes Galaxy S24 a Smarter Phone

Samsung's newest uses artificial-intelligence features, including Circle to Search, to up the ante in its battle with Apple



**PERSONAL TECHNOLOGY**  
**JOANNA STERN**

It's finally here. An AI phone that does more than a...iPhone.

I can't imagine why Samsung's marketing department didn't go with *that* slogan (maybe the grammar?). But the newest Galaxy S24, S24+ and S24 Ultra smartphones really are all about artificial-intelligence features that go beyond a voice assistant that can execute basic tasks.

Announced Wednesday and shipping at the end of this month, the trio of phones have the usual: sharper cameras, brighter displays and new colors. The \$1,300 Ultra comes in a new titanium material.

Yet for the first time in a while, Samsung isn't selling specs. It's selling software.

The South Korean company worked with Google and chip maker Qualcomm to weave generative-AI features—what it calls Galaxy AI—throughout the Android operating system and some apps.

When you're on a call, a voice speaking another language can be translated audibly in real time. When you type meeting notes and add documents to the Notes app, AI will summarize and organize them for you. In the Photos app, you can move around a subject and AI can regenerate the missing parts of the photo.

At a time when smartphone shipments have stalled, Samsung expects AI to be a sales driver. And it isn't just about selling new phones. In the first half of the year, it will begin rolling out some of these AI features to older phones, including the previous Galaxy S23 family. In addition, Samsung said it would provide the new models with longer software and security updates to help gadgets last longer.

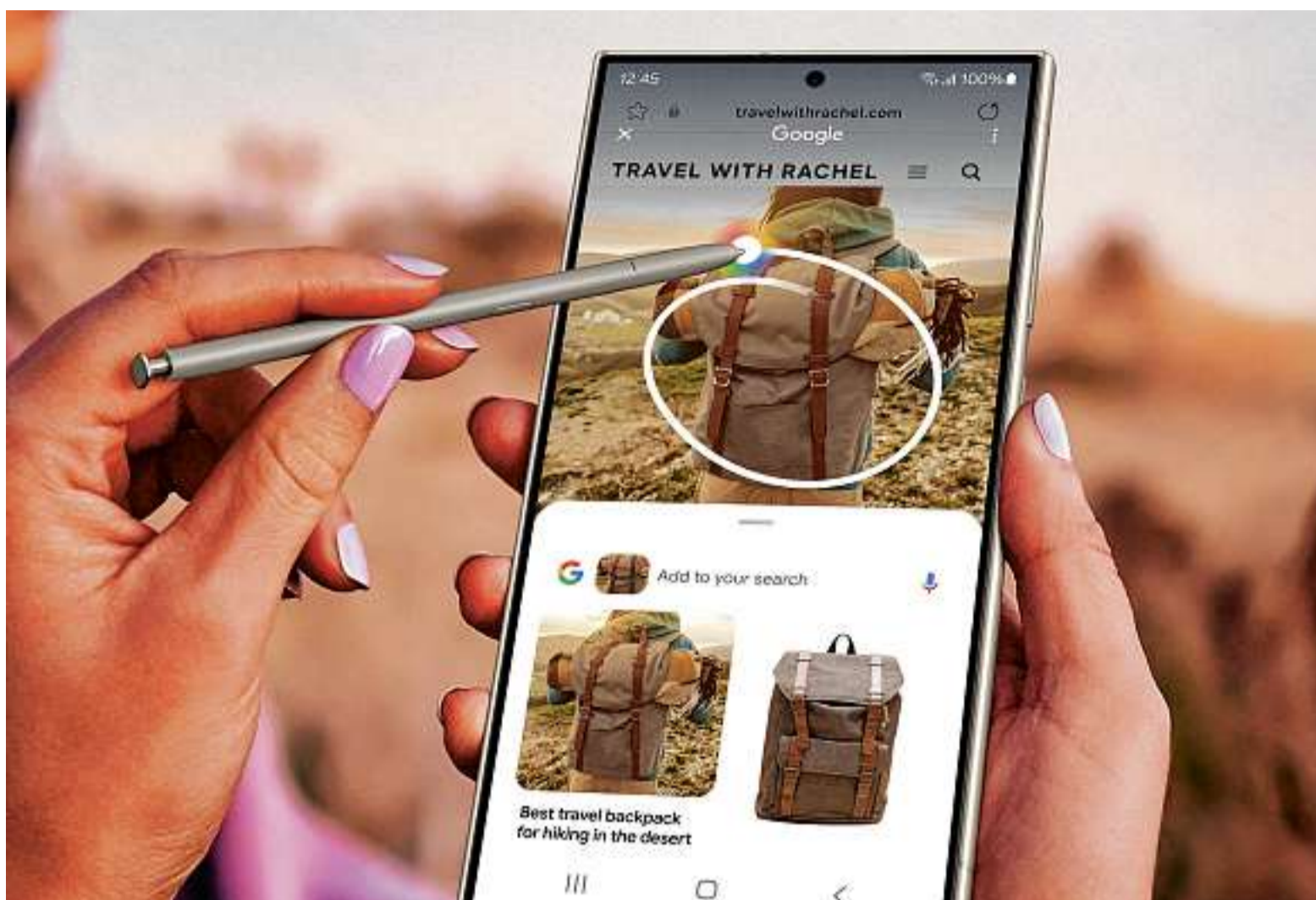
Here comes the *but*. Samsung hasn't exactly been great at software, or virtual assistants in the past. (Remember Bixby? Or at least remember making fun of Bixby?) The company has a track record of confusing users by cramming in too many features, sometimes hiding them so no one knows what's there.

In the demos I saw of the Galaxy S24, there's definitely some of that. But I also saw tools that should make iPhone users jealous. Siri-ously.

## The AI feature pack

Samsung has placed a subtle star icon within its apps to indicate the presence of Galaxy AI. Here's a sampling of some new features worth knowing about:

► **Phone:** Need to call someone who only speaks Japanese—or one of 12 other supported languages? Dial the number, select the language and start the conversation. You'll see a transcription appear



on screen and hear a robotic voice repeat what you said in the other language for the caller. When the recipient responds, you see the foreign and translated text. You'll also hear that same robotic voice.

This worked quite well in our demos, aside from some lag in the spoken translation. And amazingly, all the processing is being done on the device. (You'll find a similar translation feature for texting in the keyboard app.)

► **Keyboard:** Yes, AI is even hiding inside your keyboard, and it goes beyond ducking autocorrect. Type your message, hit the AI button, select from options like "professional," "casual" and "polite," and the system will rewrite your message in that tone. An "emojify" option will—you guessed it—add appropriate emojis to the message.

► **Notes:** Now this I'm really into. Hit the stars button in the Notes app, and AI can auto-format and summarize the messy notes you took during your hourlong meeting. You know, the one where you jotted everything down but didn't really listen to what was said? A similar summarize tool is built into the web browser, too.

► **Photos:** So your kid only jumped a foot high but he'd like it to look like 10 feet? Use the Generative Edit feature to move him up in the air and then create a new background where he was originally standing. Yeah, don't trust anything you see anymore. Samsung says any photo edited with this feature will include a watermark in the bottom left of the image and in the metadata.

► **Anywhere:** One of the neatest

tricks: While in most apps, you can long-press on the home button at the bottom of the screen. It will bring up a Google search bar. Tap or circle something on the screen and it will automatically search for it. In a demo, we circled a wedding dress and it brought up, well, a lot of Google results of wedding dresses. This Google feature, called Circle to Search, is also coming to the Pixel 8 and 8 Pro.

**Stand-alone vs. phone**  
Are any of these features alone going to drive Galaxy S22 users to run to the store to buy a new phone? Doubt it.

But as generative AI comes for all our tech tools, Samsung and Google's Pixel 8 have set the stakes for AI-ifying the smartphone. They're certainly far ahead of Apple, which hasn't yet introduced generative-AI tools. And then there's Siri, whose biggest improvement this year was finally being able to set multiple timers on an iPhone—years after Alexa and Google Assistant could do so.

Still, no phone or smart speaker maker has yet to deliver on the true promise of AI: an all-in-one, proactive assistant that can take on our to-do lists and work across apps to get things done. And a growing movement of gadget makers believes those in-

▲ **The Circle to Search AI feature from Google will make its debut on the Galaxy S24 line.**

telligent assistants won't dwell in our smartphones at all.

Humane, a startup from ex-Apple executives, thinks the answer is in a high-tech brooch that contains a camera, projector and microphone. Rabbit, which made its debut at CES last week, believes the answer is a little smartphone-ish sidekick for your smartphone. Both devices have natural-sounding assistants that aim to move us away from tapping in and out of apps to get things done.

OpenAI CEO Sam Altman and Apple design mastermind Jony Ive are also said to be working on an AI device together. Altman told me last fall he has "no interest in trying to compete with a smartphone."

Drew Blackard, vice president of mobile product management at Samsung Electronics America, said that the company is exploring all sorts of future devices. For now, though, the market is all about the standard smartphone. And that there are a lot more ways AI can continue to "enhance, improve and accelerate the experience."

Hey Siri, are you listening?

*Dalvin Brown and Shara Tibken contributed to this article.*

◆ **How Samsung and other phone makers are turning to AI..... BT**



◀ **The Humane AI Pin, left, and the Rabbit R1 are two of the latest stand-alone AI-gadgets.**

## Americans Are Sick for More of Their Lives

BY ALEX JANIN

Americans are living longer, but spending less time in good health.

The estimated average proportion of life spent in good health declined to 83.6% in 2021, down from 85.8% in 1990, according to an analysis of the latest data from the Institute for Health Metrics and Evaluation's Global Burden of Disease study, a research effort based at the University of Washington.

The decrease of time spent in good health is partly because medical advances are catching and treating diseases that once would have killed us. But it's also because of the rising prevalence, often among younger people, of conditions such as obesity, diabetes and substance-use disorders.

Declining health takes a deep physical and emotional toll on patients and their caregivers. There are also broad ramifications on society, including rising health costs that eat into household budgets, as

well as more people who want to work but can't.

"The period of life spent not healthy is getting larger and larger and the implications of that are enormous," says Dr. John Rowe, a professor of health policy and aging at Columbia University. "70 is the new 80."

In the Institute for Health Metrics and Evaluation data, life expectancy from birth increased from 75.6 years in 1990 to 77.1 years in 2021. Healthy life expectancy, a measure of how many years we can expect to enjoy good health, fell from 64.8 to 64.4 in the same period.

And the average estimated gap between our overall years and our good-health years grew from 10.8 to 12.7 years.

### Healthspan

Doctors and researchers have a term for the number of years we live in good health: healthspan.

Their definitions vary, but an easy way to think about it is the number of years we feel good.

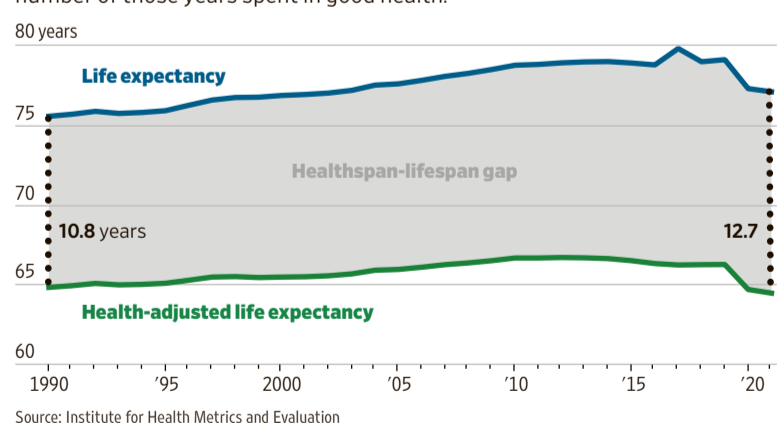
Often, that includes years we spend free from disability or disease and can do the things we love. Some doctors use it as a measure of more specific

health metrics related to our heart, lungs and brain.

The U.S. lifespan-healthspan gap is growing in large part because we're living longer, say demographers and aging researchers. U.S. life expectancy jumped from

### Fewer Healthy Years

There's a widening gap between how long we can expect to live and the number of those years spent in good health.



roughly 49 years to nearly 77 from the start of the 20th century to the end, according to Centers for Disease Control and Prevention data. It fell in recent years partly because of the pandemic but has recovered somewhat, per the CDC.

The more years of old age we get, the more opportunity we have to develop one or more age-related conditions—a consequence of success, not failure, says S. Jay Olshansky, an aging researcher and professor of public health at the University of Illinois at Chicago.

Health officials might also be catching more cases of diseases that they previously missed thanks to increased surveillance and diagnostic sensitivity, says Dan Belsky, an epidemiologist at Columbia University's Robert N. Butler Aging Center. And treatment advances for many diseases have made living

with chronic illness more manageable than in the past.

"We are living longer and better, even if the length of life with diseases increased," says Eileen Crimmins, professor of gerontology at the University of Southern California who studies the social, biological and behavioral factors that influence life expectancy. "It's better on average."

But some conditions, such as substance-use disorders, obesity and diabetes, are also becoming more prevalent at earlier ages in the U.S. Growing rates of mental-health disorders, particularly among younger Americans, might also be hurting healthspan, public-health experts say.

In 2018, roughly 27% of U.S. adults had multiple chronic conditions, up from about 25% in 2012 and 22% in 2001, according to a

Centers for Disease Control and Prevention study.

### Taking a toll

Developing health conditions takes more than a physical toll. Having a substantial health problem reduces life satisfaction more than losing a job or becoming widowed, divorced or separated, according to a 2022 study published in the *Journal of Economic Behavior and Organization*.

Kathie McClure, an 81-year-old who lives in a senior living community in Goleta, Calif., says being active and a part of her community is much more important to her than living for a long time. Still largely in good health, she hikes, gardens, volunteers as a docent at her local botanical garden and goes on walks with her son's dog, a mutt called Patrick.

McClure says she has no desire to live beyond the ability to perform and enjoy the daily activities she loves. "If I can't play pickleball, I don't want to be here," she says.

For many patients with heart disease, their first question about treatment isn't whether it will help them live longer, but whether it will help them continue to ride a bike, play the trumpet or do other things they enjoy, says Dr. Andre Terzic, a regenerative medicine and cardiovascular researcher at the Mayo Clinic.

"We don't want to live to 100 if the last 20 years of that is in a nursing home or dealing with dementia or some other chronic disease," says Dr. Zaldy Tan, who directs the Memory and Aging Program at Cedars-Sinai Health System in Los Angeles.



## ARTS IN REVIEW



◀ View of the Paris cathedral, which faced a devastating fire in April 2019

CULTURAL COMMENTARY

# A New Threat to Notre-Dame

A plan to replace some of the cathedral's neo-Gothic windows would sacrifice a delicate harmony

BY BARBARA DRAKE BOEHM

A public outcry erupted in December 1938 as stained-glass windows by 12 living French artists were provisionally installed in upper windows of the Cathedral of Notre-Dame, Paris, displacing part of the neo-Gothic glazing created under the direction of architect Eugène Viollet-le-Duc in the mid-19th century. Some called it sacrilegious; others criminal. Ten members of the Académie Française, including the renowned medievalist Emile Mâle, penned a letter to Cardinal Jean Verdier, Archbishop of Paris, opposing the initiative. Eighty-five years later, history seems to be repeating itself.

On Dec. 8 of last year, French President Emmanuel Macron toured the cathedral, where restoration following the devastating 2019 fire continues apace. He announced that Notre-Dame would

reopen on Dec. 8, 2024, and, responding to a proposal from Laurent Ulrich, Archbishop of Paris, he invited contemporary artists to compete for the privilege of creating new stained-glass windows to replace the neo-Gothic glass in six chapels of the cathedral's south aisle.

The president's office may have supposed that this 21st-century initiative would be well-received. The contentious 1938 project, abandoned at the outbreak of World War II, is largely forgotten. And, in the 1960s, the Ministry of Culture approved the removal of the same 12 disputed neo-Gothic windows in the clerestory and tribune, in favor of abstract designs by Jacques Le Chevallier that remain in the cathedral today. Furthermore, the glass now slated for removal, de-

void of narrative, and known as *grisaille* ("shades of gray" accented with color), is dismissed by some influential academics as "cheap," "timid" and "repetitive."

*Au contraire!* Controversy has erupted anew. A petition calling for the abandonment of the plan boasts over 129,000 signatures so far. The Académie has solemnly declared its opposition. Reporters are eagerly following the story. A global public watches, entranced by a monument that transcends religion and time, that is ours to love but not control.

In France, Church and State have supported the arts since the Middle Ages, ensuring the nation's inestimably important place in world culture. The Gothic cathedral of Notre-Dame owes its exis-

tence to the 1163 initiative of Bishop Maurice de Sully, under whom its construction began. Over the centuries, officers of the State have likewise engaged the best living artists to embellish it.

Accordingly, those who favor new commissions argue that the Church is a living entity, which must be open to change. In defense of the 1930s project, Cardinal Verdier asserted that "a cathedral, especially a national sanctuary like Notre-Dame, Paris, is neither a tomb nor a museum." Of course not. But whatever new may be added to its fabric, the church draws strength from the artistic record left by the cloud of witnesses who cherished it over the centuries. New commissions should not be at the expense of established heritage, as French experts affirmed in the 1964 Venice Charter concerning historic monuments.

The neo-Gothic windows at Notre-Dame Cathedral were cre-

ated by the best stained-glass painters of their day. Viollet-le-Duc called for artists who were self-effacing—much like their medieval forebears—so that their work would blend into the fabric of the building. Theirs are not household names today; yet Alfred Gèrente and Edouard Didron, responsible for the glass in the south aisle chapels, were men who won international prizes and directed teams of skilled artisans. With a firm embrace of geometry, and a gentle nod to nature's forms, these artists created site-specific works for the south aisle chapels that are universal (catholic, rather than Catholic) in their vocabulary, welcoming to all. What better message could the Church send than that?

I suspect that the windows slated for removal are being rather summarily dismissed because they are nonfigural. (The seventh chapel on the south, with a 19th-century window representing the Tree of Jesse, is to remain under the new plan.) To the archbishop and Mr. Macron, removing the other six windows may feel more like changing the wallpaper than iconoclasm. And yet these *grisailles* are subtle treasures. They allow the cathedral's iconic medieval rose windows to sing, while they provide the harmony.

President Macron proposes that the displaced windows be moved to a newly imagined, but not yet realized, museum about the history of Notre-Dame. But when stained glass is removed from an actual window, it loses vitality. The way its presence swells or diminishes as the sun and clouds play against the glass cannot be replicated in a light box.

Why not instead invite artists of today to create works—in whatever medium they choose—for this expected new museum to commemorate a modern miracle: the firefighters' saving of the cathedral and so many of its treasures, including its neo-Gothic glazing?

Let the *grisailles*, survivors of that horrific fire, continue to shine in the cathedral. The harmony of light of which they are an integral part, thanks to Viollet-le-Duc, is not to be underestimated. It suffuses the building, affecting those in it with a kind of magic that touches the soul in a profound, inescapable way. Visitors may come simply as tourists to this UNESCO World Heritage Site, but they leave marked by the Light.

*Ms. Boehm is curator emerita of The Met Cloisters and a Chevalier de l'Ordre des arts et des lettres.*

## OPERA REVIEW

## Prototype Festival: Originality in Opera

BY HEIDI WALESON

*New York and Brooklyn, N.Y.* At its best, the annual Prototype Festival, coproduced by Beth Morrison Projects and HERE, whose 11th iteration runs through Sunday, revels in original forms and challenging subjects. "Angel Island," Huang Ruo's haunting oratorio, which had its New York premiere at BAM Harvey in Brooklyn last week, fit the bill, evoking the spirits of the hundreds of thousands of Asian people who arrived at San Francisco's Angel Island during the first decades of the 20th century. Detained under harsh conditions for months or even years, a consequence of draconian 19th-century laws restricting Asian immigration to the U.S., they carved poems into the wooden walls of the barracks.

For a non-Chinese speaker, the poems, set in a repetitive minimalist style and performed by the Del Sol String Quartet and 12 singers from the Choir of Trinity Wall Street, had an incantatory effect. English translations in the projected supertitles—"twisting seascape," "like a trapped pig held in a bamboo cage," "you were buried beneath clay and earth"—were just the starting point; the hypnotic, nonlinear musical settings plumbed the authors' despair. In the final part, as a singer struck a Chinese gong, the poem—about being deported—became a chant of futility.

Interspersed sections—featuring two unseen narrators reading grisly, racist historical documents accompanied by quartet scherzos—were too long and lacked the musical punch of the choral movements. Matthew Ozawa's staging was only

intermittently effective. Dancers Jie-Hung Connie Shiau and Benjamin Freemantle represented a contemporary descendant of Angel Island migrants investigating the past and the unwelcoming America, respectively; the choristers, with uneven acting skills, were the detainees; and the stylized choreography by Rena Butler didn't always connect. Bill Morrison's flickering black-and-white film images were most striking when they aligned with the emotion of the music, such as ghostly figures superimposed on the steps of the old barracks, or the sea flowing over a rock until it disappeared.

