



WSJ

THE WALL STREET JOURNAL WEEKEND



What's News

Business & Finance

- ◆ **American consumers and businesses** remained on solid financial footing last year, propelling earnings for the biggest banks yet again. **A1**
- ◆ **China is sinking deeper** into its worst deflation in years, as consumer prices fell for a third straight month in December. **A1**
- ◆ **The Federal Reserve** ran an operating loss of \$114.3 billion last year, its largest operating loss ever. **A2**
- ◆ **The S&P 500 ended** Friday less than 0.1% higher. The Nasdaq added less than 0.1% and the Dow lost 0.3%. **B11**
- ◆ **Citigroup plans** to eliminate some 20,000 jobs by the end of 2026 as part of its restructuring plan. **B9**
- ◆ **Morgan Stanley agreed** to pay \$249 million to settle probes into allegations that some employees improperly shared information about clients' stock sales. **B9**
- ◆ **BlackRock has agreed** to buy Global Infrastructure Partners for roughly \$12.5 billion in cash and stock. **B10**
- ◆ **Tesla plans to halt** production at its only large factory in Europe for two weeks because of a lack of parts. **B10**

World-Wide

- ◆ **The U.S. carried out** a new round of strikes in Yemen, a day after U.S.-led forces launched naval and air attacks on at least 28 targets controlled by the Houthi rebels, who have vowed to retaliate. **A1**
- ◆ **State officials in Texas** are blocking federal Border Patrol agents from accessing a busy section of the U.S.-Mexico border, the federal government has alleged. **A3**
- ◆ **House Speaker Johnson** said that he was sticking for now with a budget deal he struck with Schumer. **A4**
- ◆ **The judge in Trump's** criminal case in Georgia said that early February was likely the soonest he could schedule a hearing to consider removing Willis. **A4**
- ◆ **The FAA said it would** ramp up inspections of Boeing's manufacturing facilities after grounding roughly 170 of the company's jets. **A2**
- ◆ **The DOJ will seek** the death penalty against the white supremacist who killed 10 Black people at a Buffalo supermarket in 2022. **A3**
- ◆ **The U.S. and its partners** are exploring ways to use frozen Russian funds to back loans to Ukraine. **A7**



Crowds in San'a, Yemen, protested Friday against U.S.-led strikes, which targeted Houthi military targets and were carried out in response to the group's attacks on Red Sea shipping lanes. The rebels warned they would retaliate against international targets.

U.S. Launches a New Strike, Defiant Houthis Vow Revenge

By THOMAS GROVE AND STEPHEN KALIN

The U.S. carried out a new round of strikes in Yemen, a day after U.S.-led forces launched naval and air attacks on at least 28 targets controlled by the Houthi rebels, who have vowed to retaliate.

commercial vessels" in the Red Sea, said U.S. Central Command, which oversees U.S. military operations in the Middle East.

promises of retaliation—are the latest signs that conflict stemming from the Israel-Hamas war in Gaza is widening across the Middle East, with the Red Sea as a new flashpoint between Washington and the various Iran-backed groups arrayed across the region.

cal Council of the Houthis, which controls the capital San'a and swaths of territory. Houthi spokesman Mohammed Abdul Salam said more attacks in the Red Sea were imminent: "This isn't going to deter us."

Trump's Hold on Rural America Is Key to His Success

Outsize support in places like Iowa's Hancock County help propel the former president past legal woes and challengers

By JOHN MCCORMICK

GARNER, Iowa—Republican voters in Hancock County largely rejected Donald Trump eight years ago, giving him less than a fifth of the vote in the GOP caucuses. As recently as a year ago, some party faithful here and elsewhere in Iowa seemed eager to move on, saying they were tired of the former president's chaos and liabilities.

caucuses, powered largely by his overwhelming support among rural voters who see him as the best candidate to advance a populist conservative agenda. That pattern has played out in similar places across the country, helping explain why Trump has a hold over the Republican Party and is the nomination front-runner.

Now Trump appears poised to win this county Monday and claim victory in Iowa's



A man leaves a campaign event in Ankeny, Iowa, on Friday. Heavy snow, then bitter cold, threaten turnout for Monday's GOP caucuses, the first presidential-nominating contest.

New York Professor Wages Battle Against Rats Attacking His Car

From hot sauce to hiding, desperate auto owners try everything to keep out critters

By GINGER ADAMS OTIS

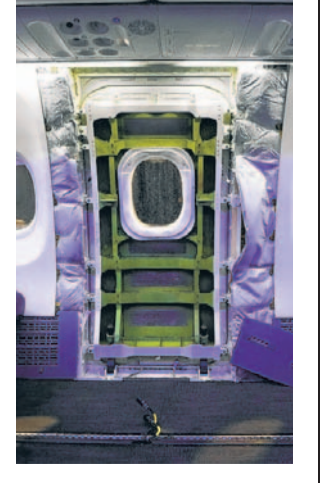
Tom Marion, a theater professor at the City University of New York, is a survivor of roughly four rodent invasions of his car, which he parks in a city that is home to an estimated two million rats.



doused garlic-scented potion on his engine, and he purposely parks in a different spot each night, trying to stay a whisker ahead of the enemy. It is as if his car is made out of cheese. "They will find you," he says, of rats. "And they all know each other and they talk to each other."

The 62-year-old Manhattanite has wrapped his ignition wires in minty tape, long ravaged automobiles, and anecdotal reports of critter-

EXCHANGE



INSIDE VIEW Boeing's manufacturing mess **B1**

Wary World Watches As Prices Fall in China

By STELLA YIFAN XIE

HONG KONG—China is sinking deeper into its worst deflation in years as demand falters, spelling trouble for the world. With many Chinese worried about the economic outlook and unwilling to spend, consumer prices fell for a third straight month in December, official data showed Friday.

the region overheated and entered recessions that took years to recover from. Until recently, many Western economists welcomed some deflation in China, because it lowered the cost of imported Chinese goods, helping to ease inflationary pressures elsewhere. Inflation in the U.S. cooled through most of 2023, though it edged up in December. But as inflation worries have eased in the West, China's deflation has become a bigger source of concern. It signals continuing economic

NOTICE TO READERS WSJ.com and WSJ mobile apps will publish throughout the weekend and on Martin Luther King Jr. Day. The Wall Street Journal print edition won't be published on Monday.

NOONAN The voters finally get their say **A13**

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U.S. NEWS

U.S.-Texas Tensions Rise At the Border

Washington says the state is blocking federal patrols from migrant crossing

By ELIZABETH FINDELL

EAGLE PASS, Texas—State officials here are blocking federal Border Patrol agents from accessing a busy section of the U.S.-Mexico border, a move that represents a dramatic escalation of a standoff between Texas Gov. Greg Abbott, a Republican, and the Biden administration over authority over the U.S.-Mexico border.

The development comes after state law-enforcement officials in the border town of Eagle Pass took control of the city-owned Shelby Park against the wishes of the city, Mayor Rolando Salinas said on social media Wednesday. The riverside park, near downtown, is a popular site for city gatherings and recreation. It has also become a hot spot for migrants crossing the Rio Grande from neighboring Piedras Negras, Mexico.

After state authorities barricaded the park, they began preventing Border Patrol agents from accessing the boat ramp the agency uses to launch patrols of the river, prompting an emergency court

filing from the U.S. Department of Homeland Security early Friday.

The filing, to the U.S. Supreme Court, says Texas is also preventing agents from accessing the staging area where they evaluate apprehended migrants, and from several places where they previously conducted surveillance. "Border Patrol's ability to view this portion of the border is now limited to a narrow sliver from a single surveillance camera located outside of the newly fenced area," the filing says.

Abbott said Friday that the state had taken over the park to "maintain operational control" in the area.

"Texas has the authority to control ingress and egress into any geographic location in the state," he said during an unrelated news conference.

The park was quiet Friday, with National Guardsmen deployed by the state and troopers monitoring the fenced perimeter of the vast, empty park and launching their own state patrol boats from the ramp. Border Patrol complained of wanting to use. Countless coils of razor wire line a barrier of shipping containers along the river, while fencing across city street access points blocks the public. Access remained to golfers, who played in 65-de-



Texas National Guard troops control who travels through Shelby Park at the U.S.-Mexico border in Eagle Pass, Texas.

gree sunshine on the part of the park that holds a municipal golf course.

Abbott has consistently accused the Biden administration of not doing enough to prevent illegal border crossings and said the state is trying to show force. Thursday, Abbott told radio host Dana Loesch that the reason the state isn't shooting people at the border is "because of course the Biden administration would charge us with murder."

After facing criticism for rhetoric many Democrats said was extreme and violent, Abbott said Friday he was responding to a question about where the state draws a line with regard to legal authority. "I pointed out what would be illegal to do—it's that simple," Abbott said.

A video Salinas posted on Facebook showed Texas block-

ing all entries to the park with fencing and military vehicles. The state had previously swathed the riverbank there with multiple layers of the razor wire to block migrants from reaching the banks.

Friday's court filing came as part of a case in which Texas has accused federal authorities of cutting through razor wire that the state has placed on miles-long stretches of the border. Border Patrol officials have said they occasionally need to cut through the wire to make arrests or rescue migrants drowning in the river. The administration is asking the U.S. Supreme Court to overturn an injunction by an appeals court stopping agents from doing that.

Since 2021, Texas has spent or allocated more than \$11 billion on border operations that

include the deployment of thousands of state troopers and National Guard soldiers to South Texas. Much of the effort has been aimed at arresting migrants for trespassing on private property, a misdemeanor.

Still, Texas' actions represent a fraction of the total law-enforcement operations on the border. As of July, state migrant arrests in the Eagle Pass area of the border amounted to about 1% of Border Patrol encounters with migrants there in the same time frame.

Abbott last month signed a new law giving state officials the ability to arrest and deport migrants crossing into the state from Mexico outside of designated ports of entry. The Biden administration has sued the state, saying the law is an

unconstitutional violation of the federal government's sole authority over national borders and immigration. The law is scheduled to go into effect in March.

Salinas, the Eagle Pass mayor, previously gave the state permission to use Shelby Park as a staging area for operations, and to charge migrants found crossing there with trespassing. But the city faced backlash from residents who lost their beloved park. On Wednesday, state police fenced off the park completely, blocking Salinas and other locals from entering.

"The state of Texas, coming from the governor, they are taking full control, custody of Shelby Park," the mayor said. "That is not a decision we agreed to. This is not something we wanted."

U.S. Seeks Death Penalty for Buffalo Supermarket Shooter

By SADIE GURMAN

The Justice Department will seek the death penalty against the white supremacist who killed 10 Black people at a Buffalo, N.Y., supermarket in 2022, federal prosecutors said in court papers Friday, opening a capital case for the first time since President Biden took office.

Payton Gendron, 20 years old, was already sentenced last year to life in prison after pleading guilty to state charges. But the Biden administration, eager to underscore both its hostility to hate crimes and its renewed emphasis on fighting violent crime, said it would pursue death, despite the president's personal opposition to capital punishment.

Before the May 2022 rampage, Gendron, who is white, posted a 180-page document online filled with racist rants and details of his plans to target Black people in Buffalo be-



A memorial for 10 Black people killed at the store in May 2022.

fore livestreaming himself opening fire. The attack left 10 people dead and three wounded. All but two of his 13 victims were Black. They included an 86-year-old woman, a retired Buffalo police lieutenant and a church deacon.

The Justice Department charged Gendron the following month with 26 counts of hate crimes and a firearms offense, paving the way for federal prosecutors to seek the death penalty.

The push for Gendron's

death comes even after Attorney General Merrick Garland in July 2021 put a moratorium on federal executions while officials reviewed procedures, a process officials said Friday is ongoing. The Trump administration reactivated the federal death chamber after a 16-year hiatus, putting 13 inmates to death in its final months, the highest rate of federal executions in over a century.

The decision, which came after conversations with victims' families and civil-rights leaders, highlights the nuanced approach Garland has taken to the death penalty, authorizing prosecutors to continue pursuing it in some pre-existing cases while taking it off the table in many others. In each case, people familiar with the process have said, Garland drilled down on the circumstances before making the final call.

Garland met with the Buffalo victims' families shortly after the attack, telling them

that bringing the killer to justice was of top importance. Only some of them wanted to see Gendron executed, their lawyers have said.

Under Garland, officials have sought to reserve death for crimes they believe caused the greatest harm to the federal interest, such as hate crimes and terrorism.

While the Buffalo case is the first time prosecutors have made a new request for the death penalty, Garland has allowed previous death penalty cases to proceed during sentencing.

Federal prosecutors said the massacre at the Tops Friendly Markets met the threshold for death, in part, because it was racially motivated and came after substantial planning and premeditation, noting that Gendron chose the supermarket to enact his violence "in order to maximize the number of Black victims of the offense."

Gendron "expressed bias,

hatred, and contempt toward Black persons and his animus toward Black persons played a role in the killings," prosecutors said in their Friday filing.

The decision whether someone should die for his or her crimes is particularly weighty for Garland. He was part of the Justice Department team that successfully sought the death penalty for Timothy McVeigh for blowing up the Alfred P. Murrah Federal Building in Oklahoma City in 1995 and killing 168 people.

In contrast to the Buffalo case, Garland decided not to pursue capital punishment in the case of Patrick Crusius, who killed 23 people in a racist massacre at an El Paso, Texas, Walmart in 2019.

In doing so, people familiar with the matter said, Garland rejected the recommendation of prosecutors who suggested seeking execution, noting concerns about Crusius's mental illness.

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U.S. NEWS

Biden Faces Political Dilemma as LNG Surges

By BENOÎT MORENNE

The U.S. has become the world's top exporter of liquefied natural gas. President Biden is finding that this superpower status comes with its own set of headaches.

In the past two years, hundreds of cargoes loaded with supercooled gas departed the U.S. Gulf Coast as foreign buyers turned to America for energy supplies. Developers of export terminals have seized the momentum to advance plans to build new plants and crank out even more LNG.