In Mary Kouyoumdjian and Royce Vavrek's more traditional "Adoration," which had its world premiere at the Sheen Center for Thought and Culture, a teenager uncovers a foundational lie about his family. Based on a 2008 Atom Egoyan film, the opera weaves together the imagined past, the actual past and the present. For a high-school assignment, egged on by his



teacher, Simon superimposes a news story about a terrorist who hid explosives in his pregnant girlfriend's airplane luggage on his own family tragedy: Years before, his Lebanese father (Sami) and Canadian mother (Rachel) died in a car crash. His racist grandfather (Morris) insisted that Sami crashed the car on purpose.

The unwieldy journey to the truth involves commenters in cyberspace, Simon's uncle Tom, and his teacher Sabine, whose motivations are more than meets the eye. Yet Ms. Kouyoumdjian's music was slow and deliberate throughout the opera's 90 minutes, reflecting the dreamy process of exploration but

▲ A scene from 'Angel Island,' by composer Huang Ruo

missing any dramatic spark of suspense or revelation. Mr. Vavrek's overly detailed libretto, set for intelligibility, had the upper hand, and the solution to the mystery proved as unsavory as the original lie.

Miriam Khalil, a big-voiced soprano, shone as the enigmatic Sabine and got the most elaborate vocal writing; Marc Kudisch brought a tough forthrightness to Morris; Omar Najmi embodied Simon's adolescent confusion; Karim Sulayman's sweet tenor belied the calumnies heaped on Sami; Naomi Louisa O'Connell and David Adam Moore were solid as Rachel and Tom. Music director Alan Pierson balanced a live string quartet, electronic processing, and a recorded murmuring choir. Director Laine Rettmer made clever use of live and pre-recorded video and a simple revolving set by Afsoon Pajoufar to switch between time periods.

"Chornobyl'dorf," given its U.S. premiere at La MaMa Experimental Theatre Club, is described by its Ukrainian composer/directors Roman Grygoriv and Illia Razumeiko as an "archeological opera in seven novels." It is an imagined post-apocalyptic excavation of the people and culture of Chernobyl, the city famous for the nuclear-reactor disaster of 1986. Fragments of the past were assembled into seven narrative sections, some clearer than others, with 13 performers and

video by Dmytro Tentiuk. Orchestral and folk instruments such as the dulcimer and bandura, an elaborate percussion setup, and electronics were massaged into effusions that regularly headed into ear-splitting territory (earplugs were distributed at the door, always a bad sign). Singers switched from the nasal, dissonant harmonies of Eastern European folk music to a Bach Mass and a round adapted from a Mahler symphony. The dancers were mostly semi- and sometimes entirely naked. There were striking moments, but not enough of them to enliven the intermissionless 135 minutes.

Wende, the composer and performer of the song cycle "The Promise," given at HERE, is a charismatic artist with a broad vocal and expressive range and a winning personality. Her material, co-composed by Isobel Waller-Bridge, wasn't always as good. The songs, which plumbed the dark places of a woman's soul, included an exploration of life as a horror movie and a heartfelt renunciation of motherhood. They ranged from snarly rap to intimate ballads, and finally emerged into hope with the repeated line "It's not light yet, but it's getting there."

Also brimming with full-on female energy, the shortest and liveliest Prototype show was "Terce: A Practical Breviary," an hourlong riff on the Medieval 9 a.m. breviary Mass addressing the Holy Spirit, in this case the Divine Feminine. Created and led by Heather Christian, and performed by 38 singing, dancing and instrument-playing women wearing creatively embellished and distressed choir robes, it was a jubilant community celebration of female work, striving, disappointment and devotion. To be part of the audience, arrayed in an intimate circle around the performers in Brooklyn's Space at Irondale, felt like being invited to join the coolest convent ever.

*Ms. Waleson writes on opera for the Journal and is the author of "Mad Scenes and Exit Arias: The Death of the New York City Opera and the Future of Opera in America" (Metropolitan).*



▶ A scene from 'Adoration,' based on an Atom Egoyan film



# SPORTS

I don't like writing about the fabulous personalities of sports television, because I am jealous of them. They have bigger checks, nicer hair, whiter teeth, and get better seats on an airplane—sometimes, they get a fancy plane all to themselves.

The one time I was hired to work in sports television—the 2013 show “The Crowd Goes Wild,” hosted by the legend Regis Philbin and featuring this Face-Forward Journal columnist as a panelist—it expired faster than a common fruit fly. I didn't have time to whiten one tooth.

Another reason to avoid writing about sports television is that it is an industry full of people who regard the assignment as something akin to a papal blessing.

Have you ever listened to a group of sports TV people—the folks behind the scenes as well as the “talent” in front of the camera—discussing the efforts to make a successful show? The astrophysicists who set the Hubble telescope into space don't prattle on with such comical self-importance.

This is my own, self-important way of getting to the awkward marriage of Pat McAfee, Aaron Rodgers and ESPN.

For the enviably behind: McAfee, a 36-year-old former NFL punter, is the host of an eponymous daily ESPN talk show in which he discusses the sports news of the day, often while dressed to replace a carburetor. Rodgers is the NFL quarterback and recreational epidemiologist who appears as a frequent McAfee guest, as the comedian Buddy Hackett once did with Johnny Carson—that is, if Buddy Hackett came on and discussed ivermectin.

Rodgers has said more on McAfee—a couple of weeks ago, he appeared to imply a connection between the ABC late-night host Jimmy Kimmel and Jeffrey Epstein, an association Kimmel strenuously denied, and threatened legal action. This launched a noisy debate as to whether or not McAfee's program had been irresponsible, whether or not Rodgers (whom McAfee has said he has paid for his participation) should apologize, and whether or not ESPN, which, like Kimmel's ABC, is part of the Disney brand, was fool-

## Pat McAfee and ESPN: Can This Awkward Marriage Last?

A self-created phenomenon aligns with a corporate behemoth, and—surprise—it gets contentious

JASON GAY



Aaron Rodgers, center, chats with Pat McAfee, left, and A.J. Hawk, right, on 'The Pat McAfee Show.'

ish to get into the McAfee & Rodgers business.

In the aftermath, an ESPN executive, Mike Foss, called Rodgers's comments about Kimmel “dumb and inaccurate”; McAfee apologized but then later accused another ESPN executive, Norby Williamson, of trying to sabotage his program; Kimmel blasted Rodgers in his late-show monologue; and Rodgers returned to McAfee to insist he did *not* imply a nefarious Kimmel-Epstein connection. The day after that, McAfee announced Rodgers wouldn't be returning as a guest for the remainder of the season.

Then—*surprise*—a smiling Rodgers showed up on air the very next day.

I can't lie: This entire drama makes me want to climb into a cardboard box and stay there until

the oceans rise and cover the earth. Like almost all media feuds, it is a raging battle royal for narcissists, mostly meaningless unless you work for one of the participants, or spend far too much time on the Internet.

Still, there's something important simmering here: about old media and new media, the rise of individuals versus institutions, and an accompanying loss of corporate control. McAfee's jock talk may not be for everyone, but once more we are seeing, in real time, a shift in power, from an era in which behemoth companies ruled the airwaves, to something more independent and chaotic.

As The New York Post's dogged media chronicler, Andrew Marchand, has pointed out, McAfee is not a typical ESPN hire—he opted to independently create and li-

cense what was already a successful, self-produced YouTube-famous show to them, for a fee Marchand reported is \$85 million over five years. The ex-punter, who also dabbles in WWE professional wrestling, was brought on to deliver a younger audience—especially younger viewers who might want to gamble on sports, another nettlesome business ESPN spent big to enter.

McAfee additionally appears on “College GameDay” and chatters on the sidelines with colleagues during “alternative” game broadcasts, and clips of his muscle-shirted soliloquies are frequently tucked into ESPN digital content—*Hear what McAfee says about \_\_\_\_\_!*

While he may enjoy the signal boost of a legacy brand like ESPN, McAfee is not a beholden company

man. In a do-it-yourself era, in which media gatekeepers are fading, and pod gods like Joe Rogan build empires, McAfee doesn't need the imprimatur of an old network. It can be argued the network needs McAfee more.

McAfee surely knows this. Bashing the bosses is a cherished shock jock strategy, famously deployed by Howard Stern, but you don't publicly lambaste an ESPN executive by name if you're sweating the company picnic. ESPN has historically cracked down on such internal transgressions, but McAfee's the one with the leverage. Consider Rodgers's Kimmel comments: In a prior era, there would have been a network-choreographed walk-back, the quarterback saying the correct things, making amends, any friction pronounced squashed.

Instead, McAfee let Rodgers stick his fingers right back into the light sockets, the QB proclaiming his comments had been mischaracterized, zinging another ESPN executive (Foss) and detouring into a buffet of musings on vaccinations, alternative medications and a favorite Rodgers target, Anthony Fauci.

One imagines a room full of executives watching on, maybe Disney's Bob Iger, hair curling backward, looking like Lloyd Bridges in the control tower in “Airplane!” It was the wrong week to quit sniffing glue.

Twenty-four hours later, however, McAfee sounded chastened. Stressing he remained in charge, the host acknowledged his chatty four-time MVP buddy had become a handful, and wouldn't be back this season. Had the behemoth gotten to McAfee? Not really. Rodgers was on the very next day, talking about Bill Belichick.

I'm not sure if a newspaper columnist can be an authority on the media's future—that's like getting spaceship advice from a stagecoach owner. The challenges facing ESPN have long been shredding my business, and I haven't even gotten to the AI robot columnists, who are coming with their takes on the Cowboys. No one is promised tomorrow. But it's a mistake to think the story in sports are the hacks like me, scribbling words onto a page, or even the fabulous people talking in front of the camera. It's the sports. Always has been, and will be.

### The WSJ Daily Crossword | Edited by Mike Shenk

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- 24 What most hope for in a relationship
- 25 Smaller moon of Mars
- 26 Organisms discovered in 1755
- 27 Rank
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- 30 For example
- 35 Tallest piece in lejeu d'échecs
- 36 Movie buffs
- 38 Parceled (out)
- 39 It can invalidate the signature on a contract
- 40 “Chicago Fire” network
- 43 Naval second-in-commands, for short
- 45 “Once again, my advice is...”
- 47 Ungainly
- 49 Dairy source
- 52 In (unmoved)
- 53 Muppet who hates a rock named Rocco
- 54 Yak it up
- 55 Hoppy brew
- 56 Vacay goal
- 57 “Smashing!”
- 58 Home-coming result?
- 59 McKellen of “Gods and Monsters”
- 60 Joe—weed (purple flower)

### WIDE VARIETY | By Tirosh Schneider

<b>Across</b>	29 Water cannon targets	48 They serve sentences	6 Michael of “Shrinking”
1 Paul of “There Will Be Blood”	31 Spots with lots of IVs	50 Home pages? “___ I do that?”	7 Historical divs.
5 Diving position	32 His tavern stocks Duff beer	52 Name on “The Butter Battle Book” cover	8 Follower of Kit or Crazy
9 Absorb, in a way	33 What a person might wait to take?	54 Secures with a belt	9 Meals including charoset
14 Groggy words, often	34 “Trinity” author	57 Picture frames?	10 When “SNL” ends in NYC
15 Half the product of its diagonals, for a rhombus	36 Farthing, e.g.	61 REM disrupter	11 Capitol figure
16 Holmes in a young adult mystery series	37 Zany movies, or a literal description of the contents of the spread-out circles	62 Quick deposit devices	12 End for form
17 Cautious people read it	40 Bread cooked in a tandoor	63 Former owner of StubHub	13 Strikers' concern
19 Flight nuisance	41 Columbus's home	64 Bonds with a bat	18 Chain begun as St. Louis Bread Company
20 Gives a number	42 Open on YouTube, say	65 Hearten	21 Code name?
21 “Marry ___ Little” (Sondheim revue)	44 Social justice movement letters	66 Cosecant's reciprocal	22 Frat address
22 Good source of potassium	45 According to		
25 Like Kilimanjaro	46 Genre akin to hardcore punk		

#### Previous Puzzle's Solution

M	I	T	M	I	N	I	A	S	K	M	O	M
V	C	R	I	N	O	N	T	O	R	E	R	O
P	E	E	P	T	A	L	K	T	N	O	T	E
W	E	R	E	N	T	H	I	N				
P	I	S	A	E	E	R	T	E	C	A	N	A
U	N	P	I	N			E	A	T		F	D
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R	E	E	D	S	N	A	P	P	E	R		
C	A	R	S	O	T	I	S	A	D	E	L	E
A	G	O		G	E	T		L	I	F	E	R
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T	R	I	A	L	S			B	E	N	D	S

## They're the Richest Teams in Sports. They Can't Stop Losing.

By LINDSEY ADLER AND ANDREW BEATON

### DALLAS COWBOYS OWNER

Jerry Jones was just as flabbergasted as everyone else while he watched his team get routed by the Green Bay Packers in the playoffs last weekend.

“I'm floored,” the 81-year-old said afterward. “Not that there's any world's smallest violin for me being floored.”

But America's team giving the rest of America something to laugh about with another epic faceplant shouldn't have been all that surprising considering the odd state of the sports world these days. Some of the richest and most powerful franchises around the globe are sputtering and learning a difficult lesson: all of those trophies gathering dust no longer promise to win them any new ones.

It's not just the Cowboys. The Yankees haven't been to the World Series since 2009. The Los Angeles Lakers have a losing record even though they have LeBron James. Manchester United hasn't won the English Premier League in a decade and is hoping a cycling guru knows how to fix a soccer team.

The atrophy of these powerhouses creates a strange dilemma for the many fans who formed their interest in sports around the 1990s, in the midst of the Cowboys and Yankees' dynastic runs: No one has much sympathy for their favorite teams' state of chaos.

“I try to be a good sport about it,” said Matt Provenzano, a 29-year-old Yankees and Cowboys fan from Staten Island. “But you're not going to constantly correct people that you've only been a fan for one championship.”

These teams turned themselves into global brands worth billions of dollars through their incredible successes. But the same competitive advantages they



Dak Prescott and the Cowboys lost to the Packers on Jan. 14.

once enjoyed have eroded. Throwing on the Yankees' pinstripes or the red-and-black of Man United is no longer enough to woo the best players. And in an era when new degrees of wealth are flooding into sports ownership, from hedge fund titans to sovereign-wealth funds, their financial edges have been mitigated.

There was a time when the biggest free agent of the offseason could be penciled in for a future in the Bronx. This offseason showed the extent to which the luster has come off Yankeeeland. The team's marquee signing was Marcus Stroman instead of two-way sensation Shohei Ohtani, who signed with the Los Angeles Dodgers.

Though the Yankees have been able to retain and obtain stars like Aaron Judge and Gerrit Cole, the swarm of MVP-caliber talent to Los Angeles in recent offseasons has left the Yankees tasting their own medicine. Besides, they're not even the wealthiest team in their own town anymore, ever since Steve Cohen bought the Mets in late 2020.

The Cowboys' latest collapse comes in the wake of their neighbors, the Texas Rangers, finally winning the World Series in 2023. There was a championship parade in Arlington, but the Cowboys were left as spectators. Across the pond, Man-

chester United has a little more experience looking around for a new boss—the club has appointed five different permanent managers since Alex Ferguson retired in 2013. Not one of them, however, has been able to turn United's vast wealth into a Premier League title. The trophies mainly land on the other side of town at Manchester City lately. United currently sits in seventh place in the standings and is weighing another change in the dugout.

Among these teams, the Lakers won a championship most recently—and it didn't even receive the perfunctory celebration parade. That's because the team won inside the Covid bubble the NBA created to finish off its 2020 season.

Since then, the Lakers have slipped into mediocrity. While they made a run to the conference finals last year, they barely finished the regular season above .500. This season, even the sublime play of James and Anthony Davis haven't been enough to give the team a winning record. The closest the Lakers have gotten to reliving their glory days in the past few years was a recent television drama about the “Showtime” era team from the 1980s. It was canceled after two seasons.

—Joshua Robinson contributed to this article.



## OPINION

## The Houthis Vote Early



**WONDER LAND**  
By Daniel Henninger

Welcome to the alternative universe that is American politics. Donald Trump's victory with 51% of the vote in Iowa's Republican caucuses means more than nothing, though this overly hyped event looks less like a reliable election result and more like an interesting opinion poll in one state. Only 15% of Iowa's some 720,000 registered Republicans participated. Meanwhile, Joe Biden is mumbling his way to the Democratic nomination.

The election that a strong majority of Americans say they don't want looks likely to happen. As this avalanche of unreality hurtles down the mountain, let me ask: What about the Houthi vote?

### Iran's mullahs saw the moment was right to strike at U.S. global leadership.

With the American presidency being contested primarily over the moral fitness of one man and the mental fitness of another, can anyone be surprised that the Houthis, a Yemeni Shiite tribe, concluded this was the moment to attack global shipping in the Red Sea?

A substantial percentage of seaborne shipping, notably oil, travels up the Red Sea and through the Suez Canal. In response to the Houthi attacks, the U.S. has carried out counterattacks against Houthi sites in Yemen, the latest on Tuesday. Oil giant Shell has halted shipments through the Red Sea, and the world's major



Houthi fighters and tribesmen near Sanaa, Yemen, Jan. 14.

shippers are rerouting around Southern Africa at great cost, which consumers will bear.

Given the sequence of events from Hamas's act of war on Israel Oct. 7 to the Houthis' offensive against the Red Sea shipping lanes, it is now clear that Iran decided the moment was right to stretch the U.S.'s strained military capacity to the limit, or even breaking point.

Prior to the Israeli-Hamas war, the national-security debate in the U.S. and among its Republican presidential candidates was whether we could simultaneously confront China and support Ukraine against Russia. If you were an adversary looking at a U.S. uncertain about its global leadership, what would you do? Answer: Up the ante. Pile more pressure onto the world's self-doubting superpower. That is what Iran has done.

In recent years, there has been a lot of discussion about the stated intention of China's Xi Jinping and Russia's Vladimir Putin to displace the dominant political value system of the U.S. and its democratic allies in Europe and Asia. Iran's supreme leader, Ayatollah Ali Khamenei, appears to have concluded it was time to make the threat explicit. The Houthi assaults on a choke point of global shipping and the princi-

ple of freedom of navigation is a direct attack on the U.S.-led world order. So what is the U.S. going to do about it? Or about the threats that preceded Oct. 7?

The Israel-Hamas war pushed Ukraine's war with Russia off the front pages, but not in Europe. The German newspaper Bild reported this week that according to classified documents from the German Defense Ministry, that country is preparing for a Russian mobilization beyond Ukraine toward the eastern flank of the North Atlantic Treaty Organization. Also in recent days, Sweden's defense minister and top military commander both said Swedes should prepare for such a possibility.

Last weekend, Taiwan's brave people, living in the shadow of communist China, voted to elect a president committed to the island's independence. The question now becomes whether current shortfalls in U.S. defense manufacturing will make it difficult to fill Taiwan's \$19 billion order for military weaponry to defend itself against China. And of course shipping lanes in the South China Sea—the Philippines, Indonesia, Vietnam, Malaysia—are already under pressure from China.

Meanwhile, the southern U.S. border sits as an open

wound, bleeding migrants and fentanyl into the mainland from all over the world.

It isn't an overstatement to say that the U.S. today needs leadership and vision on the order of Franklin Roosevelt, Harry Truman or Ronald Reagan. We are past the point of pretending that the current scope and pace of global disorder doesn't require a financial commitment to rebuilding the U.S. defense-industrial base. We need a president who will make that case to the American people. The prospects aren't promising.

The political pressure on Mr. Biden from his party's left goes far to explain why his national-security team has been behind the curve on every important strategic decision. That won't improve, especially with John Kerry, architect of the Obama-Iran nuclear deal, joining the Biden campaign. Anti-Israel demonstrations in New York and Washington have taken on an Antifa-like atmosphere of impending violence.

Republicans, meanwhile, are again flirting with an isolationist temptation that has become untenable since October. The Iowa caucuses signaled Republicans' belief in Donald Trump as their national leader. But listen closely to him and other than extending the border wall and tariffs, it isn't clear what Mr. Trump would do beyond saying, as he did Monday evening, that "I get along great" with China's Mr. Xi and Russia's Mr. Putin. Hopefully that doesn't mean resolving Ukraine in 24 hours with another Yalta agreement.

America's politics is rife with sentiment, and perhaps today sentiment is all one needs to win a nomination for the U.S. presidency. The Houthis have voted early on calling America's bluff. On to New Hampshire.

Write [henninger@wsj.com](mailto:henninger@wsj.com).

**BOOKSHELF** | By Crawford Gribben

## Tangled Irish History

### Making Empire

By Jane Ohlmeyer  
Oxford, 368 pages, \$36

In 1643, after one of the worst outbreaks of sectarian violence in early modern Ireland, a landowner turned up at a government inquiry with an inventory of his losses. John Fortune complained that Catholic rebels had plundered his recently established farmstead. He had been robbed of cattle, sheep and household goods to the value of £30.

Such losses were typical of those recorded by the rebellion's victims. But Fortune's story was in other respects extraordinary. For he was a most unusual "British planter." He had been born in India, possibly as a Zoroastrian, and had worked 20 years for an East India Co. officer before arriving in Ireland as part of another imperial project, this time to benefit himself.

Fortune, like many of his era, was a subject, beneficiary and agent of the British imperial project. His story appears in an impressive book by Jane Ohlmeyer, a professor of history at Trinity College Dublin. "Making Empire" examines how the Irish were not only harmed by empire but also frequently complicit in and conflicted by

it. Critiquing the simplistic victim narratives that too often pass as Irish history, Ms. Ohlmeyer describes the process by which Ireland became the first of England's colonies as well as the legislative and administrative model for other imperial projects around the globe.

Ireland's subjugation to England can be dated back to the Anglo-Norman invasion of the late 12th century, but it took on new dimensions with the highly ideological plantation projects

that began 400 years later. It was in the late 16th and 17th centuries that policies of appropriation and control were most vigorously enforced in Ireland, when English military forces put down Irish risings with such brutality that the island's population might have been reduced by around 20%.

These colonizing instincts, Ms. Ohlmeyer observes, reached their apogee during the 1649-53 invasion led by Oliver Cromwell. The invading army pursued scorched-earth strategies of total war, partly justified with reference to the recent Catholic uprising. The campaign led to massive land confiscations, the imposition of martial law, the extraction of valuable resources, and the removal of political power with the collapse of the parliament in Dublin and the entry of Irish MPs into a centralizing imperial parliament in London.

With the native population demoralized and demographically reduced, English administrators developed one of the most advanced cartographical projects of the period, producing remarkably accurate maps of Ireland that were used to support the emerging science of political economy. But many of those who had invested in the Cromwellian conquest of Ireland began to look for better returns elsewhere. Growing in influence on the board of the East India Co., they exported techniques of colonial administration into territories that they acquired on the subcontinent and, increasingly, elsewhere.

By the late 17th century, Ms. Ohlmeyer writes, Irish men and women increasingly took advantage of imperial opportunities. Protestant planters and their Catholic neighbors had different motivations for exploring the expanding British world. Some were literally compelled to migrate; thousands of Catholics were exported into indentured service in the New World, where they typically worked for seven years to pay off their passage.

Many indentured servants were sent to the Caribbean; a significant number of them would go on to acquire land and the enslaved peoples who made everything work. Other migrants intermarried with freed or enslaved peoples, creating scattered and often impoverished communities that became known around the Caribbean as the "black Irish."

### Ireland was the first of England's colonies as well as the model for other imperial projects around the globe.

Others stayed in Ireland to direct commercial ventures that stretched across the globe. Some of them transported slaves across the Atlantic while bringing luxury goods back home. This complex "triangular trade" appealed to Protestants, who sought to leverage the value of newly acquired landholdings, and to Catholics, who discovered that the penal laws were pushing them out of landholding and into riskier and more profitable enterprises in trade.

Much to Ms. Ohlmeyer's credit, she shows how newly powerful families in Ireland fought for business opportunities that denied to others the liberties that they demanded for themselves at home. There was more than one patriotically minded businessman who campaigned for Irish freedoms while systematically expropriating peoples and resources elsewhere in the British world.

But even those who were skeptical of imperial agendas enjoyed the trickle-down benefits of empire. In the 18th century, Ireland's rapidly expanding population required new kinds of food—something to provide much greater caloric value than any of the existing staple crops. Ireland became defined by some of these symbolic goods of empire. What food could be more Irish than the South American potato? What drink could be more Irish than Indian tea?

"Making Empire" is an outstanding book on a complicated subject that confirms Ms. Ohlmeyer's reputation as Ireland's leading public intellectual. Most important, on this most difficult of subjects, the book refuses to offer a simplifying narrative. Ms. Ohlmeyer underscores the brutalities of the earliest phase of the English and later British empire but also adds nuance to the picture of what an experience of empire might represent. With principled and opportunist agendas, and mendacious and altruistic personnel, Irish men and women resisted and advanced the British empire—just as that empire had fashioned their home.

Mr. Gribben is professor of history at Queen's University Belfast.

## Trump Ekes Out a Commanding Win in Iowa

By Karl Rove

Iowa was a historic victory for Donald Trump. He won a majority of votes cast and carried 98 of 99 counties, which no Republican or Democratic presidential aspirant in a seriously contested caucus has ever done. Both his 51% finish and nearly 30-point margin over his nearest competitor were also impressive.

This strong showing sends Mr. Trump into next Tuesday's New Hampshire primary in better shape than any previous nonincumbent Republican presidential hopeful. He even received a microboost from the end of Vivek Ramaswamy's vanity campaign. Mr. Ramaswamy's supporters are likely to move from the mini-me Trump to the real deal.

Still, Mr. Trump was on the edge of a bad night. The Associated Press says he got above 50% by only 1,110 votes. If he hadn't made it over the halfway mark, critics would have spent the next week hammering that a majority of Republicans rejected him.

Mr. Trump can thank his political advisers—Susie Wiles and Chris LaCivita—for his vote share's exceeding his 48% showing in the last Des Moines Register poll before the caucus. His team mined valuable data collected from attendees at his roughly 55 Iowa speeches and rallies to build a formidable turnout operation. No past Trump cam-

paign had that kind of meticulous organization.

It's also notable that the second-place race was so close. Only 2,335 votes separated Ron DeSantis from Nikki Haley, according to AP. Over the past year, Mr. DeSantis's super PAC knocked on 947,000 Iowa doors, recruited 1,704 caucus captains, and identified 40,000 supporters. In the past few weeks, the super PAC made

### He won a majority against a divided opposition—but came close to falling short.

268,000 volunteer calls. Without that extensive effort, Mr. DeSantis likely would have come in third. Ironically, his campaign cashed in the officials responsible for this impressive ground game six weeks before the caucus.

There was another interesting number Monday. Only 1 in 6 registered Republicans bothered to caucus. It was the lowest turnout in any contested Iowa GOP caucus since 2000. Roughly 110,000 people participated, down from 187,000 in 2016, 122,000 in 2012 and 119,000 in 2008.

Some of that decline can be blamed on the weather. At 7 p.m. in Des Moines, the wind chill made it feel like 24 below. But GOP leaders should worry

the drop-off means that some Republicans are unenthusiastic about 2024.

The winner's victory speech was another surprise. By his standards, Mr. Trump was measured, gracious, restrained and at points humble and complimentary of his competitors. He said, "I want to congratulate Ron and Nikki," declared that "I think both actually did very well, I really do" and said that "we're all having a good time together." I'm not certain that the candidates Mr. Trump usually calls "Birdbrain" and "DeSanctimonious" would agree. By Wednesday, Mr. Trump was back to insulting Ms. Haley in a series of caustic campaign emails.

On caucus night, the former president also committed his usual error: raging about the 2020 election. He claimed that 82% of Americans don't believe the 2020 election was "honest." Not quite. The three-year-old CBS News/YouGov survey Mr. Trump was likely referencing found that 82% of Trump supporters didn't think Joe Biden was "the legitimate winner," but 62% of all voters said Mr. Biden was the legitimate president and the election was "over and settled." If Mr. Trump is the GOP nominee and makes his campaign about 2020, he'll find out why it was a losing issue for the GOP in the midterms.

It's still possible, though a long shot, that Mr. Trump won't get that far. New Hamp-

shire voters like upsetting things by picking someone other than Iowa's chosen candidate. I can painfully attest to this: The 2000 George W. Bush campaign finished first in Iowa with 41% of the vote, then lost by 18 points in New Hampshire.

The Granite State's Republican electorate is less evangelical, less MAGA and more college-educated than Iowa's. Independents can vote and often do. The FiveThirtyEight.com polling average for New Hampshire shows that the race has closed from 43.5% for Mr. Trump and 18.9% for Ms. Haley a month ago to 44.4% for him and 31.4% for her today. One recent poll, a Jan. 15 American Research Group survey, has the race tied at 40% each. Maybe it's an outlier, maybe not.

Mr. Trump deserves to celebrate his Iowa victory, but in politics, success often has a short half-life. New Hampshire awaits. Ms. Haley in particular has the money to wage political war and the support of the Granite State's popular governor, Chris Sununu. If Team Trump is nimble enough to keep its winning streak alive, the contest could be over next week. If not, we have a race.

Mr. Rove helped organize the political-action committee *American Crossroads* and is author of "The Triumph of William McKinley" (Simon & Schuster, 2015).

## My 1-Year-Old Cousin Is Hamas's Hostage

By Yosi Shnaider

**M**y cousin Kfir Bibas was born a year ago Thursday. I should be watching my own children dance with him as he takes his first stumbling steps into the world and has his first taste of birthday cake. My youngest is the same age as Ariel, Kfir's brother, a happy child who was always trying to make others laugh.

Instead we're mourning the absence of Kfir, Ariel and their mother and father, Shiri and Yarden, all of whom Hamas took hostage on Oct. 7 at Kibbutz Nir Oz, which the terrorists transformed from an oasis into a smoldering hell scape. They mur-

dered Shiri's parents in cold blood.

We believe Hamas marked Shiri and Yarden's family for kidnapping long before its invasion. Nir Oz employed Gazans without suspicion, and

### We don't know if he, his brother and their mother are alive.

Hamas used them to spy on kibbutz families and map out who would make fitting hostages and who should be burned inside their homes.

Hamas knew that capturing Kfir and Ariel—two sweet redheaded children—would make for devastating and de-

moralizing propaganda. The terrorists separated Yarden from his family and in November told him on camera that Shiri, Ariel and Kfir had been killed in an Israeli airstrike. But they've provided no evidence, and we believe they are still alive.

Along with well-wishes I've received, there are some who want us to stop fighting to save our family. There are those who call for an unconditional cease-fire in which we forsake their lives, and others who think that if we stop the war through negotiation, Hamas will send my family home. Kfir, Ariel and Shiri were supposed to have been released in the last deal, but Hamas broke its word.

Now my country is on trial at The Hague for a war none of us wanted to fight, while my family's captors and murderers are painted as resistance fighters. Advertising agencies in the Netherlands are refusing to rent billboards to the Israeli government to show the faces of Kfir and other hostages.

The world has never lacked for people who hate Jews standing up for themselves, and others who wish we would die quietly. I promise we will never stop fighting for Kfir to come home, along with all the hostages, and that his release day will finally be his new birthday.

Mr. Shnaider works in real-estate sales in marketing.



## OPINION

## REVIEW &amp; OUTLOOK

## Mr. Smith's Lousy Tax Deal

Republicans haven't done much in the 118th Congress, and in their scramble to compensate they may now do real policy harm. To wit, House GOP tax writers have struck a deal to give Democrats a huge policy victory in order to please big business.

### Small tax breaks for business aren't worth a worse child tax credit.

Some of the 2017 GOP tax cuts are starting to expire, and Republicans want to revive provisions coveted by corporations. These include a deduction for domestic research and development, bonus depreciation for equipment, and a greater deduction for interest payments.

The problem, and it's a big one, is the price that Ways and Means Chairman Jason Smith is willing to pay to get Senate Democrats to agree to the business breaks. The deal announced Tuesday would expand and further entrench the \$2,000 per child tax credit. The overall deal would cover the 2023, 2024 and 2025 tax years and cost roughly \$78 billion.

\* \* \*

The business tax breaks are in part a retroactive sop to companies that already made investment decisions. They are at best a modest boost to investment incentives. Bonus depreciation is sound policy, but the deduction for interest creates a greater incentive for debt and contradicts a plank Republicans touted in the 2017 tax reform.

The deal would supposedly be paid for by moving up the deadline for businesses to claim the pandemic employee retention tax credit to Jan. 31. But it's far from clear how much money this will save. The IRS has stopped paying ERTC claims amid fear of widespread fraud, and the deal is an all-clear sign to start paying again. Don Schneider of PSC Macro says the backlog of ERTC claims could be \$244 billion.

The deal also contains bad tax and social policy buried in the details of the child-credit expansion. Democrats have wanted to resurrect the turbocharged child credit they passed during the pandemic—\$3,600 for children under age six, available to those with no tax liability, delivered in part in monthly checks.

But the estimated \$1.5 trillion cost over 10 years is so eye-popping that progressives are happy to let the GOP give them a down payment this year. The main Democratic policy goal is what's known as refundability. That's the share of the credit paid to those who don't owe taxes, and it's the lever that makes the program another income transfer like cash welfare.

Up to \$1,600 of the \$2,000 credit is refundable, and the bipartisan bill would make \$2,000 refundable by 2025. A \$1,400 limit was tethered

to inflation under the 2017 GOP tax law and is thus increasing over time anyway. But at least admit this is income redistribution, not "tax relief" for working families as both parties claim.

Worse, the deal undermines the incentive to work in return for the credit. The current credit at least requires a small amount of income—a mere \$2,500—to begin to claim it. That means it gives low-income Americans an incentive to work more to earn more, which is good for them and their children.

But Mr. Smith's deal would let parents rely on the prior year's income to trigger the credit for 2024 and 2025. Work one year—and earn benefits for two. The practical effect is to "cut the work requirement in half," says Matt Weidinger of the American Enterprise Institute. A rare GOP accomplishment this Congress is a modest work requirement for some welfare programs brokered in last year's debt-limit deal. But now the party may surrender its own argument that work is crucial to upward mobility.

The child credit also does nothing to increase economic growth, as numerous studies have documented. The deal would index the credit's \$2,000 value to inflation, which means it will expand on autopilot. The expanded credit is supposed to be temporary but will be politically difficult to undo once in place, as Republicans should have learned since they first agreed to Bill Clinton's \$500 child tax credit in the 1990s.

\* \* \*

The politics of this deal also doesn't make sense for the GOP, which is no doubt why Chuck Schumer and Democratic pundits have been quick to endorse it. President Biden has been invoking "dire consequences" if Republicans don't extend the credit. But the public barely noticed when the monthly payments lapsed after the pandemic, despite the media magnifying Mr. Biden's message. Voters seem to understand that supposedly free money is expensive and that the child credit isn't a miracle cure for poverty.

The tax deal will also complicate Republican efforts to extend many more tax cuts that expire at the end of 2025, including individual tax rates. They'll need leverage to do it if Mr. Biden remains in the White House or Democrats run the House or Senate. If they give Democrats their top priority now, they'll have to agree to an even bigger child-credit expansion later.

The business lobby wants the tax breaks, and some Democrats in Congress want them as well. But those policies ought to stand or fall on their merits, not on a political trade that will do more harm than good.

## John Kerry's Climate-Change Flop

John Kerry has announced he'll soon step down as President Biden's climate envoy to join the 2024 re-election campaign, and maybe he'll fare better in that job. If he doesn't, Mr. Biden will be a one-termer.

For three years Mr. Kerry has been preoccupied with getting China to reduce its greenhouse gas emissions. But excluding emissions from land use and forestry, China's emissions rose 13% between 2015 and 2023, according to Climate Action Tracker estimates. U.S. emissions fell by some 9% over the same period.

You can't say Mr. Kerry hasn't tried to persuade China, including the use of green flattery. "China has produced more renewable energy, more solar and wind than any other country," he said last year.

But China's CO2 emissions have still soared as demand for electricity surged. In 2022 China accounted for 53% of the world's coal generation, the Ember think tank says, and new permits for coal power plants in 2022 reached "the highest level since 2015." That's the year Beijing signed the Paris climate accord Mr. Kerry negotiated, promising to reduce its emissions starting in 2030.

## Congress and Chevron Deference

Judging by the left's reaction, the Supreme Court's oral arguments on Wednesday in two cases challenging the doctrine of Chevron deference didn't go well for the government. "Disturbing oral arguments suggest dark turn for Supreme Court," moaned the Alliance for Justice. Progressives are disturbed that the Justices might make Congress do its job.

Wednesday's cases (*Relentless v. Dept. of Commerce*, and *Loper Bright Enterprises v. Raimondo*) concern a regulation issued by the Trump Administration. Commerce contends that the government can force herring fisheries to pay for on-board federal monitors because federal law is silent on the matter. Lower courts agreed based on the Court's Chevron doctrine, which requires judges to defer to regulators when the text is ambiguous as long as their interpretation of the law is reasonable.

Justice Elena Kagan said it's up to Congress to overturn Chevron. But as fisheries' attorney Paul Clement rightly rejoined: "I'm not sure everybody in Congress wants to overrule Chevron . . . It's really convenient for some members of Congress not to have to tackle the hard questions and to rely on their friends in the executive branch to get them everything they want."

He added that even if Congress were to pass a law overturning Chevron, "the President

would veto it." In any event, he said, Chevron wrongly "assumes that ambiguity is always a delegation" to the executive branch. More often, ambiguity is "I don't have enough votes in Congress to make it clear, so I'm going to leave it ambiguous . . . and then we'll give it to my friends in the agency."

By allowing Congress to pass off responsibility to regulators, Chevron has contributed to legislative dysfunction and gridlock. Congress has failed to pass a law regulating crypto-currency after the FTX fiasco, Mr. Clement said, "because there's an agency head out there that thinks that he already has the authority to address this uniquely 21st century problem with a couple of statutes passed in the 1930s."

Perhaps he means Securities and Exchange Chairman Gary Gensler. "And he's going to wave his wand, and he's going to say the words 'investment contract' are ambiguous," Mr. Clement said. Or consider that the Federal Communications Commission has rewritten broadband regulation four times in 14 years.

It's not too much to say Chevron has corrupted all three branches of government. It lets Congress abdicate its duty to write clear laws, the bureaucrats to grab more power, and the courts to abandon their normal method of judicial review. Time for the High Court to restore constitutional equilibrium.

## LETTERS TO THE EDITOR

## Navarro Responds on Contempt of Congress

As I face sentencing on Jan. 25 for an alleged crime of which no senior White House official has ever been convicted, the Journal editorial page continues to support my prosecution. Now, William McGurn conflates my principled stand with "The Contempt of Hunter Biden" (Main Street, Jan. 9).

Hunter Biden is a private citizen refusing to comply with a lawful congressional subpoena seeking information on the illegal abuse of his father's office and "Biden brand" to unlawfully peddle influence in Ukraine and Communist China. This prodigal son should be held in contempt, and the Justice Department should indeed prosecute.

I was a senior White House adviser who received an unlawful congressional subpoena. By law, after President Trump invoked executive privilege, it wasn't my privilege to waive. If I had complied without such a waiver, I would have both broken the law and

desecrated my oath of office.

Appearing before Congress would have violated a more than 50-year-old policy providing for the absolute testimonial immunity of alter egos of the president such as myself. It therefore doesn't follow, as Mr. McGurn argues, in citing your Oct. 27 editorial ("Bannon's Contempt for Congress"), that a failure to put me behind bars would mean that "everyone will assume that Congressional subpoenas have no force."

The editorial board should join my principled fight to preserve the constitutional separation of powers. Executive privilege has played an essential role in effective presidential decision-making since the days of George Washington.

PETER NAVARRO  
Washington

Mr. Navarro was director of the White House Office of Trade and Manufacturing Policy, 2017-21.

## Cheers to Baker on Becoming an American

Congratulations, Gerard Baker, on becoming an American citizen ("A New American Tries to Buck Up His Countrymen," Free Expression, Jan. 9). It is wonderful enough to merit that worn-out "awesome" label—or "brilliant," if you prefer.

I would add gratitude to the stated obligations of an immigrant to America. This nation has provided, and continues to provide, opportunities for personal growth to countless immigrants. It explains in part why we have an immigration problem. People desperate to improve their lives don't risk it going to places like Cuba, North Korea, China or Russia.

Most old immigrants, like myself, are forever grateful for an America that has allowed us to grow and pros-

per, limited only by our abilities and dispositions. A country, like few others, of countless rewards.

ALFREDO D. GUTIERREZ  
Miami

Mr. Baker, I am delighted to welcome you to membership in that most privileged of all groups: the citizens of the United States. But I am deeply shamed by the message of your latest column.

Yes, you shame me. You expose my shocking and inexcusable failure to remember always what American citizenship bestows and demands. Fellow Americans, let's remember what we have and what we owe.

RICHARD G. MILLS  
Exeter, N.H.

## Is the Defense Secretary in the Conversation?

While Defense Secretary Lloyd Austin erred in not reporting his absence to the White House, he shouldn't resign for this reason. He should resign because the incident highlights his irrelevance to national-security deliberations within the White House ("Secretary Austin's Health Secrecy," Review & Outlook, Jan. 10).

During these difficult times of conflict in Israel, Gaza, Lebanon, the Red Sea, Iraq, Ukraine and elsewhere, how could it be possible for the White House and the president not to seek the advice of the defense secretary for several days? If President Biden had really wanted Mr. Austin's advice,

he would have learned of his internment at Walter Reed hospital.