Now, climate activists and Democratic lawmakers are exhorting the Biden administration to halt this expansion. They argue that the federal government, which has to approve LNG projects, is failing to account for the harmful effects of gas exports on the climate, the U.S. economy and local communities.

In December, Greenpeace projected images of flares burning excess gas and other images onto government buildings around Washington, D.C. "President Biden, STOP THE GAS BOOM," read one projection.

And on Tuesday, national environmental leaders called for a three day sit-in at the Energy Department in February to pressure the Biden administration to pause the approval of new LNG facilities.

The mounting opposition comes as Biden heads into a presidential election in which fossil-fuel supplies will be a key issue. The candidate has to corral young, climate-concerned voters, some of whom view his track record on the environment as mixed after his administration approved several fossil-fuel projects. He must also reassure foreign allies that the U.S. will remain a reliable provider of the fossil fuels on which they depend.

A White House spokesman said, "President Biden has led



A liquefaction facility in Louisiana. LNG exports are expected to more than double from current levels by the end of the decade.

and delivered on the most ambitious climate agenda in history." He pointed to Biden's signature climate bill and a recent Environmental Protection Agency rule to reduce methane emissions from oil and gas operations, among other measures.

Former President Donald Trump on the campaign trail has pledged to expand U.S. fossil-fuel supplies from day one of his presidency.

Biden said during his previous candidacy that he would transition the U.S. away from the oil industry. But he has largely spared natural-gas exporters from regulatory roadblocks, and after the Ukraine war broke out he pledged to provide steady supplies of LNG to the European Union to replace Russian natural gas.

It is unlikely that the Biden administration will curtail existing natural-gas exports, policy analysts and former regulators said. But the president's stance on proposed projects is unclear. That creates uncertainty for developers and foreign consumers, said Bernard McNamee, a former commissioner of the Federal Energy Regulatory Commission.

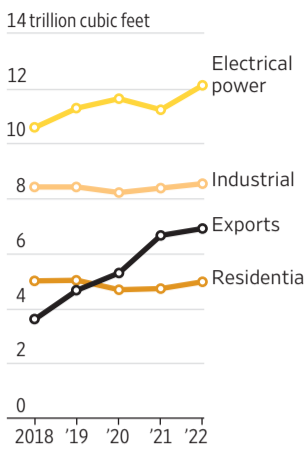
The shale boom turned the U.S. into a natural-gas power-

house. By fracking for subterranean gas, drillers were able to meet American consumers' needs for the fuel virtually overnight. This prompted developers to build multibillion-dollar plants to refrigerate and load excess gas onto tankers for export. Seven such facilities currently operate in the mainland U.S.—mostly on the Gulf Coast.

Russia's invasion of Ukraine kicked U.S. exports into overdrive. Since March 2022, U.S. developers have signed 57 supply agreements representing about 73 million metric tons of LNG annually, according to S&P Global Commodity Insights—more than four times the number of contracts they signed between 2020 and 2021.

Many of these contracts run for 20 years and underpin the construction of terminals that have yet to be built. LNG exports are expected to more than double from current levels by the end of this decade, according to the Energy Department.

Natural gas use in the U.S.



Source: Energy Department

Energy startup Venture Global LNG alone has signed 16 contracts since the Ukraine war began, half for volumes out of Calcasieu Pass 2, a plant the company wants to erect next to an existing facility in southern Louisiana. When the facility, known as CP2, enters full commercial operations in 2026, Venture Global expects it to churn out up to 28 million metric tons of LNG yearly.

"What we're doing is lowering the cost of energy for the developing world, which saves lives for poor people, and we're trying to compete with coal to lower emissions," Venture Global Chief Executive Michael Sabel said in November.

But CP2 needs approval from FERC, as well as a license for most exports by the Energy Department. For that reason, it has become a test case for supporters and opponents of the LNG buildup. Greenpeace urged Biden to stop CP2 in its projections onto buildings in Washington last month. In recent weeks, Venture

Global customers EnBW Energie Baden-Wuerttemberg, a German utility, and Japanese power company JERA pressed FERC to greenlight the facility. JERA said U.S. LNG contributed to stable energy security in Japan and globally.

Meanwhile, more than 230 climate groups and others urged Energy Secretary Jennifer Granholm in a December letter to reject CP2, arguing that emissions linked to LNG produced there would equate to 20 times the annual emissions of ConocoPhillips' Willow oil project in Alaska. They raised concerns about methane leaks during the production of gas and when LNG is shipped on boats.

The administration approved the Willow drilling venture last year in a decision decry by climate groups. Now, they say, Biden has a chance to prove his climate bona fides.

"If Biden pauses new permits for LNG, the scale of their planned expansion is so great that I think he has a legitimate claim on having done more to undercut dirty energy than any one of his predecessors," said climate activist and author Bill McKibben.

Critics also say exports push so much gas outside of the U.S. that American consumers will eventually have to pay more for the fuel and point to concerns about emissions from communities living near LNG facilities.

In November, 65 Democratic senators and House members sent a letter to Granholm, demanding that her agency update how it accounts for LNG projects' impact on climate, environmental justice and domestic energy prices.

An Energy Department spokeswoman said that the agency was continuously considering evolving energy security and economic, environmental and other factors in evaluating applications for natural gas exports.

Johnson Rebuffs Hard Liners On Budget

By SIOBHAN HUGHES

WASHINGTON—House Speaker Mike Johnson (R., La.) said that he was sticking for now with a budget deal he struck with Senate Majority Leader Chuck Schumer (D., N.Y.) setting top-line fiscal 2024 spending levels at \$1.66 trillion, siding with the faction of the GOP conference that favors more robust military spending over a hard-line group pushing for deeper cuts.

The decision comes as Johnson has faced criticism from the small but outspoken bloc of GOP conservatives over the deal. Any changes by Johnson would have risked derailing efforts with Democrats to keep the government funded past the coming deadlines of Jan. 19 for some parts of the government and Feb. 2 for the rest.

Following the final vote of the week, Johnson addressed reporters. He said he had spoken with many GOP lawmakers and that "our top-line agreement remains. We are getting our next steps together, and we are working towards a robust appropriations process. So stay tuned for all of that." His comments increased the chances that the House speaker would put on the floor another stopgap measure to avoid a partial government shutdown. But it also opens up the possibility of ripple effects within the House Republican conference, where some of the same lawmakers who pushed out House Speaker Kevin McCarthy (R., Calif.) over the spending bills he put on the floor are now suggesting that Johnson himself could be on thin ice.

Johnson has spent the past two days meeting with anti-spending conservatives and pro-military Republican hawks behind closed doors, essentially forcing the group supporting deeper cuts to confront the reality of broad support within the Republican conference for more military spending.

Under an approach favored by the spending hawks, the speaker would put on the floor a measure to continue funding the government in fiscal 2024 at the same levels and on the same priorities.

Doing a full-year continuing resolution would trigger a provision of the Fiscal Responsibility Act, last year's debt-ceiling deal, for across-the-board cuts in discretionary spending. Military spending for fiscal 2024 would total \$850 billion, well below the \$886 billion specified by the top-line agreement that Johnson and Schumer reached earlier this week. It would also mandate deep cuts in nonmilitary spending, which Democrats oppose.

While some lawmakers had questioned whether Johnson should remain speaker if he is unable to force through more GOP priorities, others played down the notion. Rep. Bob Good (R., Va.), chairman of the hard-line House Freedom Caucus, told CNN he continued to "vehemently" oppose the current deal but said it was a "ridiculous supposition" that Johnson's job be in danger over it.

Some Republicans were determined not to let Johnson's statement be the final word on the matter, and lawmakers began pitching him on new plans within minutes after Johnson outlined his path forward. In particular, some Republicans have begun shifting their fight for border-security provisions to the government spending bill, concluding that the threat of shutting down the government will give them the greatest leverage in their quest to stanch the flow of migrants at the border.

"We're going to put a strategy forward that puts us in the driver's seat rather than accepting whatever the Senate does," said Rep. Kat Cammack (R., Fla.), who is proposing that the House put together a package containing border-security measures. "We're going to secure the damn border because that is what the American people expect."

Democrats and the White House said they assume Johnson will stick to the deal.

King Honored With Recitation of His Historic 'Dream' Speech



BIRTHDAY PRESENCE: Elementary school students read Dr. Martin Luther King Jr.'s 'I Have a Dream' speech Friday at the Lincoln Memorial, where the civil rights leader delivered it on Aug. 28, 1963. For two decades, the National Park Service has hosted the event in honor of King's birthday, which is on Monday.

Georgia Judge in Trump Case Weighs Hearing on Willis

By CAMERON McWHIRTER AND JAN WOLFE

ATLANTA—A cloud of uncertainty could hang over Donald Trump's criminal case in Georgia for several more weeks.

Fulton County Superior Court Judge Scott McAfee said Friday that early February was likely the soonest he could schedule a hearing to consider removing Fulton County District Attorney Fani Willis from the criminal case she brought against the former president and others. McAfee said he was awaiting a response from Willis to claims that she hired her alleged romantic partner, Atlanta lawyer Nathan Wade, to the

case as a special prosecutor—and that they both benefited from the arrangement financially.

The judge said he wanted to give defense lawyers a chance to investigate the allegations, but also that he didn't want them lingering over the case for too long. "What I'm trying to avoid is dragging it out because other parties want to piggyback and do their own separate investigation, if you will," he said. "I don't know when the state is planning to file a response, but at some point we will have to set it for a hearing," he added.

Willis's office previously said she would respond in a court filing. As of Friday afternoon,

she hadn't commented on the allegations. Willis wasn't present at the hearing Friday. Wade attended and briefly argued for the prosecution on other matters. He didn't address the allegations.

The hearing Friday was the first since the motion to dismiss the case, and disqualify Willis, was filed Monday by attorney Ashleigh B. Merchant, a lawyer for Trump co-defendant Mike Roman. Merchant's filing didn't provide proof of a romantic relationship between Willis and Wade, but she said sealed records from Wade's divorce proceeding from his wife would substantiate her allegations. She has asked a judge to

make those records public. Willis has been subpoenaed to testify in that divorce case as a witness.

Defense lawyers have been reviewing the allegations to decide whether to join in the motion.

Trump attorney Steve Sadow mentioned the allegations in court Friday, saying they were "salacious and scandalous in nature." He said he wanted to see a response from prosecutors before deciding to join Roman's motion. "I'm leery of moving to adopt motions that make such allegations, without having a better understanding or substantiation of the allegations," Sadow said.

Last year, Willis, a Democrat, announced an indictment against Trump and 18 others, alleging a criminal enterprise to overturn Trump's 2020 defeat in Georgia, the first loss in the state by a Republican presidential candidate since 1992. The indictment alleges a wide-ranging conspiracy to reverse Trump's loss, including pressuring state elected officials, tampering with voting machines and putting forth a slate of self-proclaimed "electors" to declare Trump had won in Georgia, when he had lost.

Trump and his co-defendants pleaded not guilty, though some later cut plea deals with Willis.

U.S. NEWS

Kindergartners Arrive Less Ready for School Than Before Pandemic

By MATT BARNUM

America's youngest students entered school this year with weaker math and reading skills than before the pandemic, according to new data that is surprising some educators.

Kindergartners tested in 2023 were about 2 percentage points less likely to begin school at grade level in both math and reading than 2019, data compiled by the testing company Curriculum Associates show. Scores remained below prepandemic levels in the first and second grades.

The decline is concerning, say researchers who reviewed the results. Schools are already struggling to help older students who fell behind since the pandemic.

"We are still seeing sizable gaps in school readiness, in school performance for kids who weren't even in school at the time of the pandemic," said Emily Oster, a Brown University researcher who has studied pandemic-era learning.

The analysis looks at test scores of over a million students who took a test called i-Ready last fall. It asks them to complete tasks such as matching a sound to a letter or identifying which picture of a shape—a circle, triangle or square—has four sides.

Researchers at Curriculum Associates compiled nationally representative sets of students in kindergarten through second grade and compared scores in recent years to those in 2019, before the pandemic.

Scores were lower almost across the board. Second-graders in 2021 and 2022 showed the worst declines. This year's second-graders were still behind, but had recovered some-

what in reading.

When Columbus, Ohio, first-grade teacher Meagan Erwin reviewed her students' starting scores with colleagues this year, she was vexed to see they were lower than before the pandemic. "We were like, 'Why? These kids weren't in school. This shouldn't be affecting them,'" she said.

One potential cause is lower participation in early-childhood education. Preschool enrollment dropped steeply during the pandemic, but had recovered by the fall of 2022, according to an analysis by the National Institute for Early Education Research.

Another theory is that the pandemic destabilized young children's lives. Millions of Americans lost jobs and lost loved ones. Some children lost parents or caregivers. Family routines, such as reading to children or playing outside, might have been disrupted.

A final explanation is a statistical one: Shifts in student enrollment or exam participation might have artificially lowered scores if more advantaged students were less likely to take the test. Researchers made efforts to account for this possibility, but don't have student-level family income data.

Erwin says that her students are making solid growth, but need more support to catch up. She would love smaller classes—she has 27 students—and more staff for one-on-one help. "It's always about more people, more hands," she said.

But schools in many parts of the country are bracing for budget cuts as federal pandemic-relief funding runs out and some states reckon with projected budget shortfalls.

The decline is concerning, say researchers who reviewed the results.

At Stake in This Year's Elections: A \$6 Trillion Difference in Taxes

Biden, Republicans offer vastly varying plans for cuts set to lapse after 2025

By RICHARD RUBIN

WASHINGTON—There isn't a dime's worth of a difference between the political parties. The chasm is more like \$6 trillion.

The winners of November's presidential and congressional elections will quickly face decisions on tax cuts scheduled to expire after 2025. President Biden and Republicans support starkly different plans.

Republicans generally want to extend all expiring tax cuts from the 2017 law former President Donald Trump signed. The price tag: \$4 trillion over a decade.