JIM HARDING  
Fort Pierce, Fla.

One of the first things impressed on me as a young U.S. Air Force recruit was never to leave an assigned post unless properly relieved. Perhaps the general should go back to basic before resuming duties at the Pentagon.

WILLIAM S. BURKE  
Queensbury, N.Y.

I guess Israel won't take Mr. Biden's advice to begin pulling out of Gaza until it can find Mr. Austin. The Israelis may want his expert strategic and tactical advice on how to execute a withdrawal.

JAMES M. BECKER  
Waleska, Ga.

## What Emerson Missed About Evil and the Human Person

I appreciate Lance Morrow's accurate analysis of the woke regime currently ruling Harvard, but the usually excellent writer is disappointingly superficial in his discussion of evil ("Can Harvard Learn Anything from Ralph Waldo Emerson?" op-ed, Jan. 10). "Henry James was wrong about Emerson and evil," Mr. Morrow writes, because "Emerson abominated slavery."

Emerson rightly wanted to end the terrible social evil of slavery. But, as James pointed out, Emerson, like many social liberals, was "unconscious" of the capacity for evil that resides in every human heart. In his 1838 Harvard Divinity School address, Emerson urged students to leave behind all creeds and "go alone," seeing ourselves each as a "newborn bard of the Holy Ghost." "One soul," he claimed, "is wiser than the whole world."

But, in novel after novel, James made clear the truth that Alexander Solzhenitsyn later expressed so eloquently: "The line dividing good and evil cuts through the heart of every human being."

BRYAN BERRY  
Joliet, Ill.

## Pepper ... And Salt

THE WALL STREET JOURNAL



"Sometimes I think my parents had me only for solving their technology problems."

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## OPINION

## The High Cost of the Trump-Biden Tariffs

By Phil Gramm  
And Donald J. Boudreaux

National conservative protectionists portray themselves as the adults in the room. They allege that free traders' focus on consumption imperils America's economy by undermining our ability to produce. President Trump's trade representative, Robert Lighthizer, declares that "production is the end," not consumption or efficiency. Analyst Oren Cass insists that "people's ability to produce matters more than how much they can consume." To promote production, they propose more protectionist measures.

But protectionism shrinks rather than expands production. It does so most directly by obstructing U.S.-based producers' access to inputs. As Dartmouth's Douglas Irwin has shown, more than half of American

**They benefited a politically connected few, while U.S. consumers and producers paid the bill.**

imports are raw materials or intermediate goods used as inputs in production. Restricting these imports raises producers' costs and thus hamstringing American production and competitiveness. Every job "created" or "saved" by tariffs, which force American consumers and users of protected inputs to pay higher prices, keeps noncompetitive firms operating.

Protectionism's assault on production shows up in the data. Consider Mr. Trump's tariffs, which he called "historically successful" and which Mr. Lighthizer continues to claim

created manufacturing jobs. Although Mr. Trump's tax cuts and regulatory relief stimulated production, his tariffs worked in the opposite direction. Real per capita growth in gross domestic product accelerated from 0.93% in 2016 to 1.6% in 2017 and then to 2.4% in 2018, a 13-year high. But in 2019—the first full year of Mr. Trump's tariffs—annual real per capita GDP growth fell to 1.83%.

The record looks no better if we focus exclusively on manufacturing. Annual worker productivity growth in manufacturing hit its peak in 2011 and then began a slow annual decline. From 2011 to 2017, manufacturing worker productivity fell at an average annual rate of 0.65%. It then grew in 2018 with the implementation of the Tax Cuts and Jobs Act. But in 2019, when the Trump tariffs were fully in effect, the productivity of manufacturing workers plummeted by 2.2%—a larger decline than in any prior year dating to 2011.

A similar story is told by manufacturing output. Over the first three quarters of 2018 it rose by 2.5%, spurred by tax cuts and deregulation. As tariffs commenced, it quickly began to fall. By the last quarter of 2019 manufacturing output was 4.7% lower than it was in the third quarter of 2018. On the eve of the pandemic, 32,000 fewer Americans were employed in manufacturing than at the same point in the prior year. These realities are difficult to square with protectionists' assertions that tariffs encourage production and create or save manufacturing jobs.

The failure of Mr. Trump's tariffs to increase manufacturing employment is no surprise given that many American workers are employed in firms that import key inputs. His steel and aluminum tariffs, for instance, created a few metals-producers' jobs—1,000 in steel and 1,300 in aluminum. But for each American



Aluminum cans are made in America from imported metal.

worker employed to produce steel or aluminum, 36 were employed in the production of goods that use steel or aluminum as inputs. When tariffs raised the prices of steel and aluminum, many of these workers were given pink slips. Using Federal Reserve data, Kadee Russ of Harvard and Lydia Cox of the University of California, Davis, estimated that these tariffs destroyed about 75,000 manufacturing jobs.

Mr. Lighthizer counters that this comparison "ignores the fact that the biggest users of steel—transportation equipment manufacturing and construction—saw 1.4 million new jobs." This is a red herring. These new jobs resulted not from tariffs but from the largest infrastructure bill in American history. Not only did the steel tariffs, implemented by Mr. Trump and retained by President Biden, not cause the surge of infrastructure spending, they raised construction costs and reduced the amount of infrastructure that will be built.

The high cost of protectionism has been long documented. Surveying research on protections for vari-

ous U.S. industries from 1950 through 1990, the Cato Institute's Scott Lincicome found that the average annual cost to American consumers per job saved during those four decades was \$620,000 (in 2017 dollars). Moving forward a few decades, Peterson Institute economists Gary Clyde Hufbauer and Sean Lowry estimate the price tag for each job saved by President Obama's tire tariffs at \$926,500.

More recently, researchers at the Fed and University of Chicago found that Mr. Trump's tariffs on washing machines created a measly 1,800 jobs at an annual cost of \$815,000 each. As Mr. Hufbauer and his colleague Euijin Jung found, the annual cost to consumers for each job saved by the Trump steel tariffs exceeded \$900,000. Creating jobs at these prices inevitably diminishes the nation's overall production. Jobs that don't pay their own way waste resources that would otherwise be used to increase production, investment and growth.

Given all this evidence, why does protectionism persist? The answer is politics. Although protectionism's

overall costs are high, they are spread thinly over millions of consumers, making them difficult to detect. While the benefits of protectionism are small, they are concentrated. This buys political support.

Consider the 92-year-old U.S. sugar program, which severely restricts imports. U.S. consumers pay twice the world market price for sugar. The Government Accountability Office recently estimated that this program annually bestows between \$1.4 billion and \$2.7 billion in benefits to the roughly 4,100 U.S. sugar growers—between \$341,500 and \$658,500 for the average grower. The GAO also estimates that the annual cost of the program to consumers ranges from \$2.5 billion to \$3.5 billion. Yet because we all consume sugar, the average American annually pays only between \$7.35 and \$10.30 more in higher prices. Sugar growers are well aware of the benefits they get from protectionism and show it during election years with endorsements and contributions, but consumers remain largely unaware of the theft.

This dynamic works similarly in other protected industries. The beneficiaries are relatively few and vocal; the victims are numerous and muted. When a spokesman for the current U.S. trade representative suggests that Mr. Biden's protectionism will end trade policies that benefit "the powerful at the expense of the rest" he has it backward. Protectionism, by its nature, is a gift to the powerful paid for by the rest of us.

*Mr. Gramm, a former chairman of the Senate Banking Committee, is a nonresident senior fellow at the American Enterprise Institute. Mr. Boudreaux is a professor of economics at George Mason University and the Mercatus Center. Mike Solon contributed to this article.*

## Team Biden Tries to Answer Davos Man's Cry for Help

GLOBAL VIEW  
By Walter Russell Mead

Uncle Sam plans to restore order. The Biden administration doesn't want its allies and adversaries to think things are spinning out of control, so Secretary of State Antony Blinken and national security adviser Jake Sullivan dropped into Davos to reassure all and sundry that the Americans are on the job.

Mr. Blinken was at his diplomatic best, reassuring listeners that despite the occasional flare-up and awkward headline, the Biden administration has matters in hand. Russia is on the back foot, Kyiv is moving forward with economic and political reforms, and Ukraine's reliance on Western aid will diminish over time.

Despite their differences, the U.S. and China are stabilizing their rela-

tionship and both sides are determined to ensure that their competition doesn't boil over into conflict. As for the Middle East, Mr. Blinken says Israel and its neighbors are closer than ever to agreements that will achieve both Palestinian statehood and regional peace.

Most World Economic Forum attendees surely hope that Mr. Blinken turns out to be right about the state of the world, but the doubts one hears here about the wisdom and competence of the Biden administration won't be easily laid to rest.

Take the Middle East. Speaking in February 2021 about the war that Saudi Arabia was waging in Yemen against the Iran-backed Houthis, President Biden was clear. "This war has to end," he told the world. "And to underscore our commitment, we are ending all American support for offensive operations in the war in Yemen, including relevant arms sales."

Roughly three years later, instead of supporting allied campaigns against the Houthis, the U.S. is attacking them with its own forces. Saudi Arabia, clearly enjoying the irony, is warning the U.S. against es-

calating violence in the region.

Last May, Mr. Sullivan pointed to the truce in Yemen and the restoration of Saudi-Iranian relations as part of the Biden administration-led progress toward peace across the Middle East. Four months later Mr. Sullivan trumpeted the success of

**Antony Blinken and Jake Sullivan deliver a message of calm and continuity, but the world needs results.**

the American peace initiative, praising President Biden for making "de-escalating and ending the war in Yemen one of his top foreign policy priorities." In the original, print version of a famously rewritten Foreign Affairs article, Mr. Sullivan hailed the administration's progress in de-escalating crises in Gaza. These successes, Mr. Sullivan confidently predicted, would enable the U.S. to turn its attention to other hot spots like Ukraine and the Taiwan Strait.

That won't happen now. While the

Biden administration was congratulating itself on the intellectual sophistication and gratifying success of its Middle East policy, America's regional opponents were preparing their next wave of attacks. They used the time well, and the U.S. finds itself confronting a multifaceted and sophisticated array of enemies across the region.

Mugged by reality, Mr. Biden has switched direction, relabeling the Houthis a specially designated global terrorist group and launching an escalating series of retaliatory attacks across the Middle East. Israel and Saudi Arabia are now the pillars of our regional policy, and the road to solving the Palestinian issue is seen to pass through Riyadh. Like his predecessor, Mr. Biden is now arming Israel while promoting the Abraham Accords.

Overall, despite the air of calm and continuity that both speakers sought to convey, the Biden administration has embarked on a significant change of course.

In January 2021, the view was that countering China needed to be America's primary focus, while both Russia and Iran could be bargained

with. Today, the administration appears to see China as the most reasonable and rational of its opponents, while Russia and Iran are, for the time being, less approachable. Washington is no longer looking to stabilize relations with Russia and Iran to free up resources for the competition with China. It is trying to cool tensions with China to give itself room to deal with Russian and Iranian threats.

Perhaps the new strategy will work, at least for a while. China's economic troubles are serious and would worsen if tensions between Beijing and the West reached a crisis point. But China isn't interested in helping the U.S. out of a tight spot. The most likely outcome is that China will continue supporting Russia and Iran and hope that the crises in Ukraine and the Middle East continue to create difficulties for the U.S.

Messrs. Sullivan and Blinken gave intelligent and insightful presentations. They did not, however, dispel the geopolitical gloom that hangs over Davos this year. The world needs results, which Team Biden has yet to provide.

## The Houthis, China and Other Dangers to Seaborne Commerce

By Elisabeth Braw

The Houthis' attacks on merchant vessels have made the Red Sea unsafe for shipping. But the militia's actions are only some of the many infractions of maritime rules worldwide. China harasses vessels and builds artificial islands, Iran targets shipping in the Strait of Hormuz, and unknown actors sabotage sea-based infrastructure. The global maritime order, which underpins our prosperity, is in peril. Rule-abiding governments can save it.

"We . . . are determined to hold malign actors accountable for unlawful seizures and attacks," 14 countries, led by the U.S., U.K., Germany, and Japan, warned the Houthis on Jan. 3. The Houthis made clear what they thought of this red line by continuing their attacks. Though vessels in the U.S.-led Operation Prosperity

Guardian staved off Houthi boats and drones heading for merchant vessels, their presence remained well short of direct retaliation against the Houthis. The Houthis' "aerial and seaborne drones have truly tipped the balance away from those with mighty fleets," retired Rear Adm. David Manero, a former U.S. defense attaché to Russia, said. Freddy Furulund, an executive with Norwegian maritime insurer DNK, said, "These states and groupings target an area where we're vulnerable. It's a clever approach, but it's still illegal."

Soon after the warning, Houthi leader Mohammed Ali al-Houthi said any country involved in Prosperity Guardian in the Red Sea would see its vessels targeted. Unsurprisingly, shipping lines are diverting their vessels from the area. In late December, merchant traffic in the Red Sea was down by nearly one-fifth from the

same period in 2022, according to Lloyd's List Intelligence. On Jan. 11, the U.S. and the U.K., supported by four allies, decided that the Houthis' violation of maritime rules couldn't continue. They launched strikes against Houthi-held parts of Yemen. (The strike coalition of six is down from Prosperity Guardian's more than 20, itself a low number.)

The Houthis, whom the U.S. is putting back on its terrorist list, aren't the only ones flouting maritime rules. In the 2010s China built islands in South China Sea waters that officially belong to other countries. When an international tribunal ruled against China, Beijing ignored the judgment. For the past decade, China's maritime militia has been harassing vessels from other countries.

Off the coast of the Philippines, Chinese vessels are bumping Philippine supply vessels and using water

cannons against them. In the Taiwan Strait last year, China initiated a flotilla to inspect shipping—on both the Chinese and Taiwanese sides of the internationally recognized median line. Unidentified actors have blown

**The world benefits from maritime order, but only the U.S. and U.K. seem willing to enforce it.**

up the Nord Stream 1 and 2 pipelines and sabotaged two undersea cables and another pipeline in the Baltic Sea. Over the past three years, Iran has attacked some two dozen merchant vessels in the Strait of Hormuz. And since Russia's 2022 invasion of Ukraine, the so-called dark fleet of

merchant vessels that have obscure owners and skirt maritime rules has grown to about 1,400 ships worldwide. If they cause accidents, other countries and vessels are on the hook. "The recent attacks on global sea routes are yet another assault on the taken-for-granted global commons which underpins international trade," said George Robertson, a former secretary general of the North Atlantic Treaty Organization.

Western efforts to preserve the global maritime order aren't succeeding. The U.S. Navy has conducted freedom-of-navigation operations in the South China Sea, dispatched a force to the Strait of Hormuz, and assembled the ambitious Prosperity Guardian. Nothing seems to work.

If maritime activities can be attacked at any time or place, the global economy will stumble. "Houthi-style tech and tactics are creating uncertainty at a bargain price," Adm. Manero said. The U.S.-led strikes in Yemen are a show of force but haven't halted the chaos. Days after the first strikes, the Houthis attacked a U.S.-owned cargo ship and an American destroyer. It's regrettable that so few countries have joined Prosperity Guardian or the smaller U.S.-led group in the Red Sea. Keeping the world's oceans safe will continue to depend largely on the U.S. and U.K. Other nations can help by providing vessels, personnel, and intelligence. Think of it as the maritime equivalent of a neighborhood watch.

*Ms. Braw is a senior fellow at the Atlantic Council and author of the forthcoming book "Goodbye Globalization."*

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## Notable &amp; Quotable: Cold EVs

From "Electric Car Owners Confront a Harsh Foe: Cold Weather" by Emily Schmall and Jenny Gross for the New York Times, Jan. 17:

In a painfully chilly parking lot in Chicago on Tuesday, Tesla drivers huddled in their cars waiting for a charge. . . .

Joshalin Rivera was . . . experiencing a bit of buyer's remorse. She sat with the heat blasting inside her 2023 Tesla Model 3 as she juiced up the battery.

"If you're waiting in that line and you only have 50 miles, you're not going to make it," Ms. Rivera said,

gesturing to the line of vehicles stretched out onto Elston Avenue. She said that she had seen a Tesla run out of battery shortly after a driver attempted to cut the line.

In normal conditions, Ms. Rivera's car can drive up to 273 miles on a single, 30-minute charge. This week, Ms. Rivera said she has awakened to find about a third of her car battery drained from the overnight cold. As temperatures plummeted, she spent hours every morning waiting in line and recharging the battery.

"It's kind of like, I don't really want a Tesla," she said.



## WORLD NEWS

# Politics Eclipses Business at Davos

BY GREG IP

Never mind interest rates, inflation or recession. The economic concerns that usually preoccupy the global elite at their annual gathering in Davos are taking a back seat to hot wars in Ukraine and the Middle East, cold war between the West and China and watershed elections from India to the U.S.

For government and business leaders, it is a disorienting departure from a world in which fortunes were mainly driven by financial forces.

The World Economic Forum, which hosts the meeting, is now the de facto world geopolitical forum.

"There's a higher-level issue than the economy, which is geopolitics," said Christian Mumenthaler, chief executive of reinsurance giant Swiss Re, which insures risks worldwide. Geopolitics hasn't been so big an economic threat since the height of the first Cold War in the 1980s, he said.

"We're starting this year with the longest list I ever recall of potential disruptions," said Christian Ulbrich, chief executive of real-estate company JLL, which operates around the globe. "You really have to run your organization in an extremely agile way so that you can react immediately."

Longtime Davos attendees came of age in a world in which products, capital and people flowed ever more freely. But globalization began fragmenting in 2016 when Britain voted to leave the European Union and Donald Trump was elected president—and went on to withdraw from a global climate accord and a trade pact



People attended the annual meeting of the World Economic Forum in Davos, Switzerland, on Wednesday.

with Pacific nations and then hike tariffs sharply, especially on China.

Deglobalization has gathered speed with the pandemic, Russia's Ukraine invasion, the rivalry between the U.S. and China and the newfound appeal of industrial policy—governments directing resources to favored home industries. That is in addition to the hazards from the natural world, such as extreme weather.

The upshot is that political events that were once peripheral to business leaders' concerns are now central, especially when optimism is high

that major economies will lower inflation without recession.

The U.S. election is on everyone's minds because of the potential for Trump to return to the White House. On Monday, Trump won the first Republican nominating contest, in Iowa.

"Every conversation begins with a query about my assessment of the outcome of Iowa, who's going to win New Hampshire, and what are the odds of Trump 2.0," said Tim Adams, president of the Institute of International Finance, a Washington-based group of international banks, and a former senior Treasury official under

President George W. Bush. The questions are driven by trepidation, curiosity and fear that "the U.S. retreats, engages in protectionism, isolationism."

The U.S. election is one of many taking place this year, and for some companies, it isn't necessarily the most salient. Last Saturday, Taiwan elected as president the candidate most opposed by Communist-ruled China, which is pressing for reunification with the self-governing island. Taiwan is home to Taiwan Semiconductor Manufacturing Co., the world's dominant supplier of the most advanced micro-

chips. Many major tech firms must reckon with the possibility that military or economic coercion by China, or even war that draws in the U.S., could interrupt that supply. U.S. restrictions on investment and trade related to crucial technologies have disrupted what was once one of the world's most integrated industries.

## Watch a Video



Scan this code for an update on the WSJ reporter being held in Russia.

## Chinese Lab's Map Of Covid Languished For Weeks

BY WARREN P. STROBEL

WASHINGTON—Chinese researchers isolated and mapped the virus that causes Covid-19 in late December 2019, at least two weeks before Beijing revealed details to the world, congressional investigators said, raising questions anew about what China knew in the pandemic's crucial early days.

Documents obtained from the U.S. Department of Health and Human Services by a House committee and reviewed by The Wall Street Journal show a Chinese researcher in Beijing uploaded a nearly complete sequence of the virus's structure to a U.S. government-run database on Dec. 28, 2019. Chinese officials were still publicly describing the disease outbreak in Wuhan, China, as a viral pneumonia "of unknown cause" and had yet to close the Huanan Seafood Wholesale Market, site of one of the initial Covid-19 outbreaks.

China only shared the virus's sequence with the World Health Organization on Jan. 11, 2020, according to U.S. government timelines of the pandemic.

The new information doesn't shed light on the debate over whether Covid emerged from an infected animal or a lab leak, but it suggests that the world still doesn't have a full accounting of the pandemic's origin.

The extra two weeks could have proved crucial in helping the international medical community pinpoint how Covid-19 spread, develop medical defenses and get started on a vaccine, specialists have said.

It "underscores how cautious we have to be about the accuracy of the information that the Chinese government has released," said Jesse Bloom, a virologist at the Fred Hutchinson Cancer Center in Seattle who has reviewed the documents and the recently discovered gene sequence.

"It's important to keep in mind how little we know," the Chinese researcher who submitted the virus sequence, Dr. Lili Ren of the Beijing-based Institute of Pathogen Biology, didn't respond to an email seeking comment. The institute is part of the state-affiliated Chinese Academy of Medical Sciences.