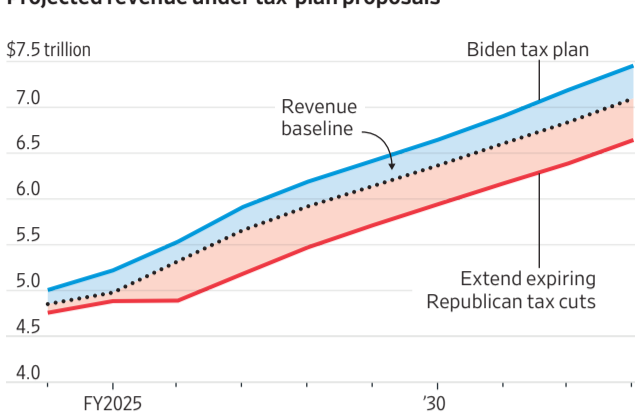
Biden proposed extending the cuts for households making under \$400,000 annually but said the rest should expire. He would raise taxes further on top earners and corporations. That plan, including increases not yet fully detailed, would generate more than \$2 trillion beyond current forecasts.

"It's just striking both how clear and how large the gap is between these two approaches," said Brian Deese, Biden's former National Economic Council director, in an interview arranged by the president's campaign.

Stephen Moore, a Heritage Foundation fellow who has advised Trump on taxes, agreed. "That's probably as far from where Trump wants to go as you could possibly get," he said of Biden's plan.

With the White House, Senate and House up for grabs, one party could impose much of its fiscal vision. More likely, however, they will be limited by intraparty fights. If neither party wins full control, a divided government would likely force compromise.

Projected revenue under tax-plan proposals



Note: Fiscal year ends Sept. 30. Biden plan assumes a way to pay for tax cuts extended for people making under \$400,000. Also assumes long-term extension of expanded child tax credit. Sources: Tax Foundation, CBO and WSJ analysis

Here is why the tax fight looms in 2025.

In 2017, Republicans cut corporate and individual tax rates and curtailed tax breaks. They made the corporate cut permanent but scheduled most individual tax changes to lapse, a common strategy to lower the headline cost. They bet that future Congresses wouldn't let taxes rise on most households.

If Congress does nothing, the standard deduction would shrink, marginal rates would climb and a deduction for closely held businesses would vanish.

That is considered the baseline scenario by nonpartisan budget forecasters. The Congressional Budget Office projects that the U.S. will collect \$60 trillion in revenue from 2024 through 2033. Biden would aim above that; Republicans, below.

Keep the cuts...

Republicans see the 2017 law as a success that boosted the prepandemic economy.

GOP presidential candidates haven't fully specified tax plans. Trump, who leads in polls, hasn't articulated a second-term tax policy besides a 10% across-the-board tariff.

"It's clear that he will want to make his tax law permanent. But beyond that, frankly, I don't know where he's headed," Moore said.

Extending tax cuts—particularly immediate deductions for capital expenses—would spur growth, said Kevin Hassett, Trump's former chief White House economist, to whom the campaign referred a request for comment. The benefits of extending individual tax cuts would be more muted.

Still, even if Republicans won Congress and the presidency, extending the 2017 law might not be simple. They can't stop fighting over a provision limiting deductions for state and local taxes, and they may disagree about repealing Biden's clean-energy tax breaks.

Republicans will again confront the link between taxes and budget deficits. They generally say spending drives deficits and that the government should reduce outlays rather than raise taxes. But the price of a tax-cut extension could raise concerns.

"I don't detect a lot of squeamishness from Republicans on extending it and the impact on the deficit," said Don Schneider, a former House GOP aide now at Piper Sandler. "But I don't think

they're seeing into the whites of the eyes of the deficit increase."

...Or tax the rich?

Democrats say the 2017 law's benefits for high-income households were unfair and didn't boost the economy. Still, Biden would extend the cuts for households making under \$400,000, affecting about 98% of people at about two-thirds the cost of a full extension. Biden says he would pay for continuing those cuts but hasn't said how.

Companies and high-income households would face tax increases under his plan, many beyond what existed before 2017. The corporate tax rate would go to 28% from 21%. The top individual rate would go to 39.6% from 37%, with new taxes atop that for many business owners.

That might be hard to pull off. In 2021 and 2022, when they controlled the House and Senate, Democrats enacted many Biden tax policies, including a new minimum tax on corporations and clean-energy tax breaks. But they fell short of his desired tax increases.

If Democrats hold a 2025 majority, it would likely be more progressive on taxes than their 2021 majority, said Kimberly Clausing, a former Treasury official under Biden. That could let them enact some tax increases. But Democrats also disagree on capital gains, estate taxes and the state and local tax deduction.

The likeliest outcome lies between Republican and Democratic proposals, particularly if government control is divided. In 2012, after President Barack Obama won re-election, then-Vice President Biden brokered a bipartisan deal extending cuts for more high-income people than Obama had proposed. Lawmakers could find themselves making similar compromises in 2025.

Justices Will Weigh Cities' Policies on Homeless Camps

By LAURA KUSISTO AND JESS BRAVIN

The Supreme Court agreed Friday to decide whether it is constitutional for municipalities to prohibit homeless people from camping in public spaces when they have nowhere else to go, an issue that has galvanized officials across the political spectrum as they look to address the growing problem of encampments.

The case involves civil ordinances in the small Oregon city of Grants Pass, which prohibited homeless individuals from sleeping in public with rudimentary protections from the elements, such as blankets.

In a 2-to-1 ruling, the Ninth U.S. Circuit Court of Appeals found the measure violated the Eighth Amendment's prohibition against cruel and unusual punishment. The decision largely relied upon a 2018 decision from the same court that said the city of Boise, Idaho, couldn't prosecute people for sleeping on public property when there aren't sufficient shelter beds.

The cases have loomed over homelessness policy in western states, where government officials say courts have interpreted the rulings to prevent them from clearing homeless encampments even when they have become dangerous or unsanitary. The Ninth Circuit has jurisdiction over nine western states and U.S. possessions in the Pacific.

"These decisions are legally wrong and have tied the hands of local governments as they work to address the urgent homelessness crisis," said Theane Evangelis, a lawyer for Grants Pass. "The tragedy is that these decisions are actually harming the very people they purport to protect."

Ed Johnson, litigation director at the Oregon Law Center that represents the homeless people, saw it differently.

"The issue before the court is whether cities can punish



Los Angeles city employees cleaned up an encampment as homeless people moved into temporary housing in October.

homeless residents simply for existing without access to shelter," he said. "Some politicians and others are cynically and falsely blaming the judiciary for the homelessness crisis to distract the public and deflect blame for years of failed policies."

The Supreme Court received more than two dozen briefs urging it to hear Grants Pass's appeal, with submissions coming from leading officials in red and blue states. Cities from Phoenix to San Francisco asked the court to resolve the issue, as did a group of Republican state attorneys general and California Democratic Gov. Gavin Newsom.

Court decisions "have paralyzed communities and blunted the force of even the most common-sense and good-faith laws to limit the impact of encampments," Newsom said in his brief.

The high court could hear oral arguments as soon as April.

Local authorities once had broad power to clear people they considered undesirable from public property through vagrancy and loitering laws. Over the 20th century, however, the Supreme Court turned a critical eye toward measures that appeared to punish individuals because they were homeless or unemployed—that is, because of

their status rather than conduct.

In 1972, the court struck down vagrancy laws as too vague to be constitutional, effectively giving police too much discretion to decide who was lawfully standing on a street corner and who was illegally prowling, loitering or, as a Jacksonville, Fla., ordinance put it, "nightwalking."

The court took four other cases on Friday, including a labor dispute between Starbucks and workers seeking to organize at a Memphis, Tenn., coffee shop.

In 2022, Starbucks fired seven employees who helped stage an after-hours media event at the store. Federal courts ordered the company to reinstate the employees while the National Labor Relations Board weighed an unfair labor practice charge against the coffee retailer.

The Sixth Circuit, in Cincinnati, found that by firing leaders of the organizing drive, Starbucks interfered with employees' unionization rights, leading other workers to fear retaliation if they supported the effort. On appeal to the Supreme Court, Starbucks argues that courts must consider additional factors before issuing such temporary orders.

The employees ultimately voted 11-3 in favor of unionizing.

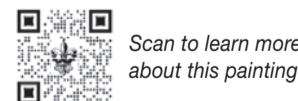


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WORLD NEWS

Israel Rebuts Accusations of Genocide

Lawyer tells world court actions in Gaza aren't like Nazis' killing of Jews

Israel denounced South Africa's claim that it is committing genocide against Palestinians, telling the International Court of Justice that it is out-

By Jess Bravin, Chao Deng and Anat Peled

geous to liken the Jewish state's military response to Hamas attacks launched from Gaza to Nazi Germany's systematic extermination of six million Jews during the Holocaust.

Friday's argument ended two days of hearings the world court scheduled on South Africa's petition, filed under the 1948 Genocide Convention. The petition seeks an order for an immediate cease-fire in Gaza as legal proceedings, which could take years, unfold over the genocide claim.

On Thursday, South Africa argued that Israel's military operations after the Oct. 7 attacks, which claimed more than 1,200 lives, were part of a campaign to dispossess Palestinians that began with Israel's establishment in 1948.

Tal Becker, chief lawyer of Israel's Foreign Ministry, said South Africa's recitation of the destruction in Gaza, which local health authorities say has claimed more than 23,000 lives, ignored the facts that Hamas provoked the war, continues to attack Israel and locates its personnel and armaments in civilian facilities.

South Africa "seeks to thwart Israel's inherent right to defend itself—to let Hamas not just get away with its murder, literally, but render Israel defenseless as Hamas continues to commit it," he said.

"The absurd upshot of South Africa's argument is this: Under the guise of the allegation against Israel of genocide, this court is asked



A displaced Palestinian man plays with his children in the rubble of a house where they sheltered in Rafah in southern Gaza.

to call for an end to operations against the ongoing attacks of an organization that pursues an actual genocidal agenda," he said, citing Hamas's dedication to killing Jews and eliminating Israel.

Any country can bring a claim against any other before the ICJ, a United Nations tribunal in The Hague. Although South Africa filed the claim, officials from the Palestinian Authority's Foreign Ministry serve as advisers to its legal team.

Arguing against Israel on Thursday, the South African justice minister, Ronald Lamola, condemned the targeting of civilians on Oct. 7 by Hamas and other armed groups.

Nonetheless, "no armed attack on a state territory, no matter how serious, even an attack involving atrocity crimes, can provide any justification for or defense to breaches to the convention,"

he said. "Israel's response to the 7th of October 2023 attack has crossed this line."

On Friday, Israel's Becker said, "The civilian suffering in this war, like in all wars, is tragic. It is heartbreaking." Israel, he said, recognizes its obligation to conduct military operations in line with international humanitarian law, which requires efforts to minimize civilian casualties.

"Israel seeks neither to permanently occupy Gaza or to displace its civilian population. It wants to create a better future for Israelis and Palestinians alike...where the Palestinian people have all the power to govern themselves, but not the capacity to threaten Israel," he said.

Israel's outrage at the genocide charge received support from the one other nation singularly connected to the Holocaust: Germany.

"We know that different countries assess Israel's operation in the Gaza Strip differently," Berlin said Friday. "However, the German government firmly and explicitly rejects the accusation of genocide that has now been brought against Israel...This accusation is completely unfounded."

In Israel, many Israelis see South Africa's accusation as an effort to turn the victim into the perpetrator, negating the Holocaust and the atrocities committed against them on Oct. 7.

"For Israel the whole idea that it is blamed for carrying out genocide, [under] a convention...which derived from what was done to Jews is so outrageous," said Pnina Sharvit Baruch, a researcher at the Institute for National Security Studies in Israel.

Israel was populated by Holocaust survivors, and the term "genocide" was coined to

describe the Nazi effort to eradicate the Jewish people.

Some in Israel worried that the court case would distract global attention from atrocities committed in the Hamas-led attack.

Many Israelis argue that the assault required Israel to use force to defend itself, prevent such an attack from recurring and ensure the nation's survival.

"We don't want war," said Jack Zohar, a 76-year-old retiree from the northern Israeli city of Haifa. Civilian deaths in Gaza were a result of Hamas putting its fighters in civilian facilities, he said.

Zohar and his wife, Aliza Zohar, had driven to central Tel Aviv to visit a public tribute to Israelis still held hostage in Gaza. Aliza Zohar said Israel wasn't committing genocide but were forced to fight a war. "We didn't begin this," she said.

Some Israelis noted that the case at the U.N. court risks provoking hatred toward Israel and could damage the country's efforts to sustain global support for its campaign in Gaza, where it aims to destroy Hamas and recover the rest of the hostages.

South Africa is asking the court to order a cease-fire in Gaza while court proceedings move forward. Proceedings on the genocide claim would likely take years, but a decision on provisional measures could come within weeks.

Israel says it won't quit until Hamas is defeated, and the court would have no means of enforcing any order that it do so. But even a provisional order for a cease-fire could place Israel's allies in a bind.

Both the U.S. and the European Union have designated Hamas as a terrorist group.

Many in Israel expressed skepticism about any international process to scrutinize the country's military actions in Gaza.

Sally Abed, a Palestinian citizen of Israel who helps run an Arab-Jewish grassroots movement, said the debate about the label "genocide" overlooks the killing of innocent people in Gaza and risks dehumanizing the issue.

"[The case] reduces the experience of Israelis and Palestinians to mere international definitions," she said.

Hila Zaksenberg, a librarian, said she was disheartened that the international community chose to focus on Israel's military campaign, instead of on how Hamas still has yet to return hostages to Israel. "The responsibility shouldn't only be on Israel" in reining in Hamas, she said.

At the same time, Zaksenberg said the hearing showed how civilian deaths in Gaza would be something future Israeli generations must grapple with. "This is going to be part of our legacy," she said, "the historical environment that our children will grow up in."

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Houthis Vow to Retaliate

Continued from Page One in solidarity with Gaza following Israel's invasion, he added.

By Friday evening, a Panama-flagged ship said a missile had splashed into the Gulf of Aden about 400 to 500 yards from its location, about 90 miles southeast of Aden, a port city in southern Yemen. The ship also reported seeing three small boats pursuing it.

A Houthi official said he couldn't confirm the missile but said his group had begun its response to the American-British strikes.

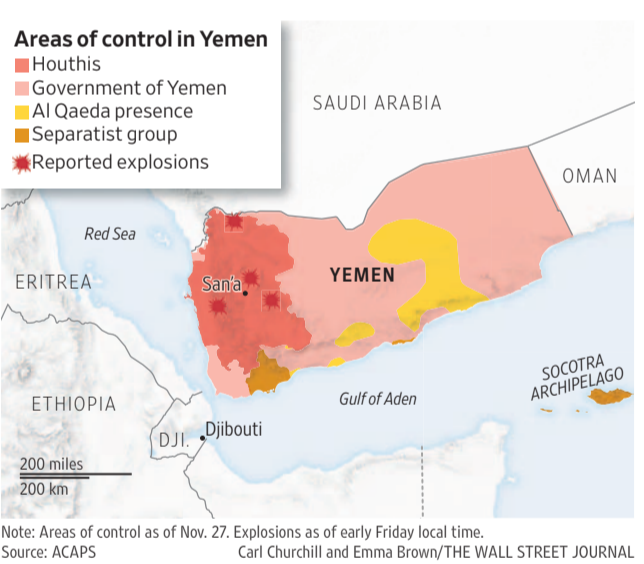
The strikes, conducted by U.S. and British forces and supported by Australia, Bahrain, Canada and the Netherlands, targeted radar and air-defense systems as well as storage and launch sites for the Houthis' cruise and ballistic missiles, according to Centcom. The Houthis have used their arsenal, with the assistance of Iranian intelligence, to launch successive attacks on Red Sea shipping lanes.

The U.S. and U.K. launched 150 munitions, Army Lt. Gen. Douglas Sims, the director of operations for the Joint Staff, said Friday.

Since the U.S.-led coalition attack, the Houthis have fired one antiship ballistic missile but didn't hit anything, Sims said. The strikes hit 28 locations, officials said.

"My guess is that the Houthis are trying to figure things out on the ground and trying to determine what capabilities still exist for them," Sims said. "I would expect that they will attempt some sort of retaliation."

A battlefield assessment by the U.S. will likely take days, as the U.S. doesn't have troops or assets in Yemen as it does in Iraq and Syria. "The assessment is ongoing but initial indications are that our strikes



had good effects," said Air Force Maj. Gen. Pat Ryder, a Pentagon spokesman.

The Houthis said the U.S.-led forces had conducted 73 strikes that killed five and injured six militants, but that damage to their infrastructure was limited.

On Friday, tens of thousands of Yemenis filled San'a's Sabeen Square to protest the strikes.

The strikes came after months of Houthi attacks on international sea lanes, which forced global shippers to reroute around Africa to avoid passing through the Suez Canal. One of the largest strikes came on Tuesday during Secretary of State Antony Blinken's trip to the Middle East and after a warning by the U.S. that continued attacks would carry consequences.

While the Houthis have said they were targeting any Israeli-affiliated ship, many of the targeted ships have no clear connection to Israel or the war. Iran supports them with arms, munitions and intelligence, but says it doesn't control their actions.

On Friday, President Biden said, "We will make sure we respond to the Houthis if they continue this outrageous behavior." Asked if he had a message for Iran, Biden said, "I've already delivered the message to Iran."

The economic effects of the Houthi attacks are slowly growing and, for now, mainly affect-

ing Europe. Danish shipper A.P. Moller-Maersk has already rerouted its ships and Tesla said Friday it would halt production at its Berlin factory for two weeks as the Red Sea violence has hit its supply chains.

The strikes Friday "highlighted that the area is still far from providing a safe passage for international shipping," said Peter Sand, chief analyst at Norwegian shipping pricing company Xeneta. He said he expected diversions and extra costs to remain throughout January at least. "It will get worse before it gets better. But I think it's also fair to say that the endgame has begun," Sand said.

The Houthis' aggression has brought them to the forefront of a number of groups backed by Tehran, which have been increasingly active against Israeli and U.S. targets since Israel's invasion of Gaza. Some 23,700 Palestinians, mostly women and children, have been killed in Gaza since hostilities began, according to Palestinian health authorities. The figures don't distinguish between civilians and combatants. The conflict was sparked by a Hamas-led Oct. 7 attack on southern Israel, in which Israeli officials say militants killed 1,200 people, mostly civilians.

—Benoit Faucon, Saleh al-Batati and Nancy A. Youssef contributed to this article.

Watch a Video

Scan this code for a video on Yemen protests after strikes on Houthi targets.

WORLD NEWS

U.K. Boosts Military Assistance to Ukraine

Europe has increased support as additional American funding is held up in Congress

By Max Colchester and Isabel Coles

LONDON—The U.K. government pledged nearly \$3 billion in fresh military support for Ukraine on Friday, the latest example of Europe bolstering aid for the war-torn country as additional U.S. funding hangs in the balance amid deadlock in Congress.

British Prime Minister Rishi Sunak announced the £2.5 billion package, which is £200 million more than the U.K. pledged last year, during a trip to Kyiv. Britain also said it would sign a long-term security-cooperation agreement with Ukraine guaranteeing “swift and sustained” assistance to the country should it be attacked by Russia again. “I am here today with one

message: The U.K. will also not falter,” said Sunak. “We will stand with Ukraine, in their darkest hours.”

The agreement is a boost for Kyiv, which has struggled to maintain momentum among Western donors as the war approaches a third year with no obvious sign of quick resolution. After repelling Moscow’s assault on Kyiv and seizing back swaths of territory in 2022, Ukraine failed to score decisive victories on the battlefield last year. International attention has shifted to Israel’s war in Gaza and strikes in Yemen. Military and financial-aid packages worth over \$100 billion are blocked in the U.S. and the European Union amid political disputes.

“The announcement from the U.K. is welcome but it’s never going to be enough to replace the flows of assistance from the U.S.,” said Keir Giles, a senior-consulting fellow covering Russia and Eurasia at Chatham House, a London-based think tank. “It’s only a

minor uplift on what the U.K. was already providing.”

National Security Council spokesman John Kirby recently said Washington had issued the last drawdown package it had the funding to support. “The assistance that we provided has now ground to a halt,” he said Thursday.

Democratic and Republican lawmakers have less than two weeks to craft a new spending deal to avoid a partial government shutdown, while trying to approve more funds. Republican lawmakers are blocking more support to Ukraine, demanding changes to U.S. border policy.

Individual European governments are trying to step up as fears grow that cuts in funding could allow Russia to gain momentum on the battlefield. Germany, for instance, has doubled its military assistance for 2024 to €8 billion, the equivalent of \$8.78 billion.

Europe now provides more military assistance to Ukraine than the U.S., but the loss of American aid, and its intelli-



U.K. Prime Minister Sunak, left, and Ukraine’s President Zelensky headed to a Kyiv news briefing.

gence capability, would be a serious blow to Kyiv’s ability to battle Moscow, analysts say.

Europe provides some of Ukraine’s most successful military assistance including long-range missiles from the U.K. and France and various air-defense systems. But the size and breadth of U.S. support underpins the West’s efforts.

The U.S. accounted for about 44% of all foreign aid to Ukraine at the end of the third quarter in 2023, according to German-based researchers at the Kiel In-

stitute for the World Economy.

Ukrainian President Volodymyr Zelensky traveled to Baltic allies Latvia, Lithuania and Estonia this past week, warning that President Vladimir Putin could be emboldened by wavering support for the war effort. “He won’t finish this until we all finish him together,” Zelensky said.

Amid deadlock in Congress, the Pentagon’s inspector general released a report Thursday saying the U.S. military hadn’t properly tracked about \$1 bil-

lion in weapons sent to Ukraine. Oversight has improved since the start of Russia’s invasion nearly two years ago, but “significant personnel limitations and accountability challenges remain,” the report said.

EU assistance to Ukraine has also hit political troubles. Hungary’s Kremlin-friendly prime minister, Viktor Orban, blocked the latest EU package for Ukraine in December, worth more than \$50 billion, although EU leaders will meet on Feb. 1 to try to approve the aid.

West Explores Seizing Russian Assets to Help Kyiv

The U.S. and its partners are exploring ways to use some of the \$300 billion in frozen Russian central-bank reserves to back loans to

the outbreak of war in 2022, billions of dollars in Russian foreign-currency reserves, gold and government bonds were frozen across the U.S., Europe and Japan to ensure they weren’t used to fund its illegal invasion.

Pressed by the Biden administration, the Group of Seven democracies is exploring several ways to confiscate the frozen Russian funds to give to Ukraine, a move that would represent a significant escalation against the Kremlin and that is fraught with legal difficulties.

G-7 officials hope to present options in time for the second anniversary of the invasion in February. But it could take at least another

year before anything actually happens, some officials say. While the U.S. and the U.K. back the idea, other European partners, in particular Germany, worry that seizing Russian sovereign assets would dissuade countries from storing their wealth in the West for fear it might be taken.

Nonetheless, the political imperative of using Russian assets to help pay the massive costs of supporting Ukraine and helping it rebuild have become compelling, say European and U.S. officials. G-7 leaders have said Russia must pay for the cost of the war.

Ideas under discussion range from taxing the interest

payments the frozen assets generate to seizing the funds outright and transferring them to Ukraine, according to people familiar with the talks.

Another idea is using Russian government reserves as collateral for loans to Ukraine. Under this idea, which is still at an embryonic stage, lenders would receive the Russian assets if Ukraine defaults on the loan, potentially issued by an international financial institution such as the World Bank. That could create a financial incentive for Russia to avoid destroying Ukraine’s economy and its ability to pay back its debts, the thinking goes.

Washington’s push on con-

fiscating assets has caused tensions with Europe, including concern about the legality of the move, the precedent it sets and how it would work practically. Europe holds the vast bulk of the frozen Russian assets, roughly 180 billion euros, about \$197 billion, of them in Belgian clearinghouse Euroclear.

A point of contention is whether the West can seize Russian assets under international law. U.S. officials believe it would be legal, pointing to principles that allow those affected by a nation’s violation of key international norms to breach the protection that central-bank assets typically are guaranteed. Some senior European offi-

cial say they are skeptical. The U.S. and its allies aren’t at war with Russia, and Moscow didn’t amass its wealth through illicit means but mostly by selling oil and gas.

British Foreign Secretary David Cameron said recently that the legal arguments behind confiscating Russian assets are solid. “I am pushing hard on this. The world has changed. The arguments against are not as strong as people said, and there is a legal route,” he added.

In late December, the Kremlin said it has a list of U.S. and European assets in the country it would seize in a countermeasure.

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WORLD NEWS

World's Smallest League Keeps on Kicking



The Woolpack Wanderers, in black, and the Garrison Gunners, in red, pose for an Isles of Scilly Football League 2023-24 photo.

By GARETH VIPERS

On a wild and windy cluster of remote islands on the edge of the Atlantic Ocean, the world's most closely contested soccer competition is heating up. In the Isles of Scilly Football League, it's either first or last place. Nothing in between. Just 28 miles off the western tip of England, this small archipelago, officially part of the U.K., has a population of about 2,200 and boasts the smallest soccer league in the world. Each year the red team

and the black team face off 20 times a season, battling it out for the league trophy. "I'm a black this year," said Liam Kirkby, a part-time firefighter and part-time decorator who has lived on the Isles of Scilly his whole life and has been playing in the league since he was 16. "There's always a good rivalry between the teams but also a great atmosphere up there on a Sunday morning," he said. The big money names of Premier League giants Man-

chester City and Liverpool might be hundreds of miles away, but the passion for the game here runs deep. It takes a special kind of soccer fan to turn out on a potholed pitch in the middle of nowhere to play the same team for yet another grueling game week in, week out. The Woolpack Wanderers (black) and the Garrison Gunners (red) fight it out on Garrison Field every Sunday. Waterlogged pitches often can lead to games being called off, says Will Lethbridge, who was

born on St. Mary's, the largest of the five inhabited Scilly Isles, and moved back seven years ago after attending university on the mainland. "There's a pitch inspection before each game, but the referees are pretty lenient," he said. "We're very lucky to have a former semiprofessional ref, Paul, who runs the games for us. And the local schoolteacher Alan chips in too." Amenable match officials aside, organizers have found it increasingly difficult to field the two teams of 11 players.

"It's not uncommon for one of us to get in the car and rally around to drag people out of bed to make a team, especially if they've had a few beers the night before," Lethbridge said. A lack of players threatened to postpone a game in November. "Most of the lads are off on a boys' holiday in Tenerife," Lethbridge said. He ended up drafting some local schoolboys and the game went ahead. Each year two team captains pick their squads for the season. Just like on the school sports field, players are picked in turn until there are none left. But instead of the schoolyard, this ceremonial process is usually conducted in the local pub over pints. Players will switch from red to black for any given season depending on which captain picks them, and teams often have close ties. The Greenlaw family has been a regular fixture over the years, with brothers and cousins facing off against each other. The 2023-24 season has three of the four Greenlaw brothers running out for the red team. Organized soccer on the islands dates to around 1920, when there were several teams in the league, but demographics on the islands are changing. Heavily reliant on tourists, the islands have few opportunities for younger residents, says Lethbridge, who runs a holiday rental and works with the local tourist board. "There's no provision for education post-16 on the islands, and because of the employment opportunities and careers a lot of people move

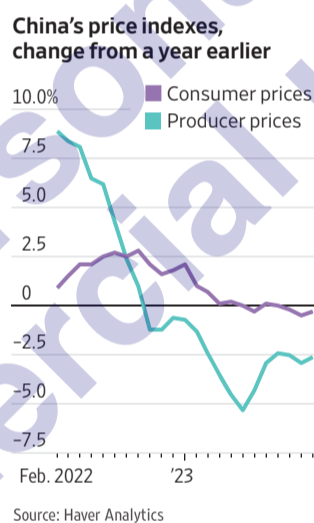
on to do bigger and better things in Cornwall and further a field," he said. The population of Scilly has decreased during the past decade, according to the U.K.'s Office for National Statistics. Between 2011 and 2021, the last period for which data is available, the population declined 6.8%, while the average age of a Scillonian resident reached 50, compared with about 40 for the country. While older players aren't unheard of at the amateur level, the oldest player to ever run out in the Premier League was 43. "It would be great to expand, but there just aren't enough people on Scilly over the winter to make it work," Lethbridge said. The population on the islands explodes during the summer months, where tourism accounts for some 85% of the local economy. Any given Sunday can see chefs, bakers and hotel workers lining up against coast guard crew and fishermen on the soccer pitch. The world's smallest league has still been known to draw more than its fair share of support. "We can get maybe 100 spectators some weeks," Lethbridge said. Despite being recognized by the Guinness World Records, things haven't gone to their heads. "We don't take ourselves too seriously," said Lethbridge. "It is very much Sunday league pub football. The local Scillonian Club always put on a platter of chips and sausages and we go and have a few pints after the match. Some have more than a few, but it's just a really lovely way to spend a Sunday."