"China has kept refining our COVID response based on science to make it more targeted," a Chinese Embassy spokesperson said. "China's COVID response policies are science-based, effective, and consistent with China's national realities. They can stand the test of history."

# New Taiwan Leader Digs In, to Chagrin of Some

BY JOYU WANG

TAINAN, Taiwan—More than a decade ago, some residents of this southern Taiwanese city got a lesson in the character of the man who is now set to be Taiwan's next president.

Lai Ching-te, then Tainan's mayor, wanted to move a section of railway underground. Residents whose homes would have to be demolished blocked bulldozers with their bodies and accused him of selling them out to property developers. Political opponents called him a dictator.

Lai was undeterred, telling city officials the project was crucial for the city's future.

"If he believes something is right, he's all in," said Hsiao Popen, one of Lai's cabinet officials at the time. Even if that means he has to "bear heavy responsibility and endure humiliation."

Lai's resolve—or stubbornness, as his critics call it—has taken on outsize significance since the 64-year-old emerged victorious from Taiwan's unpredictable three-way presi-

dential election on Saturday with 40% of the vote. Though he will lead an island of only around 24 million people, many of the decisions he makes in Taipei will have the potential to make waves in other capitals, Beijing and Washington in particular.

The ascent of Lai, currently serving as Taiwan's vice president, to the island's top job makes Chinese and American officials nervous. Beijing, which claims Taiwan as part of China, sees him as a staunch advocate of independence—a red line for Communist Party leaders. The White House worries Lai is more likely than Taiwan's departing president, Tsai Ing-wen, to provoke Beijing and draw the U.S. into a dangerous confrontation, U.S. officials said.

In one comment that raised eyebrows in Washington, Lai said while campaigning that he looked forward to the day when "the president of Taiwan can walk into the White House," which conjured the



Lai Ching-te voted Saturday.

possibility he might push for official diplomatic recognition from the U.S.

Lai's office didn't respond to a request for comment.

Lai's victory means the DPP will control the presidency for an unprecedented third term in a row. He campaigned on continuity, vowing to maintain the status quo established under Tsai when it comes to Taiwan's relations with its au-

thoritarian neighbor.

Though few believe Lai would push Taiwan toward declaring formal independence, he has struggled to shake questions about his ability to navigate the relationship with the same delicate balance as Tsai.

Unlike Tsai, who came from a relatively affluent family and worked mostly as a bureaucrat before winning the presidency in 2016, Lai was born into a poor family in northern Taiwan, one of six children. His father, a coal miner, died in a work accident when he was a few months old, leaving him to be raised by his mother.

Lai pursued medicine, first as an undergraduate in Taipei, then at the National Cheng Kung University medical school in Tainan, on the southwestern coast. While there, he developed an interest in politics.

In 1996, two years after deciding to make the leap into politics with the DPP, Lai was

elected as a member of the now-defunct National Assembly. After a four-term stint as a legislator, he ran for mayor of Tainan in 2010 and won with 60% of the vote.

Former aides and campaign staffers have described Lai as a detail-oriented perfectionist.

Though he has a reputation for doggedness, people close to Lai said he can be persuaded to change his mind by those he respects.

Lai's supporters and critics alike say the circle of advisers and allies capable of influencing the views of Taiwan's president-elect is small. That could undermine Lai as he confronts tensions around the 100-mile Taiwan Strait separating Taiwan from mainland China, said Alexander Huang, head of international affairs for the rival Kuomintang, or Nationalist Party.

"How many people in cross-straits, defense and foreign affairs are in William Lai's inner circle?" Huang said, using Lai's English name.

## GUATEMALA

### U.S. Bans Entry to Former President

Guatemala's former president is barred from entering the U.S. for accepting bribes, just days after the nation inaugurated a new president who vowed to root out corruption amid an open confrontation with much of the country's establishment.

The U.S. State Department said Wednesday that Alejandro Giammattei was ineligible for entry to the U.S. because of "credible information" indicating that he was involved in significant corruption during his tenure. Giammattei, who left office late Sunday, couldn't be reached for comment.

Bernardo Arévalo was inaugurated as president in a turbulent session of Congress where political opponents attempted to sabotage the transfer of power.

The sanctions against the former president come as Central America has been rocked by corruption scandals and a weakening of government accountability and rule of law.

The move was the latest measure taken by the Biden administration against government officials, legislators and private-sector representatives for engaging in corrupt activities or undermining democracy or the rule of law in Guatemala.

—José de Córdoba

## UNITED KINGDOM

### Charles, Princess Face Medical Issues

King Charles III and the Princess of Wales are both dealing with medical issues that will force them to delay previously planned public engagements over the coming weeks.

Charles will undergo a "corrective procedure" for an enlarged prostate next week, Buckingham Palace said on Wednesday. The palace said the king's condition is benign.

Moments earlier, the princess's office announced that Catherine would remain at a hospital in London for up to two weeks after undergoing planned abdominal surgery. The princess, formerly Kate Middleton, is the wife of Prince William, the heir to the throne.

The publicity around the king's surgery is seen as an opportunity to encourage other men to have their prostates checked in line with public health advice. The 75-year-old monarch sought treatment "in common with thousands of men each year," the palace said.

A series of events on the monarch's schedule have already been postponed.

Catherine, 42, was admitted to The London Clinic on Tuesday. The princess's office at Kensington Palace didn't offer further details, but said her condition wasn't cancerous.

—Associated Press

## WORLD WATCH



BIRDS OF PRAY: A priest blessed a gaggle of geese and other animals during a ceremony to mark the Feast of St. Anthony the Abbot in Muro on the Spanish island of Majorca on Wednesday.



# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Thursday, January 18, 2024 | B1

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## Meta Under Fire for Child Targeting

Internal presentation in 2021 estimated 100,000 minors a day got sexual content

By KATHERINE BLUNT AND JEFF HORWITZ

Children using Instagram and Facebook have been frequent targets of sexual harassment, according to a 2021 internal

presentation that estimated that 100,000 minors each day received photos of adult genitalia or other sexually abusive content.

That finding is among newly unredacted material about the company's child-safety policies in a lawsuit filed last month by New Mexico that alleges Meta's platforms recommend sexual content to underage users and

promote underage accounts to predatory adult users.

In one 2021 internal document described in the now unredacted material, Meta employees noted that one of its recommendation algorithms, called "People You May Know," was known among employees to connect child users with potential predators. The New Mexico lawsuit says the finding had been flagged to executives several years earlier, and

that they had rejected a staff recommendation that the company adjust the design of the algorithm, known internally as PYMK, to stop it from recommending minors to adults.

In comments appended to the report, one Facebook employee wrote that the algorithm had in the past "contributed up to 75% of all inappropriate adult-minor contact."

"How on earth have we not

just turned off PYMK between adults and children?" another employee responded, according to the lawsuit. "It's really, really upsetting."

Meta declined to comment on the newly unsealed references to internal documents, referring The Wall Street Journal to a previous statement in which it said New Mexico "mischaracterizes our work using selective quotes

Please turn to page B6

## Apple Loses Bid to Stall Watch Ban Amid Fight Over Patent

By AARON TILLEY

Apple lost its effort to delay the implementation of a U.S. import ban of its smartwatches while the company appeals a federal trade ruling.

Watch sales are expected to continue for the iPhone maker, but the company earlier revealed plans to disable blood-oxygen measurement technology in some models of the device to avoid the ban.

Apple Watch models that have already been sold won't be affected by the change, but the company is preparing to sell versions of the Apple Watch Series 9 and Apple Watch Ultra 2 from which the blood-oxygen sensing technology will be removed. Models without the feature will become available Thursday online and in Apple retail locations, the company said.

The U.S. Court of Appeals for the Federal Circuit lifted an interim stay on the implementation of an October ruling by the U.S. International Trade Commission that ruled Apple had violated the patents of a competitor. Apple had sought to delay the import ban while it pursues an appeal. Apple hasn't disclosed details about how it will remove the feature, but analysts have speculated that it could be done through a software adjustment.

The trade agency's order is set to go back into effect on Thursday.

Medical-technology company Masimo alleged in a 2021 complaint that Apple had stolen technology related to a blood-oxygen sensor in some versions of its watch. Apple has included a sensor, called a pulse oximeter, in most new models of the Apple Watch since 2020.

The U.S. Customs and Border Protection agency, which is responsible for enforcing a trade ban, recently approved Apple's proposed technical changes to the Apple Watch that would disable the pulse oximeter and avoid violating Masimo's patents.

The Cupertino, Calif., tech Please turn to page B4

## CNN Forms News Unit For All Platforms

By ISABELLA SIMONETTI

Will people pay to watch CNN videos on their phones? New CNN boss Mark Thompson seems eager to test that idea.

When he took over as the network's chief executive in October, Thompson warned staff that CNN was nowhere near ready for the future and needed to step up its digital game. One-hundred days later, he is laying the groundwork to do that.

The first step, outlined in a memo Wednesday, is to combine all of CNN's news gathering operations into one unit that will serve its TV, streaming and digital platforms, while creating a division tasked with exploring growth opportunities.

In an interview, Thompson said he was also looking to monetize CNN's offerings, potentially through subscriptions, and wanted to find a better way to show video news on phones.

"I don't think anyone's yet cracked the code on how that translates, truly translates to a great news experience," Thompson said, adding that he wants to take better advantage of a vertical format that is popular with younger consumers. He said that if CNN "can figure out a way of doing that and make sure it's a high-quality, differentiated product," people should be willing to pay for it.

"For many people today, Please turn to page B5



Topgolf, a chain of golf simulators, is offering discounts to stem the midweek lull in business. A location in El Segundo, Calif.

## Family-Fun Chains Tee Up Deals to Lure Back Business on Weeknights

By WILL FEUER

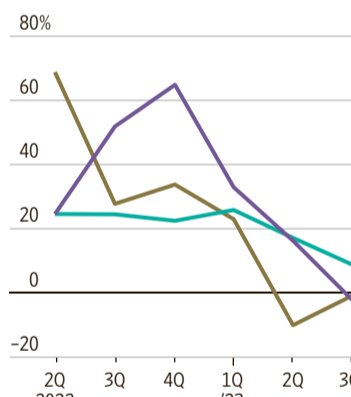
Would all-you-can-eat wings tempt you out on a school night again?

Bowling alleys, golf simulators and other family-entertainment centers are testing a flurry of new promotions and discounts in a bid to lure back consumers who have cut down on outings during the Monday-to-Thursday stretch.

Dave & Buster's in the fall brought back its all-you-can-eat wings offer on Mondays and Thursdays. Topgolf is experimenting with additional midweek discounts beyond its

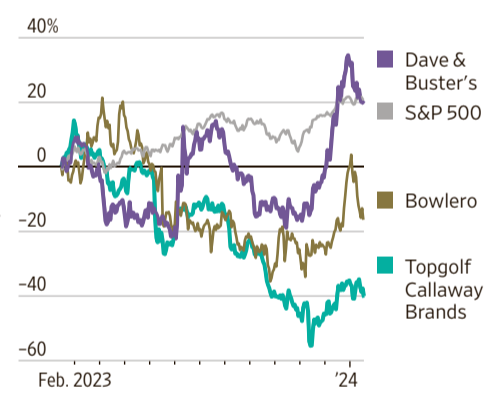
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Quarterly revenue, change from a year earlier\*



\*Latest quarter for Dave & Buster's ended on Oct. 30; Oct. 1 for Bowlero and Sept. 30 for Topgolf. †Topgolf segment revenue only. Sources: S&P Capital IQ (revenue); FactSet (share-price and index performance)

Share-price and index performance over the past year



## New Samsung Phones Offer AI

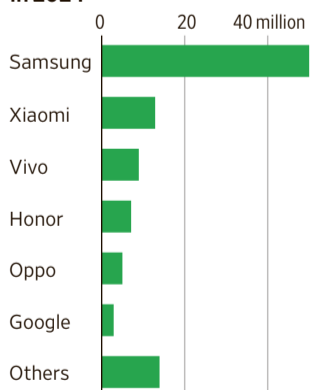
By JIYOUNG SOHN AND MILES KRUPPA

Lots of industries are buzzing about generative artificial intelligence. Now it is the smartphone industry's turn.

Samsung Electronics, the world's No. 2 smartphone maker after Apple, unveiled its latest Galaxy S24 flagship devices on Wednesday, marking the industry's largest-scale embrace of the new technology. The South Korean tech firm sells tens of millions of its Galaxy S flagship phones globally every year.

Choi Won-Joon, who heads research and development for Samsung's mobile business, said the company focused on delivering features it thought generative AI could help solve right now: overcoming language barriers, speeding up

Shipments of smartphones packed with generative AI in 2024



Source: Counterpoint Research

search and helping people obtain better photos. The new Galaxy S24 phones provide real-time translation of calls and text messages, improve im-

perfect photos and trigger searches on Google by encircling images and text on one's phone.

The Galaxy S24's new features, powered by both Samsung's own generative AI engine and by long-running partner Google, aren't the industry's first. In recent months, Google's own Pixel 8 smartphones, plus devices from several Chinese brands, have been rolled out with generative-AI abilities.

"What's important is less about being first but more about the ability to create features that bring meaningful benefits to people," said Choi.

Apple hasn't released any concrete plans in the space for the iPhone. But Chief Executive Tim Cook, on the company's November earnings call, ac-

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## INSIDE



**BUSINESS NEWS**  
Verizon will write down the value of one of its segments by \$5.8 billion. B3

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App developers react angrily to Apple's new policy to impose fees on them. B4

## Pandemic Tax Break Sparks Suits Over Fees

By RUTH SIMON

A small Florida wholesaler thought it was getting a \$3 million tax windfall. Now, it wants to return the money but faces a \$431,000 bill.

The Internal Revenue Service isn't the problem. The issue is with the company that helped the wholesaler claim a popular pandemic-era tax break.

The dispute represents the leading edge of what is likely to be a wave of lawsuits tied to the employee-retention credit, or ERC, which was created by Congress to reward employers for keeping workers on payrolls during the pandemic. In December, the IRS rolled out a program that would allow employers to return 80% of the credit and avoid most penalties if they

provided details about the ERC firm they used, part of an agency effort to crack down on what it says are fraudulent and ineligible claims.

Colonial Wholesale Distributing, the Florida company, is one of at least four customers that have sued ERC Specialists, which promised to help taxpayers "file lightning fast" for the tax break. The legal battles go both ways. In recent months, ERC Specialists filed lawsuits against more than 40 of its customers, seeking to collect unpaid fees.

ERC Specialists said it doesn't comment on pending litigation. "There is rarely a need for collection efforts since we only charge if our customers receive money," said co-

Please turn to page B2

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BUSINESS & FINANCE

Chains Seek Weeknight Revival

Continued from page B1 half-off golf deal on Tuesdays. Bowlero now offers unlimited late-night bowling during the middle of the week and half-priced arcade games on Wednesdays.

The changes aim to protect what has become a booming business for entertainment chains and restaurants: the midweek outing. Americans, armed with more free time and flexible schedules in the remote-work era, ventured out for dinner and entertainment more often to get through the week.

Now consumers' appetite for going out on weeknights is slowing. Higher prices have consumers scrutinizing their discretionary spending. The return of after-school activities such as sports and music lessons

The demand for 'eatertainment' rapidly grew in the remote-work era.

are keeping families busy. In-person work obligations and trips are filling up schedules. "Any part of the week was a reason to go out," says Eric Wold, an analyst at investment bank B. Riley Financial. "Now we're getting back to where we were, where people have jobs and it may be tougher to go out during the week."

Weekends are still busy for many dinner-and-entertainment chains. Whether companies are able to keep customers coming during the off-peak days will likely shape their 2024 performance, says Joshua Long, an analyst at Stephens. "The battle for traffic is real," he says.

The midweek slowdown could be an early crack forming in consumers' willingness to spend on experiences—a key corner of the economy that has helped offset slowing spending on goods. Stressed consumers typically pull back on midweek

spending to protect their weekend splurges before making other budget cuts, Long says. Bowlero, the owner of the Lucky Strike, Bowlmor Lanes and AMF Bowling chains, tried raising prices last summer. The company increased its efforts to upsell add-ons such as a third game of bowling and food during the weekend and scrapped most of its midweek discounts. That hurt traffic, especially in the Midwest.

Chief Executive Tom Shannon said in November that the company hadn't fully appreciated how sensitive its family-oriented midweek customers were to prices. At the same time, he said, the company had discounted its weekend customers' willingness to spend. The company has since reinstated most of its midweek promotions.

The lack of midweek promotions weighed on traffic from July through September. Same-store sales slipped nearly 6% in those months. Bowlero said traffic turned positive in October after the company reversed course and reinstated many of its deals. Investors cheered the news, sending shares higher in December. The stock ended 2023 up 5%, lagging behind the roughly 24% gain for the S&P 500.

At Topgolf Callaway Brands, which owns the chain of simulator-equipped driving ranges, Chief Executive Chip Brewer blamed a recent slowdown in business on fewer corporate events as well as slow traffic on Mondays, Wednesdays and Thursdays. Business on Tuesdays has held up, he said, thanks to the popular half-off golf deal offered that day.

"In the current environment, consumers are being offered and are probably looking for greater value to tempt them out during the week," he said in November. Topgolf recently started discounts in test markets on Wednesdays and Thursdays.

Dave & Buster's, which offers a mix of food, drinks and arcade games, is in the midst of a turnaround. The company's shares finished 2023 about 52% higher.

Door Panel in Boeing Blowout Was Manufactured In Malaysia

By PAUL KIERNAN AND ANDREW TANGEL

WASHINGTON—A Boeing 737 MAX 9 door plug that blew out during a harrowing Alaska Airlines flight earlier this month was manufactured in Malaysia, according to the nation's top air-safety investigator, who offered new details from the probe into what led to the accident.

Jennifer Homendy, chair of the National Transportation Safety Board, said Wednesday that Spirit AeroSystems produced the door plug in Malaysia

before it wound up in the Boeing supplier's Wichita, Kan., factory, and eventually on a train to the plane maker's 737 factory in Renton, Wash.

Homendy said the safety board's investigation would delve into the door plug's production, transport, installation and entry into service—as well as quality checks along the way. The door plug's origin highlights the complexity of Boeing's supply chain after years of increased outsourcing of various components' production. Boeing and Spirit said they are supporting authorities'

investigation into the accident. "We have no indication right now of where in the process this occurred," Homendy said after a closed-door briefing with the Senate Commerce Committee on Wednesday. "This could be anywhere along the line, and we are not just pinpointing manufacturing."

The Federal Aviation Administration, which grounded about 170 MAX 9 jets after the Alaska blowout and emergency landing, said Wednesday the aircraft would be banned from flying passengers until it evaluated data from

inspections of the planes' door plugs. The agency offered no estimate for when the MAX 9 jets would resume flying.

Alaska and United Airlines have said they found other MAX 9s in their fleets with loose hardware surrounding those jets' door plugs.

Homendy said Wednesday some bolts on the door plug are supposed to be loose and are secured by pins. The NTSB's metallurgical analysis will be looking for signs of fatigue cracking and corrosion and other potential factors that led to the Alaska blowout, she said.

Tax Break Sparks Lawsuits

Continued from page B1 founder Josh Ziegrowsky, adding that the company has done so for fewer than one in 1,000 customers. Filing a lawsuit "is a tool of last resort" used only after six months of collection efforts, the company said.

"The parties are attempting to amicably resolve the lawsuit," said Stephen Bagge, an attorney representing Colonial.

There are other signs that ERC litigation is on the rise. At least two businesses have sued the IRS over the tax credit. A former employee of a major ERC consulting outfit has filed a lawsuit alleging violations of federal labor laws.

ERC Specialists is part of a cottage industry that emerged to help small businesses and nonprofits claim the tax credit, which provides refunds up to \$26,000 an employee. The Orem, Utah, company says it has helped more than 65,000 employers claim the credit. Executives won't put a dollar value on refunds requested, but in a 2022 podcast said they expected to process \$10 billion in ERC refunds before the program expires in April 2025.

Businesses and nonprofits can qualify for the ERC if they have a specified revenue decline, or if a government order fully or partially suspended their operations.

The credit has already cost the government at least \$230 billion, roughly triple early estimates. The IRS says it has initiated 330 criminal investigations involving more than \$2.8 billion of potentially fraudulent ERC claims and encourages employers to withdraw questionable pending claims. A bipartisan tax deal announced Tuesday would, if enacted, stiffen penalties on ERC firms and bar employers from submitting claims after Jan. 31.

Executives at ERC Specialists have said the company's application process takes 10 minutes and they can tell em-

ployers exactly how much of a credit they can expect in about a week. "We tried to take someone from start to finish without any customer interaction," an ERC Specialists executive said in a podcast.

Jeremy and Kendall Warren, owners of HCA West Texas, a home-care company, said they expected to receive a follow-up phone call after filling out the ERC Specialists questionnaire and uploading relevant documents. Instead, they received an



Mark Sullivan

email stating that their refund was being filed and letting them know how much to expect.

ERC Specialists made errors in the filings, the Warrens said, including failing to put the correct legal name for their

company. "The IRS issued funds out to an entity that does not exist," said Kendall Warren, who said the couple has brought on an accounting firm to help sort things out.

ERC Specialists sued the Warrens for nonpayment of \$34,000 in fees. The couple said in January that they have agreed to settle the litigation.

Colonial, the Florida wholesaler, said in court filings that it filled out a one-page online eligibility questionnaire. The Tampa company had experienced supply-chain issues with five candy, snacks, grocery and cigarette suppliers during 2021.

Colonial says in its suit that ERC Specialists' qualification process was " cursory and insubstantial." It said the filing fee was "grossly disproportionate to the value of the services."

ERC Specialists has said that its questionnaire clearly states IRS eligibility rules and that clients are responsible for determining how shutdown orders affected their business.

"We have brought together some of the best legal minds to review our processes," said Mark Sullivan, the company's CEO. ERC Specialists said its fees—typically 15% of the refund amount when the tax credit is issued—are lower than those charged by some

competitors. The company said less than 0.2% of its clients are under an audit by the IRS. In such cases, it will provide documentation and can introduce clients to a



Josh Ziegrowsky

tax attorney. "In many of these instances, we have paid for these costs even though it's outside our service agreement," the company said.

If the IRS later rejects a claim that already has been paid, ERC Specialists' contract says it isn't required to return any of its fees. Some tax-credit companies say they will typically return fees for credits disallowed by the IRS.

—Elisa Cho, Jim Oberman and Richard Rubin contributed to this article.

Watch a Video: The Startup Aiming To Rival SpaceX With Reusable Rockets. Includes QR code and image of a rocket launch.

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

Table listing various companies and their page references under letters A through Z.

INDEX TO PEOPLE

Table listing various individuals and their page references under letters A through Z.

Advertisement for 'THE WAY WE RETIRE NOW' series, featuring an illustration of a box with people inside and a QR code for more information.



## BUSINESS NEWS

# Verizon to Write Down Unit's Value by Billions

By DREW FITZGERALD

Selling landlines and internet connections to businesses isn't as lucrative as it used to be.

Verizon said it would take a \$5.8 billion charge to write down the value of the division that offers such services to a range of companies from small retailers to multinational corporations.

The telecom giant said a strategic review prompted the company to lower its financial projections and revise its estimate of the unit's overall value.

The business segment, which also serves some wire-

less accounts, generated \$22.5 billion of revenue over the first nine months of 2023, down 2.9% from a year earlier.

Once at the core of Verizon's and rival AT&T's operations, revenue from landline business services has eroded because of stiff competition from smaller rivals and the unbundling of phone and broadband products that once enjoyed hefty profit margins.

Verizon still makes most of its profit from cellphone services and is the largest U.S. wireless company in terms of subscribers.

That business also has struggled with slowing revenue growth and customer

losses to AT&T and T-Mobile. Executives have recovered some of the lost revenue through higher fees.

Verizon said it booked the noncash charge after completing a five-year review of the unit's financial outlook. Following the charge, the unit has \$1.7 billion in year-end goodwill, an estimate of its value beyond its assets.

The company has previously taken similar charges following business reviews. In 2018 it took a \$4.5 billion charge to write down the value of the digital media business it created when it acquired Yahoo and AOL. Verizon later sold the business.



The telecom giant said it will take a \$5.8 billion charge related to a unit serving businesses.

# BP Veteran Named CEO, Fueling Green-Energy Shift

By CHRISTIAN MOESS LAURSEN AND JENNY STRASBURG

BP appointed Murray Auchincloss as chief executive, turning to a company veteran to continue the oil giant's shift toward renewable energy.

Auchincloss has run the London-based company on an interim basis since September following the abrupt resignation of Bernard Looney over his failure to disclose details about past relationships with colleagues.

BP's appointment of Auchincloss on Wednesday ends a period of uncertainty about the management of the company, which had spurred speculation about a possible change in strategy.

During Looney's almost four years at the helm, BP set out plans to pivot from oil and gas to position itself at the front of the global transition to renewable energy.

However, BP has since struggled to match U.S. peers that have been rewarded for



Murray Auchincloss

sticking with traditional fossil-fuel businesses.

Naming Auchincloss—a longtime BP executive who served as finance chief during Looney's tenure—as permanent CEO indicates the company is committed to its green shift.

"Our strategy—from international oil company to integrated energy company—does not change," Auchincloss said in a statement Wednesday.

BP said the appointment had been made following a robust and competitive search process, which included the consideration of external candidates.

"Many already know Murray well, and few know BP better than he does," Chairman Helge Lund said.

Investors and other people close to BP were divided over whether the board would seek to appoint an outsider or stick with Auchincloss, amid questions over BP's strategy. Early last year, BP's shares surged after Looney rolled back parts of his green-energy transition plans.

The company's confirmation of Auchincloss as CEO "is the best possible outcome for shareholders in the short term," said Biraj Borkhataria, an analyst at RBC Capital Markets, saying the move represents continuity for the investment case.

An external candidate, Borkhataria said, could have led to further uncertainty and

"potentially more noise around another strategy shift."

Auchincloss, 53, is a Canadian national who has been at BP for a quarter of a century. He worked as a financial and tax analyst at Amoco before its merger with BP in 1998. He went on to serve as chief of staff to the CEO from 2010 to 2013, and had been finance chief since July 2020.

He took over as interim CEO on Sept. 12 when Looney's 32-year career at BP came to an end. BP has said Looney stands to lose out on as much as \$40.6 million in compensation as a result of his abrupt resignation.

A BP lifer, Looney joined the company in 1991 as a drilling engineer and worked his way up to head of upstream before getting the top job at age 49.

Looney quickly established himself as an outspoken advocate of the green revolution, with pledges to steer the oil company toward a cleaner, low-carbon future. He championed cutting oil-and-gas output this decade by 40% from 2019 levels and pledged to

plow more money into clean-energy investments.

While initially well received by proponents of lower-carbon energy investment, that strategy came under pressure after the pandemic, when economies emerged from lockdowns and resumed their voracious consumption of fossil fuels.

Since Looney's exit, BP's shares have dropped some 14% amid investor uncertainty over the company's future strategy. The share performance has

reduced BP's market value to around \$75 billion, about half that of British rival Shell and considerably smaller than U.S. giants like Exxon Mobil and Chevron that have swelled in recent months because of acquisitions.

That trend has contributed to persistent speculation that BP might be an acquisition target, with Shell tabbed as the most likely suitor.

Shell CEO Wael Sawan told The Wall Street Journal this week that Shell isn't in the market for a big deal now and isn't interested in that option this year, but instead is focused on cutting costs and implementing its own strategy. Sawan, speaking to the Journal at the World Economic Forum in Davos, Switzerland, said he regularly hears speculation about a Shell-BP deal, adding that it isn't in the cards—at least not this year.

Auchincloss likewise told the Journal last year that deal-making isn't at the top of his agenda.

**Auchincloss took over as the company's interim CEO last September.**



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## TECHNOLOGY

# App Developers Blast New Apple Fee Rule

Company imposes 27% charge on those using alternative payment methods

By SARAH E. NEEDLEMAN  
AND AARON TILLEY

Apple's new App Store payment policies are stirring outrage among software developers who say the iPhone maker is skirting the intention of a court ruling.

The U.S. Supreme Court declined to hear appeals on Tuesday of an antitrust ruling covering the App Store stemming from a legal dispute between Apple and Epic Games, developer of the popular videogame "Fortnite."

That move prompted Apple to issue new policies that require developers to pay it a 27% commission if they use an alternative payment method, much like the company did in the Netherlands and South Korea in response to legal rulings over related issues in those countries.

Epic's chief executive, Tim

Sweeney, said on X that his company will contest Apple's new policies in the Northern California District Court, where a trial judge in 2021 had largely ruled against Epic with the exception of finding that Apple must allow developers to steer customers to payment options within their own apps. Sweeney described the tech giant's approach to complying with the steering component as an act of "bad faith."

"Once again, Apple has demonstrated that they will stop at nothing to protect the profits they exact on the backs of developers and consumers under their app store monopoly," Spotify Technology said. The music-streaming service said the move "is outrageous and flies in the face of the court's efforts to enable greater competition and user choice."

In a court filing on Tuesday, Apple disclosed the new policies and stated that the court had acknowledged that Apple can collect a commission for off-app purchases. Separately, Apple requested that Epic reimburse about \$73 million in

expenses from the legal battle.

Legal experts say it appears that Apple's changes satisfy the requirements of the District Court's ruling. "Apple is taking the smallest steps it believes it can under the court's injunction, which is pretty limited," said Paul Swanson, Denver-based antitrust lawyer at Holland & Hart.

U.S. District Judge Yvonne Gonzalez Rogers, who oversaw the case between Apple and Epic, has previously said she would be watching how Apple complies with her order and could decide at some point to amend her ruling. "If she concludes Apple is violating it, she still has jurisdiction to clarify or refine the order," Swanson said.

Herb Hovenkamp, an antitrust professor at the University of Pennsylvania Law School, said he thinks it is going to be a heavy lift for Epic

to go after Apple again. The court of appeals has already rejected Epic's claim because of Apple's lack of market power, he said.

Still, Hovenkamp said, "the whole idea of using the App Store as a bottleneck to lock up sales, rather than keep these things open and competitive, this is a problem that the courts are going to have to confront one way or the other."

Apple's new fees have drawn sharp criticism from the app-developer community, with opponents arguing the 27% commission the company will now impose on in-app purchases made through alternative payment methods will cost developers and, ultimately consumers, more money. Developers also would be subject to payment-processing fees, which would likely push the total amount paid to well above the 30% cut Apple takes.

"It defeats the entire purpose of allowing competition in the payments space," said Rick VanMeter, executive director of the Coalition for App Fairness, an advocacy group whose more than 70 app-developer members include Epic, Spotify and Match Group. "They're reaching beyond the App Store to web-based payments, which is new and pretty audacious."

The latest spotlight on Apple comes as the company is under investigation by the Justice Department for a potential antitrust complaint around its business practices. The probe began in 2019 and deals in part with Apple's policies governing mobile third-party software on its devices, which has been the focus of criticism, The Wall Street Journal has reported.

Apple also faces legal challenges to its locked-down App Store policies. In particular, the European Union's Digital Markets Act will require Apple to permit the so-called sideloading of apps onto its iPhones and iPads outside of the confines of its App Store, including alternative app stores. The European law goes into en-

forcement in March, and Apple is preparing to meet an early March deadline to comply, the Journal previously reported.

Developers are concerned that the company will make it difficult for sideloading to flourish, similar to the company's plan to charge 27% to use a third-party payment system. Apple has argued that sideloading could allow malicious actors to access users' phones and last year it said the EU law would "cripple the privacy and security protections that users have come to expect."

Apple doesn't break out how much it makes through the App Store, but it is seen by analysts as providing billions in highly profitable revenue.

Meanwhile, demand for Apple's iPhones has cooled lately. The company's fiscal fourth-quarter results, released in November, showed iPhone sales advanced 2.8%.

On a conference call at the time, Apple said it expected overall revenue for the December quarter to be flat compared with the same period a year earlier.

**Critics say the iPhone maker is skirting the intention of a court ruling.**

## Tech Giant Loses Bid On Watch

Continued from page B1

Apple had received a temporary stay on the sales ban last month after a few days of paused sales, but that is now no longer in place.

Apple's appeal process is expected to take more than a year, an Apple spokeswoman said earlier.

Apple didn't respond to a request for comment.

The Wall Street Journal reported in April that Masimo and other smaller companies alleged that Apple copied their technology and used an aggressive legal strategy through the U.S. patent system to avoid having to pay them for their technology. Apple said at the time that it doesn't steal technology and accused Masimo of copying Apple.

The watch accounted for just 5% of Apple's overall sales in fiscal 2023, or about \$18 bil-



The watch is central to Apple's push into healthcare.

lion, but the device is central to the company's efforts to expand into healthcare.

Apple has added health-tracking features to most new iterations of the watch since its launch in 2015, after initially imagining the device in part as a potential fashion accessory.

The health features have included the pulse oximeter and capabilities to track sleep and irregular heartbeats. The company is also working on measuring blood pressure and body temperature, The Wall Street Journal has reported.

The Apple Watch makes up 30% of all smartwatch shipments, according to Counterpoint Research.

Apple's legal troubles with Masimo highlight the challenges the company is set to face as it seeks to branch further into health, where established competitors and device makers might be able to fight for extended periods with the company over patents.

In the Masimo case, the two companies began discussions in 2013. After an initial meeting that was pitched as the opportunity for both companies to discuss potential opportunities to integrate Masimo's technology, Apple ended up hiring a number of Masimo executives and engineers. At a later trial, documents disclosed that Apple discussed the idea of acquiring Masimo but ultimately decided against it.

In 2020, Masimo sued Apple, alleging it had stolen its trade secrets through the hiring of its employees. That case, which is separate from the trade commission review, went to trial last year but ended with a hung jury. It is scheduled to go back to court later this year.

## OpenAI and Microsoft CEOs Discuss AI Potential at Davos

By SAM SCHECHNER  
AND JAMIE HELLER

DAVOS, Switzerland—Sam Altman and his most prominent ally, Satya Nadella, took to the stage together here to talk about their partnership and what the future holds for a technology that both excites and frightens people.

The CEOs, of OpenAI and Microsoft, respectively, have together been through a lot these past few months, including Altman's firing and rehiring by OpenAI's board in November and Nadella's crucial support of him through the drama.

In Wednesday's session during the annual World Economic Forum, they were aligned on many topics, but not all.

Both talked about the promise of generative artificial intelligence. Altman played down the possibility that rap-

idly improving AI technology would radically transform the world in the near term, saying rather that it would improve inexorably over a longer period and eventually have significant impact.

"The world had a two-week freakout with GPT4," he said, referring to the launch last year of OpenAI's latest version of its chatbot, which fueled predictions of the imminent arrival of artificial general intelligence, or machines as smart as humans. "And now, people are like, 'Why is it so slow?'" Altman said.

Nadella emphasized a bullish outlook. He said the world is within reach of a "magical moment" akin to the widespread adoption of the personal computer.

Nadella said he expected many positive impacts for workers, arguing they would become more productive and should see wages rise accord-

ingly. He also said the availability of AI tools could help workers in numerous ways including easing midcareer transitions.

Altman struck a more cautious note on the technology's impact on the labor market. "We always find new things to do, and yet it does seem somewhat different if AI can, like, have more cognitive power than any of us," he said. "We have no idea what happens next."

The two CEOs also defended the independence of their companies, a relationship that has drawn scrutiny from antitrust regulators in the U.K. and European Union over whether they should regard the partnership as a de facto acquisition. Microsoft has agreed to invest \$13 billion in the artificial-intelligence pioneer in exchange for what is essentially a 49% stake in the earnings of its for-profit arm.

## Samsung's New Phones Feature AI

Continued from page B1

knowledgeled ongoing efforts in generative AI.

The release of the Galaxy S24 devices comes at a critical time for Samsung, which lost the top spot for annual shipments in 2023 after a 12-year run, according to some recent estimates. The South Korean firm has ceded ground to Apple in the high-end smartphone market where the most of the industry's profits are made. Younger buyers, drawn to the iPhone's brand appeal, have

gradually shifted away from Samsung.

Samsung also on Wednesday announced a new fitness-tracking device called the Galaxy Ring, without providing details on its expected availability.

The smartphone world's initial forays into generative AI will be explorative and scaled down in capabilities versus large-scale models like OpenAI's ChatGPT, industry executives and analysts say. An early selling point will be having some generative AI features enabled on-device, without the need for a network connection to a cloud—a distinction that boosts user privacy and data security.

But consumers may struggle to feel a huge leap in technology at first, because older versions of AI have existed on mobile devices for years, from

digital voice assistants like Apple's Siri and Samsung's Bixby, to functions like smart replies to emails. Those legacy features rely on preset algorithms rather than generating original responses based on commands.

The generative AI features coming to smartphones now likely aren't yet compelling enough to move the market, placing pressures on smartphone makers to deliver a killer app for generative AI in the coming years, said Bryan Ma of International Data Corp., a market researcher.

"We're still in such early days," said Ma, vice president of devices research at IDC.

Worldwide smartphone shipments are expected to have hit a decade low in 2023, with the industry having declined in size for two years straight, according to Counterpoint Re-

search. But in recent months, sales have begun to rebound as the economy improves, with projections for 3.3% growth in 2024, Counterpoint said.

The recent smartphone sector downturn came amid a stall in meaningful leaps in technology that wowed users. Generative AI offers a shot to bring back some novelty and compel consumers to upgrade their devices, said Tom Kang, a Seoul-based research director at Counterpoint.

Few smartphones command the global demand—and top dollar—of Samsung's Galaxy S24 devices. Samsung is expected to account for half of the roughly 100 million smartphones equipped with generative AI capabilities to be shipped this year, with Google's Pixel and major Chinese brands including Xiaomi and Vivo also contributing, according to Counterpoint. The forecast assumes, for now, that iPhones won't have generative AI functions this year.

But unlike Samsung, Chinese smartphone brands mainly serve their domestic market, with virtually no presence in the U.S. and some sales in Western Europe and India for

their high-end models, Counterpoint said.

The Samsung Galaxy S24 phones come in three variants, with the base model retailing at \$800, the larger-screen S24+ at \$1,000 and the top-of-the-line S24 Ultra at \$1,300 in the U.S. They will hit the shelves in major markets including the U.S. on Jan. 31 before rollouts elsewhere.

The phones are priced similarly to last year's models and boast better components, including new chips made by Qualcomm and Samsung that enable on-device generative AI.

One new feature of the Galaxy S24 phones is a "circle to search" function.

Powered by Google's AI technology, users can long-press the home button to circle anything they see on their screen, be it a photo or a slang word encountered on the web, to generate a search on Google. Follow-up questions can be asked to supplement the search

results.

Google said Samsung would use Gemini Pro, the U.S. tech giant's newest AI system, to power summarization and translation features in the phone maker's notes, voice recorder and keyboard apps.

"These capabilities are going to make your smartphone more

useful and more fun," said Hiroshi Lockheimer, a senior vice president overseeing Google's Android mobile software, of the various new Google-powered features available on the S24 phones.

Tasks like photo-editing that many people perform on desktop computers will increasingly be done on smartphones, he added.

Samsung has developed its own generative AI model, called Gauss, named after the German mathematician known for his contributions to number theory and geometry. Samsung drew from Gauss to develop its on-device generative AI technology for phones.

**The release of the Galaxy S24 devices comes at a critical time for Samsung.**

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The Galaxy S24's photo-editing function is demonstrated at a Monday event in Seoul.



BUSINESS & FINANCE

# Mastercard Weighs AI Risk

Chief privacy officer is on guard against tech's possible bias and cyber dangers

By CATHERINE STUPP

With the rise of easy-to-use artificial intelligence, companies are looking to balance the pressure to churn out innovative new products against the cybersecurity and privacy risks that come with adopting the technology.

Caroline Louveaux, chief privacy officer and data responsibility officer for Mastercard, said AI advancements, along with tougher regulations in the U.S. and elsewhere, mean that she is working more closely than ever before with the company's cybersecurity team. The payments company has created an AI governance council with representatives from business lines, security, technology, human resources and other groups.

"I view my role really as an orchestrator convening different parts of the organizations together to get it right," she said.

Louveaux, who has served in her current role for more than six years, joined Mastercard in 2007 as a counsel for Europe. Based in Brussels, she has had a ringside seat on European Union regulatory proceedings for coming AI legislation. The EU is setting out detailed rules that outlaw certain applications, such as untargeted scraping of online images for facial recognition, and require transparency so consumers understand how their data could be used. Several U.S. states have passed or proposed AI rules.

In one technology project designed to protect data, Mastercard is experimenting with homomorphic encryption—a method that allows companies to perform computations on encrypted data—to share intelligence data about financial



Mastercard executive Caroline Louveaux is working more closely with the cybersecurity team.

crimes with regulators in Singapore, the U.S. and the U.K. The company is testing how to use the technology without violating privacy laws in an experiment overseen by Singaporean regulators.

Here are edited excerpts from the interview.

**WSJ:** What are your considerations in evaluating AI risk at Mastercard?

**LOUVEAUX:** There is sometimes a trade-off to be made between full transparency to users on the one hand and full security. If we provide detailed information about how our fraud algorithms work, we may give ammunition to the fraudsters to game the system. The second area is the dilemma, or the balance that has to be struck between data minimization, which is a key principle of privacy, and then full accuracy of AI outcomes. Because as we know if we have more data, it gives us better predictions and this is particularly true in the fraud space. If we have more data we can play with, we can actually have better, more accurate fraud outcomes.