Deflation In China Stirs Fears

Continued from Page One
distress in China, which could mean weaker sales for Western brands that do business there. It also augurs more efforts by Chinese companies to unload excess goods elsewhere, competing with Western companies and exacerbating trade tensions, which already are high. The European Union last fall accused China of flooding the market with cheap electric vehicles and launched an investigation into the role of state subsidies from China. Companies in other industries, including solar power, have raised similar concerns. "Persistent deflation or very low inflation in China could contribute to a higher trade surplus and more trade frictions with the rest of the world," said Adam Wolfe, emerging-markets economist at Absolute Strategy Research. All of that is adding urgency for Beijing to increase efforts to reverse falling prices and revive growth. One concern is that without more forceful stimulus, China's economy could fall into a debt-deflation spiral like

Japan did in the 1990s, when falling prices prompted companies to cut wages and consumers to hold off on purchases, creating a vicious cycle of even weaker demand and more deflation. "The size and speed of stimulus policy matters" in China, said Robin Xing, chief China economist at Morgan Stanley. "The longer the deflation stays, the bigger the stimulus measures it requires." The latest trade data, released by China's customs authority on Friday, underscored some of the risks. While the country's exports picked up some momentum in December, gaining 2.3% from a year earlier, imports were weak, a sign that Chinese consumers remain wary of spending. The data also showed just how bad 2023 was during the entire year, with Chinese exports falling 4.6% from a year earlier, down for the first time in seven years. Direct shipments to the U.S. fell for the first time since 2019, a reflection of weakened demand as the Federal Reserve raised interest rates, and more U.S. buyers sought other sources for Chinese products. China offset some of its lost trade by deepening ties with Russia, which is under sanctions from the West. Two-way trade with Russia hit a record of \$240 billion last year.

Goods shipped from China to Russia, including large numbers of gas-powered cars, surged 46.9% in 2023 from a year earlier, while China's imports from the country grew 12.7%. However, "as Chinese companies establish themselves within Russian markets, this elevated pace is unlikely to sustain through 2024," wrote economists from Nomura. Overall, China's trade surplus was \$823 billion for the year, down slightly from a record of \$878 billion in 2022. While analysts expect exports to become less of a drag on China's economy in 2024, as demand in other parts of the world stabilizes, they also don't expect them to serve as a pillar of growth as they did during the pandemic, and in earlier periods of China's boom. Global growth remains somewhat weak and geopolitical tensions are pushing Western companies to continue looking for alternatives to Chinese suppliers. "Gone is the era when China can count on exports to solve its economic problems," said Xing from Morgan Stanley. Policymakers need to find other ways to drive growth, Xing said, abandoning fiscal austerity and rebalancing the economy toward more consumption. Chinese leaders have been struggling to reignite domes-



tic demand for months, after a hoped-for rebound in economic activity following the lifting of Covid controls fizzled. Instead, Chinese consumers, spooked by a weak property market and high youth unemployment, are spending less and saving more. Nevertheless, China's central bank signaled last year that it believes deflation in the country is transitory. Despite repeated calls from economists for more aggressive steps to boost growth, Chinese policymakers have refrained from handing out cash or other forms of direct support for households that could increase consumer demand. Friday's data showed that the consumer-price index

dropped 0.3% last month from a year earlier, narrowing from a 0.5% drop in November, the country's national statistics bureau said. Stripping out volatile energy and food prices, core inflation was 0.6% last month. Many economists say they believe deflationary pressures will be hard to reverse. Wei Yao, chief Asia economist at Société Générale, predicted that while China's consumer inflation likely would rebound to 1% by the end of 2024, downward pressure on prices won't ease quickly. "In our view, deflationary pressure in China as a result of weak domestic demand could persist for quite some time," she said. For the full calendar year, consumer inflation reached 0.2% in 2023, far below the target of around 3% set by Beijing, and confounding predictions by some from a year ago that inflation would surge in China after senior leaders abandoned Covid-19 restrictions in late 2022. Producer prices, a gauge of wholesale prices charged at factory gates, dropped 2.7% on-year in December, compared with a 3% decline in November. The index has stayed in negative territory for 15 months in a row since October 2022. Lower oil prices and insufficient demand for some industrial products weighed on

producer prices, according to China's statistics bureau. Chinese officials have taken some steps to revive growth, such as trimming interest rates and extending tax breaks for private business owners. China in October issued an additional \$137 billion in sovereign debt to fund infrastructure projects. Despite those measures, recent data have suggested the economy has lost steam after a pickup in growth in the third quarter. Surveys have pointed to a contraction in activity at factories and in services, and new home sales have remained weak. Forecasts by global investment banks point to a growth rate ranging from 4% to 4.9% for China's economy this year—relatively high by global standards but a marked slowdown from earlier years. Many economists expect Beijing to maintain a slightly higher target of around 5%, which could signal more stimulus will be on the way. In a note to clients last month, Citi economists said China likely would cut policy rates from the second quarter this year because of deflation concerns. "There is no time for policy hesitation to prevent a potential vicious loop between deflation, confidence and activities," they wrote. —Xiao Xiao in Beijing contributed to this article.

TAIWAN Voters Cast Ballots For New President

Taiwanese voters headed to the polls on Saturday to choose a new president in a three-way race being closely watched in Washington and Beijing. President Tsai Ing-wen, a frequent target of Beijing's ire, is due to step down in May due to term limits after eight years in power. More than 19 million were eligible to cast their ballots. Final results weren't expected until Saturday evening at the earliest. The ruling party's candidate, Vice President Lai Ching-te, was facing two opposition challengers, both favoring a friendlier approach to China. Hou Yu-ih, a former top cop and incumbent mayor of New Taipei City, Taiwan's most populous city, led the Nationalist Party's presidential ticket. Ko Wen-je, a former doctor and former mayor of the capital, Taipei, rose as a serious challenger and a third-party candidate with his upstart Taiwan People's Party. —Joyu Wang

BELARUS Journalist on Trial For Protest Reports

A Belarusian journalist went on trial Friday on charges linked to his professional work covering protests, the latest move in a relentless government crackdown on dissent. Photojournalist Alyksandr Zyanou faces up to six years in prison if convicted on charges of "participation in an extremist group" at Minsk City Court. Such accusations have been widely used by authorities to target opposition members, civil society activists and independent journalists. Zyanou has been in custody since his arrest in June, and his health has deteriorated behind bars, according to the independent Belarusian Association of Journalists. A total of 33 Belarusian journalists are currently in prison. More than 1,400 political prisoners remain behind bars, including leaders of opposition parties and renowned human rights advocate and 2022 Nobel Peace Prize winner Ales Bialiatski. —Associated Press

WORLD WATCH



GEARS IN THE SAND: Team Audi's driver Carlos Sainz and co-driver Lucas Cruz, both Spaniards, sped across the vast dunes in Saudi Arabia on Friday during a segment of the Dakar Rally 2024.

OBITUARIES

NAOMI FEIL | 1932–2023

Gerontologist Transformed Dementia Care

By JAMES R. HAGERTY

Caregivers, struggling to help people with dementia, often see their role as offering scraps of reality—reminding people what year it is, for instance, or who is in the White House.

Naomi Feil had a different strategy. As a social worker in nursing homes, she resisted the impulse to yank disoriented people back to her reality. Instead, she sought to enter their realities and affirm their emotions. Rather than offering a cup of tea or chirping that everything would be fine, she helped her charges express their anger and sorrow—and found they often were more at ease afterward.

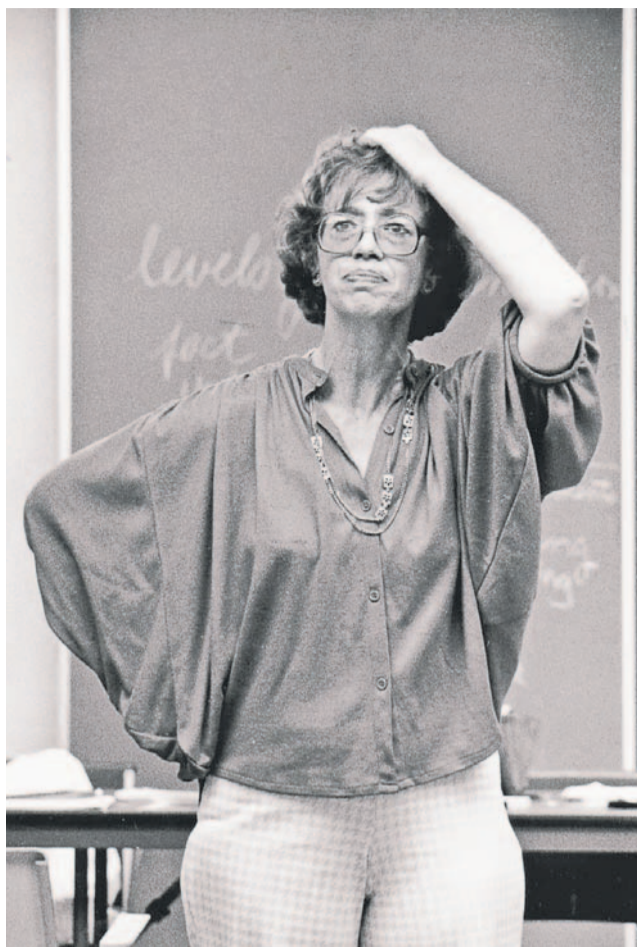
Feil died Dec. 24 at her home in Jasper, Ore. She was 91.

In the 1960s and 1970s, Feil devised what she called the validation method for dementia care. She wrote books, led workshops and established 24 validation-training centers in 14 countries.

Feil's ideas have become fundamental to what is now called person-centered dementia care, which focuses on discovering individual needs and preserving dignity rather than following standard routines, said Sam Fazio, a senior director of the Alzheimer's Association. In such care, he said, "You're meeting them in their reality versus expecting them to meet us in our reality when they are no longer able to do that."

Fleeing the Nazis

Much of Feil's insight reflected her own history. When she was 4 years old, her Jewish family fled Nazi Germany. They eventually settled in Cleveland, where her father was the adminis-



Naomi Feil said she disliked the word dementia. Pictured left at a workshop in 1979 and above in 2015.

trator of a nursing home, which doubled as living quarters for her family. Some of her earliest friends were very old people.

As a social worker in the 1960s and 1970s, she developed her methods through trial and error. While working at the home managed by her father, she met a retired lawyer who was always angry and claimed that Feil's father tortured him in the home's attic. Feil took the man up to the attic to show him it was no torture chamber. This reality check failed to calm the lawyer's rage. Later, she learned from a family member that, as a

boy, he had been locked in an attic by his own father as a punishment.

One day she joined him in cursing the shortcomings of fathers. It helped that she resented her own father's authoritarian ways. After venting, they both felt better.

Another resident was always telling people to shut up. Feil decided to give him the role he seemed to crave. At the end of group therapy meetings, he was asked to close the proceedings by ordering everyone to shut up.

Odd or disruptive behavior, she found, often reflected repressed and unresolved anger or other

emotions. "I grew up in a home, so I know how mean old people can be," Feil said during a 1993 workshop described by the Cleveland Plain Dealer. "The old lady isn't really yelling at you; you remind her of someone from long ago. She's trying to resolve some unfinished business from the past at this final stage in her life."

No lies

She opposed the idea of telling comforting lies. Lies could be detected, even by those who seemed most deluded, and that would destroy trust. When an old woman said she needed to see her mother right away, Feil wouldn't point out that her mother was dead. Nor would she promise that the mother would visit soon. In-

stead, she would talk about it: "You really need to see your mother! What would you like to tell her?"

"You don't argue, you don't lie," she said in a TEDx talk. "You listen with empathy and you rephrase."

She disliked the word dementia, implying that people were out of their minds. "To say they have lost their minds is really looking down on people," she said.

Gisela Noemi Weil, later known as Naomi, was born on July 22, 1932, in Munich.

Her father left Germany first. When she, her sister and her mother were preparing to join him in the U.S., she recalled, Roman Catholic nuns helped by letting them hide in a basement until they could arrange to escape on a night train. After several years in the Bronx, the

Weils moved to Cleveland.

After high school, she studied briefly at Oberlin College, traveled in Europe and moved to New York, where she earned a master's degree in social work at Columbia University. An early marriage, which ended in divorce, produced two daughters. Feil took acting classes, performed in off-Broadway productions and aspired to a career in the theater. She gave that up in 1962 to move back to Cleveland, where she worked in the nursing home run by her father.

Her work was with the troublemakers other staff members avoided. "These were the blamers, the martyrs, the moaners, the wanderers, the yellers, the pacers, the pounders whom nobody wanted," she wrote in one of her books, "The Validation Breakthrough."

Sometimes nursing assistants tied people to their chairs so they wouldn't wander off and make trouble. When she tried to engage with these misfits, a nursing assistant scolded her.

Feil persisted and gradually learned from her encounters. "I learned not to contradict, patronize, argue, or try to use logic or give insight," she wrote. Instead, she made clear she was listening. If a person imagined the nurses were stealing her jewelry, Feil might say, "You loved that necklace, didn't you. Who gave it to you?" She could share the emotion and then explore deeper.

In 1963, she married Edward Feil, a maker of documentary films. They had two sons. Naomi Feil appeared in many of her husband's films, including "The Inner World of Aphasia." He died in 2021.

More stories at [WSJ.com/obituaries](https://www.wsj.com/obituaries)

FROM PAGE ONE

In Man vs. Rat, Rats Often Win

Continued from Page One
on-car B & Es rose in the pandemic, which reduced driving, a pattern that persisted.

But skyrocketing now is the wild world of remedies being touted to confound drivers, especially now in wintry weather when your stationary sedan can become a flop house for va-

grant varmints. "Help. I have rats in my car and they are destroying everything," said a December Reddit post, one of many like it, that drew more than 150 replies, including tips to stick bars of Irish Spring soap in the cabin, center console and trunk; "pee next to the car"; spray ammonia near the wheels; place dryer sheets under the hood and seats, or just give up and take the nuclear option:

"In a few weeks your best option will likely be to set the car on fire and claim insurance," said one suggestion. Arizona photographic artist



A rat scampers across a sidewalk in the snow in Manhattan in 2019.

Steve Love suspects a chipmunk snacked through about \$700 of wiring in his dad's Ford Explorer in November.

Before that, a rabbit, he suspects, nearly chomped through battery cables and some blinker wiring on the same car. Love, 59, investigated purported deterrents, including a motion-sensor strobe light, but instead he settled on a simpler fix.

He props the vehicle hood open every night and secures it with a bungee cord to keep the wind from closing it.

The idea? Deprive critters a cozy getaway.

"That way," he reasons, "the rodent won't feel safe in the engine compartment."

The insurance industry is estimated to have paid out in more than 91,700 car-damage claims caused by rodents, squirrels, and rabbits nationally between July 1, 2022 and June 30, 2023, according to a recent analysis by State Farm.

After a recent relaxing night on a Hawaii beach, Davarus Shores jumped into his 2003 gold Infiniti to return home to Honolulu—only to have the car quickly die.

Shores, who is 31 and works in the medical profession, got it towed roughly 40

miles, and mechanics handed him a \$2,000 bill and a dead rat. The rodent had entered his engine and nibbled through wiring.

"Poor little rat was just trying to find somewhere to chill that night," Shores figures.

To prevent incursions, car owners also slather on hot sauce so thick it drips from car wires, or wrap aluminum foil around the bottom of vehicles, under the theory it's too slippery for rats to scale.

One can buy shields and pastes that promise to make rodents turn tail and run, or invest in ultrasonic pest alarms. An online car forum mentions witchcraft: "Burn rodent bones and chant Druid expulsion alms."

Will any of it work? Well, in the classic "Tom and Jerry" cartoons, Jerry the mouse usually outwitted Tom.

If rats take a liking to your car, you are Tom.

Spraying engines with peppermint might deter some rodents, at least temporarily. Or it might not faze them, according to Jason Munshi-South, an evolutionary biologist and professor of biology at Fordham University.

Garlic oil? White Pepper? Pine-Sol? Sorry. Same thing, he says. The word rodent evolved from the Latin *rodere*, to gnaw.

"And so they're constantly gnawing on things, and that's the reason they gnaw car wires," the professor explains.

In some cases, the idea that certain smells or flavors are turnoffs stems from lab tests.

Given a choice, rats in captivity might avoid scented objects, says Munshi-South, but that doesn't necessarily mean rodents in real-world situations will do so.

Love, the Arizona artist, suspects there is some truth to the unproven but popular theory that rodents nosh on cars more as automakers switch to soy-based products to insulate wires.

In legal cases, automakers have argued rodent behavior is essentially an act of God.

AAA has suggested rodents might find modern vehicles appealing because of all the wiring from sensors, computers and increased technology.

In New York, Marion's first rat attack came in late 2022,



Tom Marion, a New York theater professor, with his car in East Harlem this month.

when he was parking his 2015 Toyota Prius C in an open-air lot in his East Harlem neighborhood. After rats chewed through wires, the car had to be towed to a garage.

Marion's insurance footed the roughly \$1,000 bill.

He chalked it up to bad luck, but when it happened again soon after, he started dousing the car nightly with garlic-scented rodent repellent and "really smelly" peppermint oil.

After each drive, he covered his engine with stainless steel wool, yet another rumored rodent barrier.

A few weeks later, his car died again, and Marion discovered a rat, unharmed and squeaking angrily, under the hood. He had to chase it off.

Next, Marion ditched the parking lot for open spots on the street, sometimes as far as a mile away.

He still diligently applied rodent repellents nightly. But two weeks later, his car died as he crossed a bridge into Queens.

It cost his insurance company another \$1,200.

In a remove-the-cheese strategy, he sold his Prius and bought a hybrid Ford Escape. Coincidence or not, he says he hasn't had an incident since.

But he can't relax. He avoids parking near trash cans and never parks in consecutive spots.

A rat might case his car, plotting for a break-in, but "by the time they come back, I'm gone," he says. "I'm never in the same place. I am all around."

JIM VALVANO
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photo by Roger Winstad

FROM PAGE ONE

Where Haley, DeSantis Can Find Support

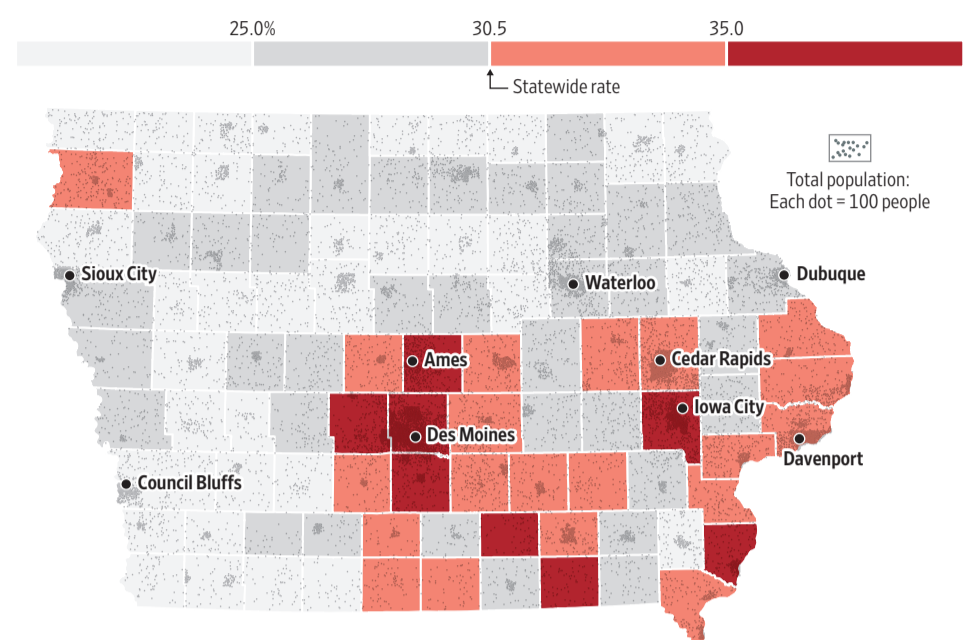
Trump is polling far ahead of GOP rivals in the Iowa caucuses, but pockets of possible strength await Republican challengers

BY MAX RUST AND PAUL OVERBERG

With the Iowa caucuses days away, Republican presidential hopefuls are making their closing arguments in the state, where former President Donald Trump is polling at roughly 50%, according to the FiveThirtyEight average.

That puts him well ahead of Florida Gov. Ron DeSantis and former United Nations Ambassador Nikki Haley in the contest, in which likely less than half of all Iowa Republicans will participate. Despite Trump's lead, his rivals could find pockets of support from voters across the Hawkeye State.

Estimated turnout in the 2016 Republican caucuses as a percentage of registered Republicans

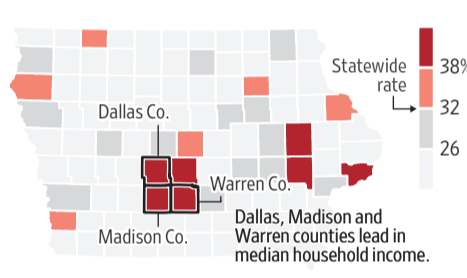


Note: Demographic data based on registered Republican voters. Some data are estimates modeled on other known characteristics. Sources: L2, a nonpartisan voter file vendor; Dave Leip's Atlas of U.S. Presidential Elections (2016 turnout); Iowa secretary of state (voter registration); Association of Religion Data Archives (evangelicals)

Wealthier Republicans

A WSJ poll in December of Republican voters nationwide showed Haley performing best among households earning more than \$100,000 compared with lower-income voters. With Trump enjoying his biggest support among lower-income voters, according to polls, Haley or DeSantis could make inroads in more-affluent places in and around the Des Moines metro area.

Republicans with income higher than \$100,000 as a share of all registered Republicans



Rural Vote Is Key For Trump

Continued from Page One

91 criminal charges related to everything from his handling of classified documents to efforts to overturn the 2020 presidential election. And he led his party to election losses in 2018, 2020 and 2022.

In Hancock County, none of that matters to many GOP voters. The fact that so many damning allegations against Trump have been aired is a strength, they say, because it suggests he's unlikely to be derailed by a new tarnishing revelation. Many GOP voters here think Trump is most likely to achieve their ultimate goal—defeating President Biden—because he is a proven commodity and ties or beats the incumbent in general election polls.

The Coke effect

"His track record speaks for itself and I think we need him back to get the economy fixed," said Osmund "Bud" Jermeland, a 65-year-old farm equipment sales manager who is the county's GOP chairman. "There's going to be a pretty strong Trump turnout in this county." Picking Trump, in Jermeland's view, is like drinking Coca-Cola. You might give another soda a try, in the way voters early last year showed interest in Florida Gov. Ron DeSantis after his 2022 landslide re-election victory. But at the end of the day, if you like Coke, you stick with Coke.

Jermeland, whose leadership role calls for him to remain neutral in the contest, said DeSantis and former South Carolina Gov. Nikki Haley are considered "members of the Republican establishment" and not as trusted as Trump to govern as an outsider.

The most recent Wall Street Journal poll showed Trump had the support of 71% of rural Republican primary voters, well above his backing of 59% among all GOP primary voters. One reason is that rural America has a higher concentration of non-college-educated white voters, a demographic that Trump helped pull into the Republican Party when he first sought the presidency in 2016. Rural areas are also aging faster than the rest of the U.S., and Trump outperformed his last two Democratic opponents among Americans

age 65 and older.

Trump won in 2016 despite garnering nearly 3 million fewer votes than Hillary Clinton, in part because he won less-populous states that the Electoral College gives a disproportionate say to in presidential elections. He secured close to two-thirds of the rural vote nationwide—about a fifth of the electorate—that year and in his 2020 election loss.

His hold on rural voters could help decide who wins the general election and margins could matter. If Democrats keep Trump from racking up the gains he had in rural America in 2016 and 2020, it could undermine his ability to carry battlegrounds like Wisconsin, Michigan and Pennsylvania.

His strength with rural voters hasn't been replicated among the centrist suburban voters who decide general elections, which is why Haley still makes the case she'd be the better candidate in November and why Democrats still have hope Biden can win another term despite poor poll numbers.

In Hancock County, a north-central Iowa enclave where grain elevators are the tallest structures on the horizon, voters were once skeptical of Trump, a thrice-married Manhattanite with virtually no rural life experience. Eight years ago, Sen. Ted Cruz of Texas scored his largest vote share in Hancock among the state's 99 counties, while also recording the biggest gap between his share and Trump's, 45% to 19%.

Business appeal

Trump went on to win 71% of the county's general election vote in 2020. Residents say farmers and small-business owners strongly relate to Trump's business background. They also think the former president's wealth allows him to fight the establishment and Washington better than his rivals.

"We respond to Trump because he has had to make payroll and build businesses," said John Golnick, a 70-year-old resident who has worked as a truck driver and in other jobs. "It takes risk, a lot of nerve and a lot of work."

Golnick, who plans to back Trump at the caucuses, said he



CHELSEA ORR FOR THE WALL STREET JOURNAL (3)



thinks all of the investigations the former president faces are fake. "He's been investigated in so many different ways, if there was something damaging they would have found it four or five years ago," he said.

Republican Damon Quandt, a 31-year-old bank lending officer, had initially planned to back someone other than Trump in the caucuses—perhaps DeSantis—because there are aspects of Trump's personality he doesn't like.

He now expects to vote for Trump, in part because at some point, he said, DeSantis stopped looking like he could win.

"I can like enough of him to get on board to help make sure the next president can be a Republican," he said.

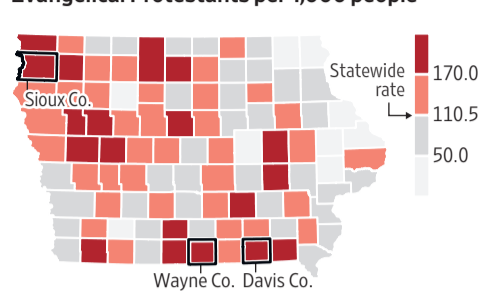
Unlike many Republicans interviewed in the county, Quandt thinks Trump lost the 2020 election. But he doesn't believe polls that show Haley is the strongest GOP candidate against Biden because he thinks potential Democratic attacks against her have yet to surface. "Everything about Trump is already out there and

With polls pointing to a close race for second place, DeSantis is betting heavily on a strong performance in Iowa to preserve his viability. A bright spot for him in the December Des Moines Register/NBC News/Mediacom Iowa Poll was his somewhat stronger support among evangelicals: 26% compared with 19% among all likely caucus-goers. If he is to build support with those voters, it could come from places such as Sioux County, which has the state's second-highest share of evangelical Protestants, according to the 2020 U.S. Religion Census from the Association of Religion Data Archives.