**WSJ:** What is an example of a recent decision that required you to consider those trade-offs?

**LOUVEAUX:** We ask all the questions, basically: Tell me why you need to use all of this data? Can you do with less? Can you tokenize the data, can you anonymize the data, can you encrypt or use homomorphic encryption? We had those conversations already, maybe a decade ago, but the conversations today are more sophisticated because we know more, because we have a bit more guidance from the regulators, because there are new technologies with privacy enhancing technologies...We just published a use case with the Singapore regulator where we've been able to demonstrate that when using homomorphic encryption, we can share financial crime intelligence across countries to the benefit of everyone in a way that respects people's privacy and confidential information.

**WSJ:** How do you evaluate AI systems for bias?

**LOUVEAUX:** We actually have very little data about people because we don't have your name, your contact details, your phone number. We just have your card number and some of the spending patterns. At the end of the day it's very difficult for us to be able to as-

sess whether what we have, our data sets and AI outcomes, are fair and without bias. We're exploring a number of tools and processes and solutions to be able to do so.

But we are also seeing whether we can create synthetic data sets, which are fake data sets, that mirror the real data and see whether we can actually have synthetic data sets that are unbiased that are fed and have a good representation of all the different groups or populations. Then we can base our AI models being trained with that fair synthetic data set. It's in experimentation phase right now. Then these are the questions: Do we need to acquire more data? And if so, how do we do that in full compliance with privacy and respect for people's rights? Because with the limited data that we have, it's not always easy for us to be certain that there's no bias.

**WSJ PRO**  
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wsj.com/pro/cybersecurity

# CNN Revamps News Unit

Continued from page B1

the smartphone is a more important device for consuming news than the TV," Thompson wrote in Wednesday's memo. "Their news prime time is in the morning, not the evening."

There has been speculation Thompson would reprise the playbook he used when he led the New York Times, by launching subscription products focused on areas like travel and health. He said that isn't his plan, though those are interesting ideas. "I think we need to look at it honestly—I think you might want to start with news," Thompson said, describing it as the "central proposition that the CNN brand brings to mind."

Thompson didn't announce any concrete plans for new products or specific business models. "This stuff takes time," he said.

When Thompson took over the New York Times in 2012, the publisher was dealing with a decline in print subscriptions and an uncertain path toward digital profitability. When he left the Times about eight years later, its digital-subscriber base had grown about 10-fold.

In many ways, CNN faces a similar predicament that the Times did more than a decade ago. Its bread and butter—generating revenue from fees paid by cable distributors—is under threat as millions of Americans cut the cord every year.

"The disruptive challenge has arrived arguably somewhat later," Thompson said, comparing the TV and news-publishing businesses. Continuing the analogy, he said: "Having got to [the] top of one hill, I've chosen to start at the bottom of another one."

The network's streaming expansion, meanwhile, has been bumpy. CNN parent Warner Bros. Discovery recently launched CNN Max, a live-



CNN boss Mark Thompson.

news service within its Max streaming platform that carries some of the network's highest-profile content, a little more than a year after killing the short-lived CNN+, which didn't.

CNN's cable-TV business is facing its own set of challenges: It draws about half the prime-time viewers of MSNBC, the nation's No. 2 news network, and a third of Fox News, the market leader.

"There are some viewers out there who simply don't want to hear the other side, don't want to hear it, and feel much more comfortable in an environment where typically they're hearing people whose opinions are very close to their own," Thompson said when asked about CNN's ratings performance.

MSNBC declined to comment, and Fox News didn't respond to a request for comment. Fox News parent Fox Corp. shares common ownership with News Corp, the parent of Wall Street Journal publisher Dow Jones & Co.

Thompson isn't just the CEO of CNN—he also functions as an editor in chief, weighing in on editorial planning and sitting on the 18th floor of the New York headquarters, alongside the newsroom.

When CNN was throwing resources in late November at what was then the biggest news development—negotiations toward a hostage swap in the Israel-Hamas conflict—Thompson told attendees on an editorial call to also pay some attention to another unfolding story, the boardroom drama at highflying artificial-intelligence startup OpenAI.

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## BUSINESS &amp; FINANCE

## Shipping Giants Form an Alliance

Hapag-Lloyd, Maersk to share vessels as industry faces leaner times

By DOMINIC CHOPPING

Danish shipping giant **A.P. Moller-Maersk** and Germany's **Hapag-Lloyd** are teaming up to form a new vessel-sharing agreement from next year, shaking up the global lineup of shipping alliances.

Following the end to the pandemic-fueled cargo boom, when freight demand outstripped the supply of ships, the industry has been left with a surplus of vessels and sharply lower freight rates. Now, the recent escalation of hostilities in the Middle East has forced shippers to divert their vessels by thousands of miles to avoid the Red Sea, where attacks on merchant vessels by Houthi forces in Yemen continue.

Maersk has paused all transit through the Red Sea and Gulf of Aden until further notice following an attack on its vessel Maersk Hangzhou on Dec. 30., while Hapag-Lloyd has previously said it would avoid Red Sea transits.

The long-term deal announced Wednesday—dubbed Gemini Cooperation—seeks to boost efficiencies and help accelerate the companies' decarbonization efforts by delivering a flexible and interconnected ocean network, they said.

A fleet pool of around 290 vessels will be used in the collaboration, offering a combined capacity of 3.4 million containers, with Maersk deploying 60% of the ships and Hapag-Lloyd 40%.

Maersk has a fleet of around 740 vessels while Hapag-Lloyd has 264.

"By entering this cooperation, we will be offering our customers a flexible ocean network that will be raising the bar for reliability in the



Germany's Hapag-Lloyd would contribute 40% of the ships in the new sharing pact, with A.P. Moller-Maersk providing the rest.

industry," Maersk Chief Executive Vincent Clerc said. "This will strengthen our integrated logistics offering and meet our customers' needs."

The two companies will target schedule reliability of above 90% once the network is fully phased in, they said.

As a result of the agreement, Hapag-Lloyd will leave the THE Alliance that it currently participates in with South Korea's HMM, Singapore's Ocean Network Express and Taiwan's Yang Ming at the end of January 2025.

Maersk previously said that its 2M alliance with Mediterranean Shipping Co. would end in January 2025.

The 2M and THE Alliance are two of the largest shipping alliances currently operating,

with a third called Ocean Alliance comprising CMA-CGM, Cosco Group, OOCL and Evergreen.

Shipping alliances have long been used as a way for container lines to offer broader geographic coverage while bringing costs down, but Wednesday's deal should just be seen as a change in partners rather than an incremental positive in industry consolidation or structure, analysts at Barclays said in a note.

"We see a rapidly evolving industry dynamic with a re-arranging of deck chairs following the dissolution of the 2M alliance in January 2025. We remain of the view that the industry structure remains highly competitive with a per-

sisting lack of capacity discipline," Barclays said.

The agreement comes at a time of mounting challenges for the shipping industry. After riding the wave of booming trade and record profits from a surge in demand for goods during the pandemic, freight rates have nosedived, making many sailings across the big ocean trade loss-making and prompting shipping lines to cut sailings, cancel port calls and slow their sailing speeds to conserve fuel.

Maersk is already moving to cut more than 10,000 jobs from its workforce, which stood at 110,000 at the start of last year, as it seeks \$600 million in savings. It reported that freight rates fell 58% on year in the third quarter and

were down 90% from their peak during the pandemic. Revenue in its main shipping business fell 56% on year to \$7.9 billion in the most recently disclosed quarter ended September 2023.

Overcapacity has also been dampening freight rates after container lines went on an ordering spree during the pandemic to move record amounts of cargo.

"Despite Red Sea disruptions impacting near-term container spot rates, the industry is carrying significant oversupply, sea freight volumes in November were just 5% higher than 2019 while container vessel capacity is just over 20% higher than 2019," Barclays analysts wrote.

## Norwegian Fund Goes After Big Banks That Aided SVB

By ELIOT BROWN

The world's largest sovereign-wealth fund is going after the now-defunct Silicon Valley Bank, its management and the Wall Street advisers that aided its rise.

**Norges Bank Investment Management**, which manages Norway's \$1.5 trillion wealth fund, and other former SVB shareholders attacked the failed bank in a legal filing late Tuesday. The filing accused SVB and its executives of concealing the lender's ailing health from public view, while also ignoring warnings about risks from rising interest rates.

The suit said the bank's board, its auditor KPMG, and four investment banks that helped it raise money—**Goldman Sachs, Bank of America, Keefe, Bruyette & Woods** and **Morgan Stanley**—all "utterly failed in their role as gatekeepers" and "must be held to account for the harm they caused to investors."

The suit said investors lost more than \$24 billion in market value.

The filing is the main complaint in a large class-action lawsuit from SVB shareholders, who were wiped out in March 2023, when a rapid bank run led to one of the biggest bank failures in U.S. history.

In December, Norges was made lead plaintiff in the class action, along with a Swedish pension fund.

The suit names three executives, including former SVB Chief Executive Greg Becker, and 12 former board members as individual defendants.

SVB's management has said it acted responsibly and blamed the bank's failure on the rapid rise of interest rates and an unprecedented social-media-fueled bank run in which venture capitalists encouraged companies to pull deposits.

"I made the best decisions we could with the facts, forecasts, and outside expert advice available to us at the time," Becker said in congressional testimony last year. A lawyer for Becker didn't respond to a request for comment made early Wednesday.

Representatives of Bank of America, Goldman Sachs and Morgan Stanley declined to comment. The two other companies named as defendants in the suit didn't respond to requests for comment.

The filing alleges that SVB "suffered from rampant weaknesses in its controls." It draws on interviews with numerous unnamed former employees who claim they warned senior management about what they said was a shaky risk-management program that was significantly understaffed and failed to increase with the bank's rapid growth.

Given these problems, the bank was misleading investors when it told them in securities filings that it was managing its risks, Norges and the other shareholders allege. To be successful, the suit would likely have to show that the bank and its advisers misled or lied to investors in its statements.

Norges's status as lead plaintiff in the class action—the first such role for the Norwegian fund—comes as the fund has tried to take a more active stance in prodding company management in recent years. The Norwegian fund owned about 1% of SVB's shares, a stake worth nearly \$140 million at the end of 2022.

"We need to make sure financial markets have the integrity that is necessary to work in a proper way," Norges CEO Nicolai Tangen said in an interview on the sidelines of the World Economic Forum in Davos, Switzerland. "There are fewer and fewer active investors who are participating in the process of keeping this integrity alive."

—Alex Frangos contributed to this article.

## Hyundai Sells China Plant In Effort at Streamlining

By KWANWOO JUN AND JIAHUI HUANG

**Hyundai Motor** sold a factory in Chongqing, China, for less than half the amount sought initially, as it pushed to streamline operations in China.

The South Korean car maker's China-based joint venture sold its Chongqing plant to Yufu Industrial Complex Construction, a local government-backed entity, for 1.62 billion yuan, the equivalent of \$225.9 million. It had sought 3.68 billion yuan for the factory, according to Hyundai officials in Seoul on Wednesday.

"Beijing Hyundai Motor sold its plant in Chongqing, China, late last year as part of its continued efforts to optimize operations in China," Hyundai Motor said in a statement.

Yufu officials weren't available for comment.

The sale brings the number of Hyundai factories in China to three from five.

## Tesla Price Cuts Pressure Auto Stocks

By SHERRY QIN AND DAVID SACHS

Shares of European and Chinese automakers fell after Tesla continued to cut prices, amid heightened global competition and uncertain demand in the electric-vehicle market.

In Germany, the U.S. electric-car company slashed prices by €5,000, or \$5,439, for two versions of its Model Y, according to its website. The company's Performance model now costs German consumers €55,990 while the Long Range model costs €49,990.

Tesla also cut the base Model Y price by €1,900 to €42,990.

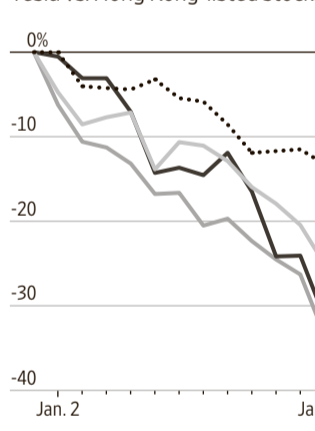
In Wednesday's trading, European shares of **Volkswagen** declined 2.4%, **Renault** fell about 2%, **Mercedes-Benz** lost 3.2% and **BMW** retreated 3.1%. U.S.-listed shares of **Stellantis** dropped 1.8%.

Meanwhile in China, Tesla cut the price of its entry-level Model 3 by 5.9% to 245,900 yuan, or \$34,291, and lowered the Model Y's starting price to 258,900 yuan from 266,400 yuan on Friday.

**NIO** ADRs shed 3.8%, while **XPeng** dropped 4.9%. Hong Kong-listed shares of **Zhejiang Leapmotor Technology** de-

clined 5.8%.

Tesla's recent price reductions have hurt overall sentiment in the auto industry, Daiwa Capital Markets analyst Kelvin Lau said in a research note.



Source: FactSet

clined 5.8%.

The pricing pressure, together with Chinese EV makers' lackluster January sales so far, triggered the selloff, Lau said.

Fiercer competition and flagging demand are expected to put pressure on electric-vehicle pricing in Europe this year, HSBC analysts said in a

note last week.

Tesla sales rose 2.2% in Germany last year but fell 77% in December, according to Kraftfahrt-Bundesamt, the federal motor transport authority.

NIO's month-to-date insurance registrations, a gauge of retail sales, have fallen 27% from the previous month, according to data compiled by Citi.

XPeng's insurance sales have dropped 62% so far, while Leapmotor's have declined 30%. China's EV sales could fall 30% in January from De-

ember, Citi analysts led by Jeff Chung said in a note.

Tesla's price cut on models in the range of 200,000 yuan to 300,000 yuan, where most of XPeng's products are positioned, could pose a threat to the Chinese EV maker, the Citi analysts said in a separate note recently.

Several investment banks, including Citi and HSBC Qianhai, recently lowered their target prices on NIO's and XPeng's ADRs and H shares, citing intense competition and pricing pressures.

Additional Journal articles

last year showed that Meta is struggling to fix problems on Instagram as well as on Facebook, where it recently introduced encryption for direct messages. The company's safety staff had long warned of the dangers of enshrining exchanges that could be used to prosecute child exploitation, the Journal reported. Meta said it had spent years developing safety measures to prevent and combat abuses.

In addition to New Mexico's suit, more than 40 other states sued Meta in October alleging that it misled the public about the dangers its platforms pose to the young.

Meta this month said it would start automatically restricting teen Instagram and Facebook accounts from harmful content, including videos and posts about self-harm, graphic violence and eating disorders.

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## Meta Under Fire on Use By Children

Continued from page B1

and cherry-picked documents." Calling child predators "determined criminals," the company has said it has long invested in both enforcement and child-safety-focused tools for young users and their parents.

New Mexico alleges that Meta has failed to address widespread predation on its platform or limit design features that recommended children to adults with malicious intentions. Instead of publicly acknowledging internal findings such as the 100,000 child-a-day scale of harassment on

its platforms, the suit alleges, Meta falsely assured the public its platforms were safe.

Much of the internal discussion described in the newly unredacted material focused on Instagram. In an internal email in 2020, employees reported that the prevalence of "sex talk" to minors was 38 times greater on Instagram than on Facebook Messenger in the U.S. and urged the company to enact more safeguards on the platform, according to documents cited in the suit.

One employee that year reported that an Apple executive had complained that the executive's 12-year-old child was solicited on Instagram. The Meta employee, tasked with addressing the issue, noted that "this is the kind of thing that pisses Apple off to the extent of threatening to remove us from the App Store," and asked whether there was a timeline for when the com-

pany would prevent adults from messaging minors on the platform.

A November 2020 presentation titled "Child Safety: State of Play" said that Instagram employed "minimal child safety protections" and described policies regarding "minor sexualization" as "immature." It further noted the platform's "minimal focus" on trafficking.

Despite knowing the scale of the problem, New Mexico alleges, Meta leaders didn't take action to prevent adults from sexually soliciting children until late 2022—and they stopped short of the broad messaging limitations its safety staff had recommended. Rather than to broadly stop recommending the accounts of children to adults, Facebook and Instagram sought to block such suggestions to adults who had already demonstrated suspicious behavior toward

children.

Meta's approach of limiting contact with only known suspicious accounts was bound to be less effective than shutting down the recommendations, New Mexico says, because both malicious adults and children routinely lied about their age. Meta internally acknowledged in 2021 that the majority of minors on Meta's platforms falsely claim to be adults, New Mexico's complaint says, and a study of accounts disabled for grooming children found that 99% of those adults failed to state their age.

Meta in June established a task force to address child-safety problems on its platforms after an article in the Journal revealed that Instagram's algorithms connected and promoted a vast network of accounts openly devoted to the commission and purchase of underage-sex content.

Additional Journal articles

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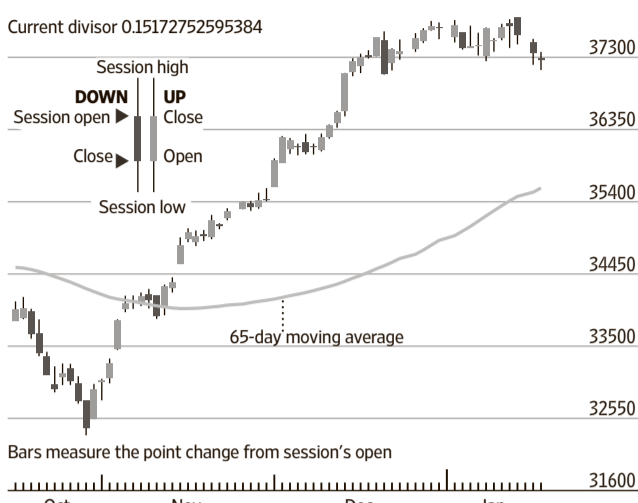


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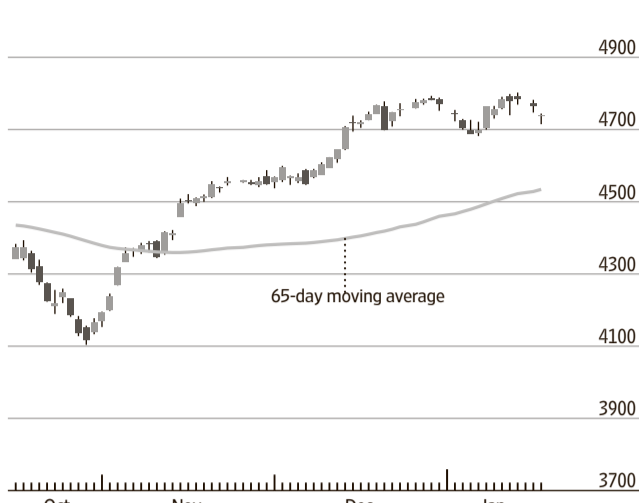
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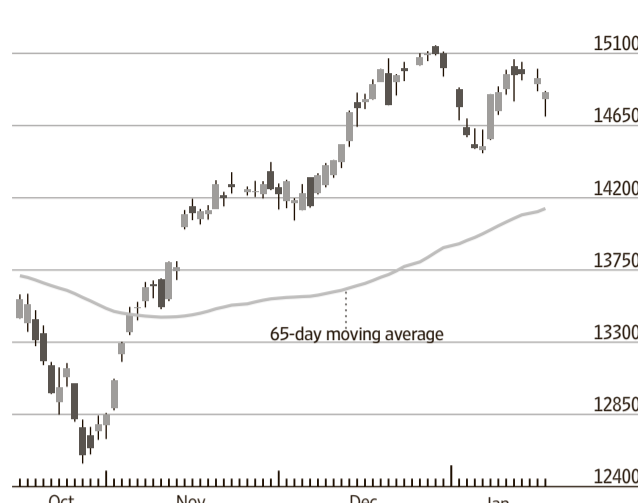
S&P 500 Index

4739.21 ▼26.77, or 0.56%
High, low, open and close for each trading day of the past three months.



Nasdaq Composite Index

14855.62 ▼88.73, or 0.59%
High, low, open and close for each trading day of the past three months.



Major U.S. Stock-Market Indexes

Table with columns for Index Name, High, Low, Close, Net chg, % chg, 52-Week High, Low, % chg, YTD, and 3-yr. ann. Includes Dow Jones, Nasdaq Stock Market, S&P, and Other Indexes.

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6 p.m. ET as reported by electronic trading services...

Most-active issues in late trading

Table listing companies like Grayscale Bitcoin Trust, Pacific Biosciences CA, VanEck Gold Miners, etc., with their trading details.

Percentage gainers...

Table listing companies like Hertz Global Holdings, Royalty Pharma, Innoviva, etc., with their percentage gains.

...And losers

Table listing companies like Aurora Tech Acqn CI A, Pentair, Discover Finl Svcs, etc., with their percentage losses.

Trading Diary

Volume, Advancers, Decliners

Table showing trading volume, number of advancers, decliners, and issues traded for NYSE and NYSE Amer.