Trump underperformed in Sioux County in the 2016 caucuses. DeSantis might also perform well in smaller evangelical strongholds on the state's southern border, including Davis

Evangelical Protestants

Evangelical Protestants per 1,000 people



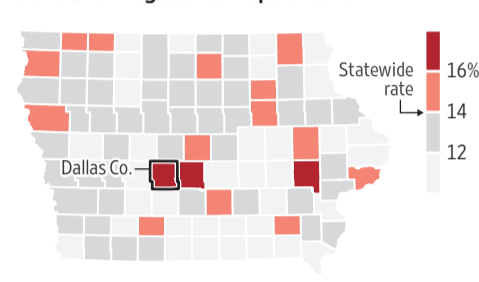
and Wayne counties, where the evangelical-adherence rate has increased significantly during the past decade compared with other parts of the state.

College-educated women

Trump has support among 39% of college-educated Republicans in the state, but 30% of white women with a college degree, according to the December Iowa Poll.

That could give Haley an opening in places such as Dallas County, where 19% of all Republicans are women with a college degree, the highest rate in Iowa. Overall, college-educated women as a share of women aged 25 and older in this growing suburban county have increased by more than 10 percentage points in a decade—the second-highest rate of increase among Iowa's 99 counties.

Republican women with a college degree as a share of all registered Republicans

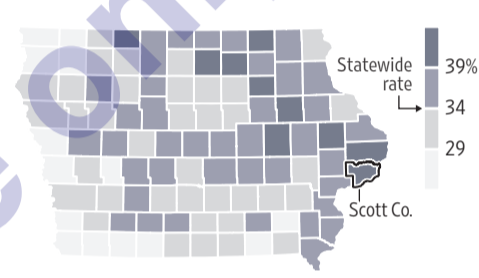


Independents

Haley also appears to be relatively popular with independent voters, 23% of whom say she is their first choice, compared with 16% of likely caucus-goers who say so, according to the Iowa Poll.

Registered independent voters can't participate in the Republican caucuses but may register as Republicans on caucus day. If party-switching is to have an impact, Haley might look to the east, specifically the Davenport area of Scott County, where Trump had one of his weaker performances in the 2016 caucuses and where he lost in both the 2016 and 2020 general election.

Registered nonpartisan voters as a percentage of all registered voters



greenhouse gas would be sequestered underground.

Alan Bush, a 64-year-old loan officer for a local bank, said he thinks Ramaswamy will pick up some support in the county because he's expressed vocal opposition to the pipeline, unlike other candidates in the race. Bush, however, plans to caucus for Trump.

"He doesn't owe anyone favors and he's proven himself," he said. "I believe the man absolutely loves this country and wants to do right by it."

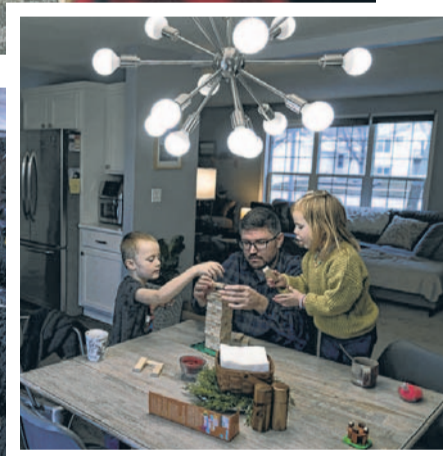
Likely participants in the state's GOP caucuses view Trump as the best Republican candidate to handle the economy, with more than two-thirds saying in an Iowa Poll in December that he would do the best job on that key topic.

Florence "Sis" Greiman, a 60-year-old farmer and county commissioner, said she is leaning toward supporting Trump. "He did a lot of good things for farmers and rural people," Greiman said, highlighting Trump's actions on trade, his efforts to push for deregulation and lower agricultural input costs during his tenure.

Other business leaders see a president whose economic policies had unintended consequences. Dave Zrostlik, the president of a company that builds service trucks, said Trump's tariffs immediately jacked up the cost of the raw steel his company relies on and made it harder to compete with European firms. Zrostlik, whose company employs more than 500 people in the county, said he is leaning toward supporting Haley instead of Trump because he's "not a big fan of the person that he has become."

Cindy Wacker, a 51-year-old who has home-schooled her four children and lives south of Garner, said she didn't trust Trump enough to support him in 2016 but gave him her vote in 2020. She wouldn't be disappointed if Trump won the nomination, based on his border policies and appointment of conservative justices who helped overturn Roe v. Wade, ending the constitutional right to an abortion.

Still, she said she can't bring herself to back Trump and would prefer to see DeSantis as the nominee. "DeSantis does a lot of the things Trump talks about, but without all the drama," she said. "Trump has plenty of support, so I figure I will vote for my favorite."



Hancock County officials, top. Damon Quandt, above, and Florence Greiman, left, expect to vote for Trump.

he's still leading," Quandt said. Hancock County hasn't backed a Democrat in a presidential election since Bill Clinton in 1996. Republicans outnumber Democrats more than three to one, state data shows.

The county is less educated than Iowa as a whole, with census data showing just one in five of those age 25 and older having a bachelor's degree or higher, compared with about one in three for the state overall and 38% nationally. Its median age is 44, compared with 39 for both Iowa and the nation. Roughly nine in 10 residents are non-Hispanic white.

The evangelical vote

Most of those interviewed in the county, which has a higher share of evangelicals than the statewide average, said they don't like Trump's personality and proclivity for name calling. But they also talk about Christian forgiveness when asked about his mistakes before and after he was president.

"Many Christians in the community are upset and frustrated

with some of Trump's personal choices, either in his speech or in his lifestyle choices," said Brian Lund, a 42-year-old pastor at the Zion Evangelical & Reformed Church. "Others are willing to overlook those."

Lund, who declined to say whom he will support in the caucuses, said he thinks Trump has such strength in the area because people think the former president's wealth allows him to take on the establishment and Washington.

Some of Trump's challengers have tried to win over voters here by championing local issues. Vivek Ramaswamy, the biotech entrepreneur who has campaigned extensively in Iowa as part of his long-shot bid, has been to Hancock County at least twice.

In a late December visit, Ramaswamy opposed the use of eminent domain for a proposed pipeline that would cross the county, a project that's unpopular with many farmers. It would transport carbon-dioxide emissions from ethanol and other plants, liquefied under pressure, to sites where the

OPINION

THE WEEKEND INTERVIEW with Steve Stalinsky and Yigal Carmon | By Elliot Kaufman

When Terrorists Talk, They Listen

Yigal Carmon is one of the few Israelis who can claim to have predicted this war. His Aug. 31 article "Signs of Possible War in September-October" cited provocations by Hezbollah, escalating violence in the West Bank and threats from Hamas as evidence of regional coordination for something big. "Israel will likely be compelled to undertake a large-scale response," he wrote, "even at the cost of an all-out war."

Some details were off, but Mr. Carmon says anyone paying attention would have seen the writing on the wall. "They said it all. They said everything," Mr. Carmon, a former Israeli intelligence officer and counterterrorism adviser to two prime ministers, says in a phone interview from Jerusalem. As president and a co-founder of Memri, the Middle East Media Research Institute, he had publicized Hamas's videos advertising its drills for an invasion of Israel, as well as its claims that total war was coming.

But Hamas is always threatening war, and most of the time it comes to naught. "If they publish it many times, then you can ignore it?" he asks in response to the point. "I say just the opposite. If they publish it many times, it suggests they mean it and you cannot ignore it. You must take it seriously."

The Middle East Media Research Institute fights Hamas by telling the world what its leaders are saying.

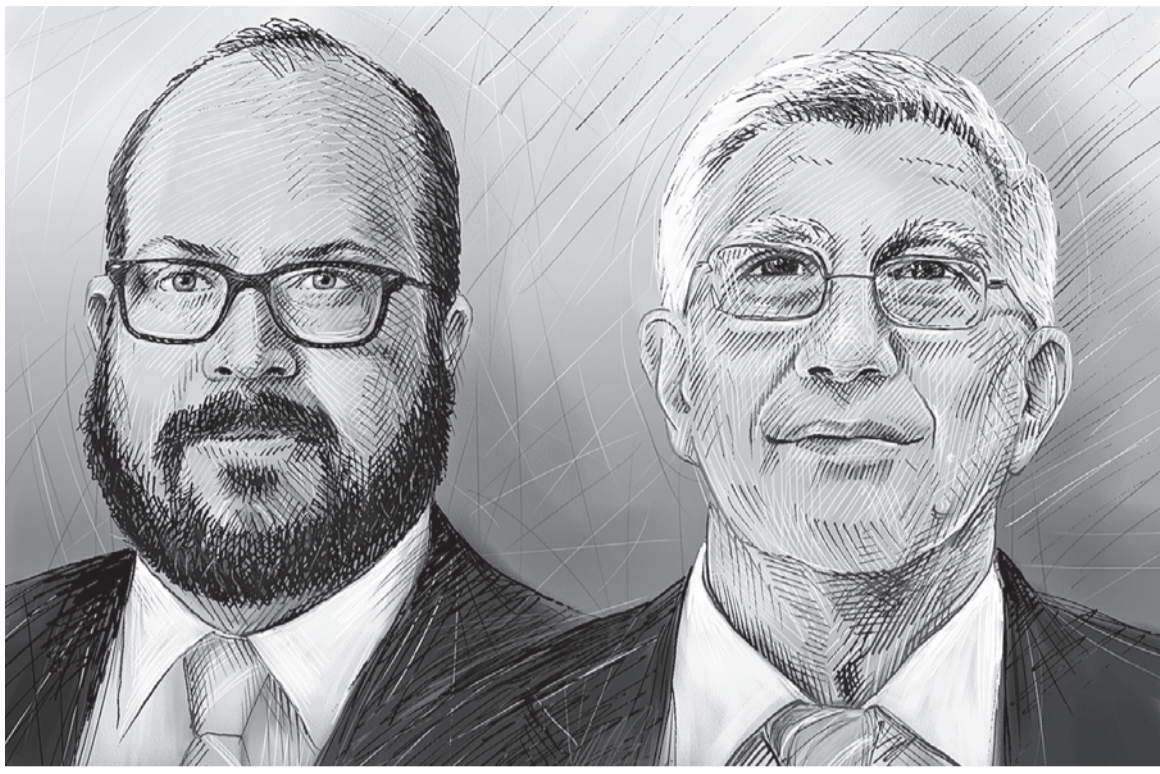
Unfortunately, the tendency of sophisticated observers is to play down what terrorists say they believe. In a phone interview from Washington, Steve Stalinsky, Memri's executive director, points out that in all the coverage of the war, "we have heard almost nothing about the Hamas ideology. Yeah, sure, sometimes you hear about the Hamas Covenant"—the group's charter, which spells out its genocidal intentions—"but that's it, and no one even prints it."

Memri prints it, and publishes video compilations of Hamas leaders stating their movement's goal: to build an Islamic caliphate stretching from Palestine across the region and the world. That sounds more like international jihad than Palestinian nationalism.

Headquartered in Washington, Memri monitors and translates TV broadcasts, newspapers, sermons, social-media posts, textbooks and official statements in Arabic, Farsi and several other languages. The work may be drudgery, but it yields a steady stream of articles and viral video clips that condemn the region's tyrants, terrorists and two-faced intellectuals with their own words.

Memri also documents Gazans' indoctrination from childhood into a religious ideology that puts them on a war footing. "Their textbooks are our life," Mr. Carmon says, "but no one paid attention." Instead, Israeli leaders were convinced that Qatari money and past beatings would deter Hamas.

Mr. Carmon directs me to a recent article in which he writes, "Any Arab who hears American officials say that Qatar is America's ally would burst into laughter—



Steve Stalinsky and Yigal Carmon

those clueless Americans, who don't even know that Qatar is spitting in their face with wild anti-U.S. incitement 24/7 . . . because they only watch the deceptive Al-Jazeera TV in English." On the Arabic-language channel, he says, Qatari-owned Al Jazeera "is the megaphone of Hamas like it was the megaphone of al Qaeda. Every speech, every statement—everything is aired several times until everybody gets it."

The article faults the Biden administration for "pleading with Qatar" instead of threatening it: "Just one comment by the U.S. administration that it is considering relocating Al Udeid Air Base from Qatar (without which Qatar will cease to exist within a week) to the UAE will set the Qataris running to bring all the American hostages back home." Instead, while hostage negotiations stall, the U.S. has quietly agreed to extend its presence at the Qatari base for another decade, according to a Jan. 2 CNN report. Mr. Carmon seems mystified by U.S. weakness. "Since when do experienced American officials conduct negotiations without power pressure on the side?"

On so many issues, Mr. Stalinsky is surprised simply that policy makers have been surprised. "We translate the Houthis too," he says. The Iran-backed Yemeni rebels "have been promising, in case a war ever happened, to do exactly what they're doing now"—attack Israel, U.S. forces and international shipping. Yet the Biden administration took months to formulate a response, even as most global shipping has been forced to avoid the Suez Canal.

With some 70 employees and a clunky website, Memri has had an outside influence on the post-Oct. 7 conversation. Take the trendy calls for a cease-fire, which is the key to a Hamas victory. Memri's translations have furnished supporters of Israel with a knockdown reply: What good is a cease-fire when Hamas pledges to repeat its Oct. 7 massacre "again and again"?

That quote is from Ghazi Hamad, a Hamas politburo member, in an Oct. 24 appearance on Lebanese television. We know about it because Memri was watching. "We will do this again and again," Mr. Hamad says in Arabic. "The Al Aqsa Flood"—Hamas's

name for the Oct. 7 operation—"is just the first time, and there will be a second, a third, a fourth."

Hamas terrorists are open about their intentions, Mr. Stalinsky says, "but they aren't broadcasting it to the West." When he wants, Mr. Hamad poses as a humanitarian, lately praising Canada, Australia and New Zealand in English for supporting a cease-fire. Messrs. Carmon and Stalinsky try to "bridge the language gap" to inform the West.

Every so often, it works. Memri's translation of Mr. Hamad's remarks has been quoted repeatedly by Secretary of State Antony Blinken, National Security Council spokesman John Kirby and other senior U.S. officials under pressure from the left to give Hamas what it wants.