International Stock Indexes

Table listing international stock indexes by region/country, including MSCI ACWI, STOXX Europe 600, Nikkei 225, etc.

Percentage Gainers...

Table listing percentage gainers among international stocks, including Mountain Crest IV CI A, LQR House, etc.

Most Active Stocks

Table listing most active stocks by volume, including Phunware, Airspan Networks, Meta Materials, etc.

Percentage Losers

Table listing percentage losers among international stocks, including Roma Green Finance, DatChat, etc.

Volume Movers

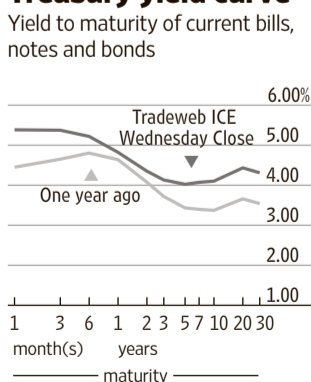
Table listing volume movers among international stocks, including Digital World Acqn CI A, Arrowroot Acqn CI A, etc.

CREDIT MARKETS

Consumer Rates and Returns to Investor

Complex block containing U.S. consumer rates (5-year ARM, Treasury note yield) and Selected rates (Bankrate.com avg, Growth Financial, etc.).

Treasury yield curve



Forex Race



Corporate Borrowing Rates and Yields

Table listing corporate borrowing rates and yields for U.S. Treasury, Aggregate, Fixed-Rate MBS, etc.

CURRENCIES & COMMODITIES

Currencies

Table showing U.S.-dollar foreign-exchange rates in late New York trading for various countries like Argentina, Brazil, Canada, etc.

Commodities

Table showing commodity prices for DJ Commodity, Refinitiv/CC CRB Index, Crude oil, Natural gas, etc.



COMMODITIES

wsj.com/market-data/commodities

Futures Contracts

Table with columns: Metal & Petroleum Futures, Open, High, Low, Settle, Chg, Open interest. Includes Copper-High, Gold, Palladium, Platinum, Silver, Crude Oil, NY Harbor ULS, Gasoline, Natural Gas.

Table with columns: Open, High, Low, Settle, Chg, Open interest. Includes Soybean Oil, Rough Rice, Wheat, Cattle-Feeder, Cattle-Live, Hogs-Lean, Lumber, Milk, Cocoa, Coffee, Sugar, Orange Juice.

Table with columns: Agriculture Futures, Corn, Oats, Soybeans, Soybean Meal. Includes columns for price, change, and open interest.

Table with columns: Interest Rate Futures, Ultra Treasury Bonds, Treasury Bonds, Treasury Notes, 5 Yr. Treasury Notes. Includes columns for price, change, and open interest.

Cash Prices

wsj.com/market-data/commodities

Wednesday, January 17, 2024

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Table with columns: Energy, Metals, Gold, Silver, Fibers and Textiles, Grains and Feeds, Fats and Oils. Includes various commodity prices and changes.

KEY TO CODES: A=ask; B=bid; BP=country elevator bids to producers; C=corrected; D=CME; E=Manfra,Tordella & Brookes; H=American Commodities Brokerage Co; K=bi-weekly; M=monthly; N=nominal; n.a.=not quoted or not available; P=Sealand Publishing; R=SNL Energy; S=Platts-TSI; T=Cotlook Limited; U=USDA; V=Benchmark Mineral Intelligence; W=weekly; Y=International Coffee Organization; Z=not quoted. \*Data as of 1/16

Borrowing Benchmarks

wsj.com/market-data/bonds/benchmarks

Money Rates

January 17, 2024

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Table with columns: Inflation, U.S. consumer price index, International rates, Prime rates, Policy Rates, Overnight repurchase, U.S. government rates, Discount, Federal funds, Commercial paper, Secured Overnight Financing Rate, Treasury bill auction, DTCC GCF Repo Index, Secondary market, Fannie Mae, Other short-term rates.

Exchange-Traded Portfolios

WSJ.com/ETFResearch

Table with columns: Symbol, Closing Price, Chg, YTD (%). Lists various ETFs like SPDR S&P 500, iShares Core S&P 500, etc.

Table with columns: Open, High, Low, Settle, Chg, Open interest. Includes Treasury Notes, 30 Day Federal Funds, Three-Month SOFR, Currency Futures (Japanese Yen, Canadian Dollar, British Pound, Swiss Franc, Australian Dollar, Mexican Peso).

Table with columns: Open, High, Low, Settle, Chg, Open interest. Includes Index Futures (Mini DJ Industrial Average, Euro CME, Mini S&P 500, Mini S&P Midcap 400, Mini Nasdaq 100, Mini Russell 2000, Mini Russell 1000, U.S. Dollar Index).

Bonds

wsj.com/market-data/bonds/benchmarks

Tracking Bond Benchmarks

Return on investment and spreads over Treasuries and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Table with columns: Broad Market Bloomberg Fixed Income Indices, U.S. Corporate Indexes, High Yield Bonds, Mortgage-Backed Bloomberg Fixed Income Indices, Global Government J.P. Morgan. Includes columns for price, change, and yield.

\*Constrained indexes limit individual issuer concentrations to 2%; the High Yield 100 are the 100 largest bonds. In local currency € Euro-zone bonds. Sources: ICE Data Services; Bloomberg Fixed Income Indices; J.P. Morgan

Global Government Bonds: Mapping Yields

Yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose (▲) or fell (▼) in the latest session

Table with columns: Country, Maturity, Latest, Yield, Spread. Lists global government bonds from U.S., Australia, France, Germany, Japan, Spain, U.K., etc.

Corporate Debt

Prices of firms' bonds reflect factors including investors' economic, sectoral and company-specific expectations

Investment-grade spreads that tightened the most...

Table with columns: Issuer, Symbol, Coupon, Yield, Maturity, Spread. Lists corporate debt issuers like AbbVie, Spirit Airlines, etc.

...And spreads that widened the most

Table with columns: Issuer, Symbol, Coupon, Yield, Maturity, Spread. Lists corporate debt issuers like Morgan Stanley, Vodafone, etc.

High-yield issues with the biggest price increases...

Table with columns: Issuer, Symbol, Coupon, Yield, Maturity, Spread. Lists high-yield corporate debt issuers like Dish DBS, Hughes Satellite Systems, etc.

\*Estimated spread over 2-year, 3-year, 5-year, 10-year or 30-year hot-run Treasury; 100 basis points=one percentage pt.; change in spread shown is for 2-spread. Note: Data are for the most active issue of bonds with maturities of two years or more



BIGGEST 1,000 STOCKS

Table of the 1,000 largest U.S. stocks by market cap, including columns for stock name, symbol, price, change, and sector.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Table of stock market activity for Wednesday, January 17, 2024, including columns for stock name, price, change, and volume.

Table of stock market activity for Wednesday, January 17, 2024, continuing from the previous table with columns for stock name, price, change, and volume.

Table of stock market activity for Wednesday, January 17, 2024, continuing from the previous table with columns for stock name, price, change, and volume.

Table of stock market activity for Wednesday, January 17, 2024, continuing from the previous table with columns for stock name, price, change, and volume.

New Highs and Lows

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session.

Table of new highs and lows for various stocks, including columns for stock name, price, change, and volume.

Dividend Changes

Table of dividend changes for various stocks, including columns for company name, symbol, dividend amount, and frequency.

Table of dividend changes for various stocks, continuing from the previous table with columns for company name, symbol, dividend amount, and frequency.

IPO Scorecard

Performance of IPOs, most-recent listed first. Table of company name, IPO date, offer price, and performance.

Table of IPO scorecard performance, including columns for company name, IPO date, offer price, and performance.

Mutual Funds

Top 250 mutual-funds listings for Nasdaq-published share classes by net assets.

Table of mutual fund performance, including columns for fund name, NAV, and percentage change.

Mutual Funds

Table of mutual fund performance, including columns for fund name, NAV, and percentage change.

Table of mutual fund performance, continuing from the previous table with columns for fund name, NAV, and percentage change.

Mutual Funds

Table of mutual fund performance, including columns for fund name, NAV, and percentage change.

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Table of mutual fund performance, including columns for fund name, NAV, and percentage change.

Table of mutual fund performance, continuing from the previous table with columns for fund name, NAV, and percentage change.



## MARKETS

# Stocks Fall After Strong Retail-Sales Data

Report causes investors to scale back hopes for sharp rate cuts

By KAREN LANGLEY

Stock indexes fell deeper into negative territory for 2024 as investors dialed back their expectations for how quickly the Federal Reserve may start cutting interest rates.

Retail sales rose a seasonally adjusted 0.6% in December from a month earlier, according to data released

on Wednesday, a larger increase than economists expected. The sign of economic strength could lessen the chance that central bank officials will cut interest rates as much as markets had previously expected, some investors said.

"The hopes are waning that we're going to see aggressive rate cuts," said Dan Genter,

chief executive and chief investment officer at Genter Capital Management. "People were talking about six rate cuts during the year. The numbers aren't there to really justify it."

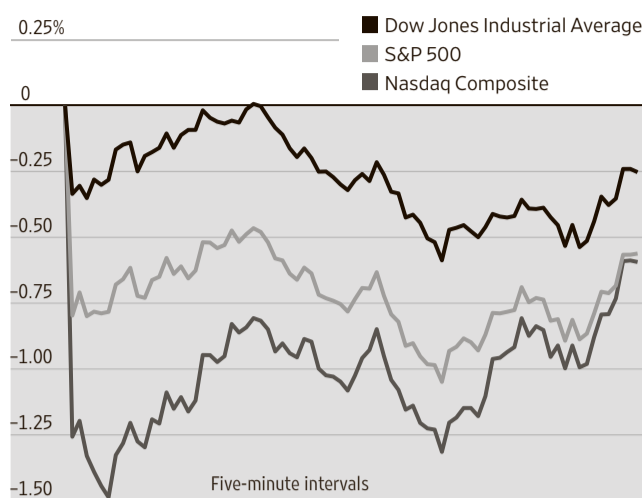
The S&P 500 fell 0.6%, while the Dow Jones Industrial Average slipped 94.45 points, or 0.3%. The tech-heavy Nasdaq Composite declined 0.6%. The S&P 500 is down 0.6% in 2024, while the Dow is down 1.1% and Nasdaq is down 1%.

The yield on the benchmark 10-year U.S. Treasury note rose to 4.103%, its highest 3 p.m. level in more than a month, from 4.064% on Tuesday.

Higher yields tend to weigh on stock prices. They give investors options for earning returns at a lower risk than in the stock market. They also reduce the worth of companies' future cash flows in calculations that are commonly used to determine the value of a stock.

The declines were broad based, with all 11 sectors of

## Index performance on Wednesday



Source: FactSet

the S&P 500 trading lower. All but one of the Magnificent Seven big tech stocks retreated, with **Tesla** falling 2%, **Amazon.com** dropping 0.9% and Class A shares of Google parent **Alphabet** losing 0.7%. **Meta Platforms** added 0.2%.

Traders on Wednesday lowered the probability they as-

signed to the Fed having cut interest rates from current levels by its March meeting, according to CME Group's FedWatch tool.

By year-end, traders see a roughly 60% chance that the central bank will have lowered its benchmark rate at least 1.5 percentage points, implying at

least six quarter-percentage-point cuts. A day earlier, they saw a roughly 80% probability of that scenario. Fed officials, meanwhile, anticipated at least three rate cuts this year at their December meeting.

Fed governor Christopher Waller said Tuesday that a continued decline in inflation would allow the central bank to cut interest rates this year. But as long as labor markets and economic activity are solid, he saw "no reason to move as quickly or cut as rapidly" as in previous rate-cutting cycles.

"You can drive a truck through the spread between what the market expects and what the Fed is telegraphing," said Hans Olsen, chief investment officer at Fiduciary Trust. "The data is suggesting that perhaps the Fed is more right than the market."

Among individual stocks, **Spirit Airlines** slumped 22% after a 47% decline Tuesday. A federal judge blocked a plan by JetBlue Airways to buy Spirit for \$3.8 billion.

Investors turned to the

safety of some traditionally defensive stocks, including food makers and healthcare companies. **J.M. Smucker** rose 2%, **Campbell Soup** gained 1.3% and **Humana** added 2%.

The Stoxx Europe 600 fell 1.1%. At midday Thursday, Japan's Nikkei 225 was up 0.45%, but the Shanghai Composite was down 1.7%. S&P 500 futures fell slightly.

## AUCTION RESULTS

Here are the results of Wednesday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

17-WEEK BILLS	
Applications	\$186,812,947,800
Accepted bids	\$58,303,747,800
* noncompetitively	\$563,825,300
* foreign noncompetitively	\$0
Auction price (rate)	98.286069 (5.185%)
Coupon equivalent	5.363%
Bids at clearing yield accepted	61.38%
Cusip number	912797JX6
The bills, dated Jan. 23, 2024, mature on May 21, 2024.	
19-YEAR, 10-MONTH BONDS	
Applications	\$32,901,510,400
Accepted bids	\$13,000,010,700
* noncompetitively	\$63,689,400
* foreign noncompetitively	\$0
Auction price (rate)	104.269985 (4.423%)
Interest rate	4.750%
Bids at clearing yield accepted	5.31%
Cusip number	912810TW8
The bonds, dated Jan. 31, 2024, mature on Nov. 15, 2043.	

## Judge Questions SEC Plan to Impose Regulation Over Coinbase Exchange

By DAVE MICHAELS AND VICKY GE HUANG

NEW YORK—A federal judge on Wednesday questioned whether allowing the Securities and Exchange Commission to impose its regulations on **Coinbase** would give the agency sway over markets it doesn't have authority to supervise.

"I want to understand how your standard does not sweep in the collectible market or commodities," U.S. District Judge Katherine Polk Failla told SEC lawyers in the courtroom. "It is a real fear that I have that your argument is just sweeping too broadly."

Failla is considering Coinbase's request to dismiss the SEC's civil lawsuit against it filed in Manhattan federal court. She didn't rule at the end of Wednesday's five-hour hearing but is expected to decide in the coming months. If she allows all or part of the case to continue, the lawsuit could be headed for trial next year.

The SEC sued Coinbase in 2023 after years of Chair Gary Gensler warning that crypto trading platforms operate illegally in the U.S. The case is central to the SEC's quest to oversee the crypto market and its biggest gatekeepers, such as Coinbase.

The SEC says Coinbase illegally lists at least 12 tokens that qualify as securities. Coinbase's wallet service, which allows users to hold their own digital coins, and its staking program, which allows them to earn interest on their tokens, also operate illegally, the SEC says.

The SEC anchors its claim over crypto in a 78-year-old



The Coinbase lawsuit is central to the SEC's crypto effort.

Supreme Court case that provided a definition for investment contracts, a class of securities different from stocks and bonds. Most cryptocurrencies qualify as investment contracts, the SEC says. That means Coinbase can't trade them without following the same rules as the New York Stock Exchange or Wall Street brokerages, according to the agency.

The Coinbase lawsuit is central to Gensler's effort to police crypto. Instead of investigating hundreds of tiny startups that create digital coins, the SEC has switched to probing and pressuring the handful of big exchanges that sell coins to the public. Last year, it also sued Binance, the world's biggest crypto trading platform, and Kraken, the sec-

ond-largest exchange based in the U.S.

Coinbase says most cryptocurrencies are commodities, not securities. Investors may hope they go up in value, just like collectors of baseball cards or Beanie Babies do, but that isn't enough to make them securities, Coinbase says.

Crypto assets don't carry rights such as dividends or make other contractual commitments, which takes them outside the SEC's jurisdiction, Coinbase argues.

"It's the difference between investing in Beanie Baby Inc. and buying Beanie Babies," said William Savitt, an attorney for Coinbase.

Coinbase also argues the 1946 Supreme Court case that set a definition for investment contracts, *SEC v. Howey*,

doesn't capture exchanges. Howey involved an initial sale of interests in orange groves and the cut of citrus profits investors received. When crypto assets trade hands on a secondary market, the initial seller is no longer involved.

SEC lawyers said cryptocurrencies don't have to promise "ongoing obligations or rights" for the asset sales to be regulated. What matters is how they are marketed and whether the buyer is relying on the coin creator to do things that drive its value higher.

"We think they are making up a new test" for investment contracts, SEC enforcement attorney Jorge Tenreiro said of Coinbase's arguments.

One of Coinbase's defenses against the SEC's lawsuit is the major questions doctrine, which calls for restricting federal agencies from enacting regulations with vast economic and political significance without first getting explicit direction from Congress.

In Wednesday's hearing, a Coinbase lawyer argued that the "major questions" doctrine would require the dismissal of the SEC's complaint against Coinbase. Congress hasn't granted the SEC the authority to regulate crypto but the agency has taken matters into its own hands, she said. If the court were to accept the SEC's definition of security in the Coinbase case, that would have "legislative implications" and "affect the whole industry."

Failla questioned whether the major-questions doctrine applied to the Coinbase case. "I'm just not sure the crypto industry is so major and so extraordinary that I need to find it here," the judge said.

## OPEC Expects Demand for Oil To Slow in 2025

By GIULIA PETRONI

The Organization of the Petroleum Exporting Countries expects global oil demand to slow next year, even as it raised its economic forecast as easing inflation spurs global growth.

The Vienna-based oil-producers' cartel said in its monthly oil-market report that it sees oil-demand growth at 1.8 million barrels a day in 2025, supported by a solid Chinese economy. The estimate is below this year's demand growth forecast, which the group left unchanged at 2.2 million barrels a day.

OPEC anticipates global economic growth will pick up next year and reach 2.8% from an estimated 2.6% this year, as central banks are expected to cut interest rates starting from the second half of 2024.

"Non-OECD economies—including the key oil-consuming economies of China and India, along with other Asian developing economies—are set to continue their healthy growth levels and be responsible for a large part of next year's global economic growth," the group said Wednesday.

U.S. economic growth is forecast to rise to 1.5% in 2025 from an estimated 1% this year. In the eurozone, economic growth is expected at 1.2% in 2025 from 0.5% this year.

The cartel's latest report comes as oil futures have slumped more than 20%, having approached \$100 in September, with market sentiment divided between concerns over weaker eco-

nomics growth and escalating tensions in the Middle East following attacks from Iran-backed Houthis on commercial ships in the Red Sea.

Brent crude, the international benchmark, currently trades around \$77 a barrel, after touching \$80 a barrel last week. WTI, the U.S. oil gauge, is trading around \$71 a barrel.

"Crude oil futures prices extended their decline in December, reaching their lowest levels since late June," OPEC said. "This downward trend was primarily driven by selling pressure from speculators, with a consistent increase in bearish positions observed among money managers."

OPEC and its allies in November agreed to voluntary output cuts totaling around 2.2 million barrels a day over the first quarter of this year, a move expected to shore up prices amid concerns over weaker economic growth.

Despite continuing cuts by Saudi Arabia and other members, the cartel produced more crude oil in December on higher output from Nigeria and Iraq.

Overall crude oil production increased by 73,000 barrels a day to 26.7 million barrels a day compared with November levels, the cartel said, citing secondary sources.

Oil production from Nigeria increased by 100,000 barrels a day to 1.42 million barrels a day in December from the previous month, while Iraq saw an increase of 23,000 barrels a day to 4.29 million barrels a day. Saudi oil production, however, fell by 12,000 barrels a day to 8.96 million barrels a day.

## Diamond Sports Reaches Restructuring Deal With Amazon

By ALEXANDER GLADSTONE

Diamond Sports Group has reached a restructuring agreement with creditors, with support from **Amazon**, which will make a minority investment in the bankrupt regional sports broadcaster.

Amazon has agreed to provide Diamond's local channels through Prime Video, in which Prime Video will become Diamond's primary partner where viewers can purchase direct-to-consumer access to stream games of more than 40 major sports teams across the U.S., Diamond said Wednesday. Viewers will be able to stream Major League Baseball, National Basketball Association and National Hockey League games through Prime Video.

The Wall Street Journal reported last month that Amazon was in talks to partner with Diamond on a streaming deal.

The restructuring agreement, supported by most of its largest creditor groups, will provide Diamond with a

\$450 million loan to finance the remaining bankruptcy proceedings and pay down debt. Some large holders of Diamond's debt have agreed to swap into equity and become owners of the reorganized company.

Diamond has also reached an agreement in principle with its parent company, **Sinclair Broadcast Group**, to settle litigation that alleged the parent company took \$1.5 billion out of the company before it went bankrupt. Sinclair, which denied the allegations, has agreed to pay Diamond \$495 million in the settlement, which will go toward supporting the reorganization plan and pay creditors, Diamond said.

Diamond filed for bankruptcy early last year after a decline in cable viewership made it difficult for the company to continue paying the broadcast rights to major league sports teams it had previously agreed to.

—Lauren Thomas contributed to this article.



In the deal, viewers will be able to stream NBA and other professional sports through Amazon's Prime Video.