The message has staying power. In a Dec. 26 op-ed in these pages, Prime Minister Benjamin Netanyahu cited the Hamas bigwig's remarks as his first proof of why Hamas must be destroyed. Israel then played the video clip of Mr. Hamad—with Memri logo intact—during its opening statement rebutting false allegations at the International Court of Justice on Friday. Even Sen. Bernie Sanders has resisted calls for a full cease-fire on grounds that Hamas wants "permanent war."

Anything that reminds the West of Hamas's aims is good for Israel, but Memri doesn't see its job as doing public relations for the Jewish state. "The PR efforts to show Israel in a positive way have mostly been a failure," Mr. Stalinsky says, regarding the younger generation. Perhaps there's a role for celebrating Israel's progressive features, or for TikTok videos of dancing female soldiers, but Memri doesn't bother with any of that. It does research to expose Israel's enemies for what they are.

An Oct. 8 Memri TV clip shows Hamas leader Ali Baraka explaining how Israel was fooled: "We made them think that Hamas was busy with governing Gaza, and that it wanted to focus on the 2.5 million Palestinians."

An Oct. 19 clip has Hamas leader Khaled Mashal shrugging off the suffering Hamas has brought on Gazan civilians. "Nations are not easily liberated," he says. "The Al-

gerian people sacrificed six million martyrs." Hamas would gladly follow that example.

In an Oct. 30 video, Mousa Abu Marzouk, another senior Hamas leader, says unabashedly that Hamas's tunnels are for protecting its fighters, not Gazan civilians: "It is the responsibility of the United Nations to protect them."

Most recently, Memri has Hamas politburo chief Ismail Haniyeh declaring on Jan. 9, in a speech aired on Al Jazeera: "We should hold on to the victory that took place on Oct. 7 and build upon it." To the West, Mr. Haniyeh demands an end to the war and even gestures at a two-state solution, but to the Arab masses he says "the time has come for the jihad of the swords." To these videos, Memri adds only captioned translations, so that viewers draw conclusions for themselves.

One of Memri's earliest successes came with Yasser Arafat. By 2002 the Palestinian terrorist leader was used to being feted as a statesman. In a "60 Minutes" interview, however, Arafat was flummoxed when Mike Wallace quoted Memri's translations of his Arabic speeches: " 'Millions of holy warriors are on their way to Jerusalem. Jihad! Jihad! Jihad!' . . . What does that mean?"

Arafat "got Memri'd," as Mr. Stalinsky puts it. "People still get Memri'd to this day," he says—including Arafat's successor. A month before the war, Memri published a video of Mahmoud Abbas, president of the Palestinian Authority. Lecturing in Arabic to his Fatah Revolutionary Council, Mr. Abbas spouts a remarkable variety of conspiracy theories about the Jews, culminating in a denial that Hitler was antisemitic. "At least once a year we catch him saying stuff like that," Mr. Stalinsky says, but this time the moment was ripe. The video made international headlines, elicited a U.S. condemnation and dashed at last Mr. Abbas's reputation as a moderate.

Now, when the issue of the "day after" Hamas is on the lips of U.S. leaders, it is taken for granted that the Palestinian Authority is unfit to take over in its present configuration. Mr. Netanyahu says that he won't allow Gaza to go from "Hamas-stan" to "Fatah-stan," and the Biden administration has be-

come willing to meet him halfway. Mr. Blinken calls for a "revitalized" Palestinian Authority. U.S. officials are quoted looking for "new blood."

If the administration tries to hoist one of Mr. Abbas's Fatah colleagues as the man to run Gaza, expect a clip from Memri's archive, 11,000-strong, to alter the debate. "The others are extremists too," Mr. Stalinsky says. "They're totally antisemitic and often supportive of jihad."

That isn't even the main problem, Mr. Carmon argues. "The PA as a body is corrupt to its toes. No one respects them," he says. "Abbas says, 'I won't come to Gaza on the back of an Israeli tank,' and that's a good line. But Fatah won't come anyway because they would be slaughtered." Hamas, their fellow Palestinians, would kill them.

Memri's work also looks at America, where Mr. Stalinsky says "something has changed." Speaking in Arabic, many American Muslim radicals are "openly supportive of Hamas and the Oct. 7 attack. They're bolder about it now."

Most of Memri's American translations are of imams and scholars who are obscure to the larger public. But one that shook the White House was of Nihad Awad, executive director of the Council on American-Islamic Relations, which styles itself a mainstream, well-connected Muslim advocacy group. Mr. Awad was caught celebrating the Oct. 7 attack as an act of Gazan liberation and "self-defense." President Biden had to remove CAIR as a partner in the White House's Strategy to Counter Antisemitism.

"Awad wasn't expecting that anyone would be paying attention to his video outside the intended audience," Mr. Stalinsky says. He was speaking at a convention of American Muslims for Palestine, an organizer of anti-Israel rallies across America with its own record of extremism. Nobody objected to Mr. Awad's remarks until Memri exposed them two weeks later.

The video revealed how the anti-Israel movement talks to itself. But lately it isn't so subtle, with pro-Hamas protests in U.S. streets. "There is an element of trying to intimidate the Jewish community," Mr. Stalinsky observes, "going to kosher restaurants, community centers, Hanukkah celebrations, harassing Jewish students." Efforts to disrupt Thanksgiving and Christmas celebrations, and to block roads, bridges and tunnels, also suggest a new willingness to push around the American majority.

All of this is escalating with a backdrop of rising danger from terrorist groups, Mr. Stalinsky says. "Hamas has all of a sudden become the king of the jihadis around the world," who are energized and looking to "jump on the bandwagon," he says. "We've monitored it since the beginning of jihadis going online, and there have never been so many open threats to the U.S.—explicit threats."

Mr. Stalinsky worries we're at the start of another cycle: "People pay attention, then they don't want to pay attention, and then they have to pay attention" when something terrible happens. "Because it always comes back to the Middle East."

Mr. Kaufman is the Journal's letters editor.

Why No One Goes Out to Eat in D.C. Anymore



CROSS COUNTRY By Michael Saltzman and Rebekah Paxton

Appétit declared that Washington was "having a moment," with some restaurants so popular that patrons would wait an hour to get a bite. But that was then. Rising crime and last year's mandated increase in tipped wages have restaurateurs lining up to leave town.

In a December social-media post announcing the closing of Pursuit, a 10-year-old wine bar and restaurant, owner Adam Kelinsky said doing business in the city "is no longer sustainable." Aaron McGovern and Arturas Vorobjov shuttered both Washington locations of their seafood restaurant Brine in November, saying that the combined effects of

the pandemic, the sputtering economy and "the spike in violent crime" had made it "impossible to survive." Others focus on the second-order consequences of crime: With homicides in Washington up 35% in 2023 and car thefts up 82%, restaurant operators report that people are choosing to eat elsewhere.

Perhaps the sharpest blow was the December announcement that two of Washington's major-league sports teams—the Wizards of the National Basketball Association and the Capitals of the National Hockey League—plan to leave for a more business-friendly environment in Alexandria, Va. The teams currently play at the Capital One Arena in Chinatown, where a once-vibrant restaurant scene catered to sports fans and concertgoers. The area has been plagued in recent years by robberies and shootings. Things got so bad that Ted Leonsis, owner of both teams, was forced to hire off-duty police to keep visitors to the arena safe.

Falling foot traffic would be bad enough on its own, but Washington's restaurants have simultaneously faced a sharp rise in labor costs. In November 2022 the city's liberal

voter base overwhelmingly approved Initiative 82, a ballot measure to more than triple the base wage for tipped restaurant workers. Tipped workers in most states can be paid a lower base wage, with their tips bringing them up to minimum wage or more—often two to three times the required minimum. Initiative 82,

Misguided public policy has led to fear on the streets and surcharges on restaurant bills.

which eliminated this system, was opposed by tipped workers who worried that it would destroy an industry that worked well for them.

It looks as if they were right. According to Federal Reserve data, full-service restaurant employment in Washington grew roughly 17% in the year before the tipping changes took effect. Since Initiative 82 came into force in May 2023, employment has fallen 4%. This is just the start: The tipped wage will continue to rise for

the next three years, when it meets the regular minimum wage that is increased every year for inflation. An April survey published by the Employment Policies Institute of more than 100 local restaurants in D.C. found that most planned to lay off workers. Half planned to expand into lower-cost states such as Maryland or Virginia, and nearly 1 in 3 planned to close locations.

To offset costs, hundreds of restaurants have opted to add fees or other surcharges to customer checks. Diners are responding the way you'd expect: A National Restaurant Association poll of nearly 1,000 D.C.-area adults found more than half are dining out less because of higher prices. Some said they're choosing to patronize restaurants in Maryland or Virginia instead.

Customers paying sharply higher prices or mandatory surcharges are understandably reluctant to leave an additional tip for their server. Cornell economist Michael Lynn has found that gratuities are lower for workers in states with higher tipped wages. This seems to be what's happening in Washington: Local news outlet DCist reports that some serv-

ers are earning less in take-home pay despite the higher base wage.

Still, there is modest reason for optimism. Washington's Mayor Muriel Bowser, a Democrat, this week endorsed an aggressive package of safety laws that would increase the penalties for certain crimes and offer grants to improve safety in commercial areas. One of the district's soft-on-crime council members is facing a primary challenge from a law-and-order Democrat; another is the subject of a recall campaign. And unlike other localities that are hamstringed by ballot measures, the D.C. Council has the power to modify voter-approved measures such as Initiative 82. All this could help, though it's sadly too late to save businesses that have already closed their doors.

Voters in Ohio, Arizona and Massachusetts may be asked to eliminate tipped wages this fall. They should take note: Washington's experiment with lax crime enforcement and high labor costs has caused a dining disaster.

Mr. Saltzman is executive director of the Employment Policies Institute, where Ms. Paxton is research director.

OPINION

REVIEW & OUTLOOK

Hitting the Houthis, at Last

The press is reporting that Thursday's U.S.-British strikes against the Houthis in Yemen risk escalating the current conflict in the Middle East. That's the wrong way to think about it. The conflict was already escalating. The question has been whether the U.S. and its allies would respond to Houthi efforts, backed by Iran, to hijack commercial shipping and shoot at the U.S. Navy.

It may take more than one military strike to restore U.S. deterrence.

President Biden's patience, and his own fear of escalation, ran out Thursday night as U.S. and British forces hit more than 60 targets across 16 locations with more than 100 precision-guided munitions. The Houthis have been using these weapons depots, radars and launch sites to "endanger freedom of navigation in one of the world's most vital waterways," as the White House said in a statement.

The U.S. strikes finally put some muscle and above all credibility behind warnings by American officials that the Houthis would face "consequences" if they kept up their piracy. Several denunciations and even a U.S.-led international naval coalition to protect shipping didn't dissuade the terrorists.

The Houthis responded Tuesday to the Biden Administration's last cease and desist letter by sending 20 or so drones, and cruise and ballistic missiles at a cluster of U.S. and British ships and an American-flagged commercial vessel. The terrorists have launched some 27 attacks in the Red Sea since November.

Mr. Biden had to respond if he wanted his warnings to have any force. The Houthis have now paid a price for their piracy, and they say five of their own died in the attacks. Now we'll see whether the U.S. strikes will restore America's vanishing deterrence in the region. The strategy of warnings without military follow-through had failed.

The Houthis responded Thursday with defiance and a vow to keep launching attacks. A senior Administration official said "we would not be surprised to see some sort of response" after the strikes. The Houthis also have far more military capacity than Thursday's strikes destroyed. That's why the U.S. message should be

that another Houthi attack would be met with even harsher punishment. The worst message is to suggest that this is a one-time response.

As ever, the party behind the Middle East violence is Iran. Tehran arms the Houthis and provides real-time targeting intelligence against shipping in the Red Sea and Gulf of Aden. This week Iran joined the piracy by seizing an oil tanker off the coast of Oman.

The goal is to sow chaos, and neither Iran nor its allies in the Kremlin care if the price of oil pops, as it has. As oil exporters, they benefit. The White House is at pains to say it wants no military engagement with Iran, but Iran through its proxy militias sure seems to want one with the U.S.

One misguided criticism of Mr. Biden's use of force is the claim from the Congressional backbenches that he's violated the Constitution. "The President needs to come to Congress before launching a strike against the Houthis in Yemen and involving us in another middle east conflict," Rep. Ro Khanna tweeted, to take one example.

He's wrong. Presidents have used force to combat threats to American commerce and citizens since Thomas Jefferson sent Marines to fight the Barbary pirates. The Houthis have endangered U.S. sailors and ships—as have other Iran proxies some 130 times across the Middle East.

The Constitution gives the Commander in Chief broad authority to respond to such attacks without having to get permission from Mr. Khanna. If Congress wants to contribute to restoring global order, it would pass a resolution supporting Mr. Biden's strikes and increase the defense budget.

Any use of force carries the risk of escalation, but the Houthis and Iran started this exchange, and the failure of Mr. Biden to respond for weeks has produced its own escalation. Tehran is testing America's will, and on Thursday they were met with strength. Americans, and anyone who wants a more tranquil world, should hope this is the beginning of new resolve by the Biden Administration.

Is There a Constitutional Right to Vagrancy?

Good news for West Coast denizens. The Supreme Court on Friday agreed to hear an appeal challenging a judicial ruling that established a de facto constitutional right to vagrancy. Wouldn't it be rich if conservative Justices rescue progressive cities from themselves? (City of Grants Pass v. Johnson.)

The Supreme Court will consider if cities can enforce public order.

A panel of the Ninth Circuit Court of Appeals in 2022 blocked the Oregon town of Grants Pass from enforcing "anti-camping" laws on public property. The judges said the Eighth Amendment's ban on cruel and unusual punishment prohibits cities from arresting or imposing penalties on homeless people for squatting on public property if there aren't enough shelter beds for every vagrant.

Progressives have used the ruling to sue to stop cities across the West from enforcing similar laws. Under the appellate court's precedent, a police officer in, say, San Francisco can't cite a homeless person who has set up a tent inside a public playground even if he has been offered temporary housing.

Many homeless reject temporary shelter because they'd rather live on the streets where they can freely use drugs. The Ninth Circuit decision has made it harder for local officials to use the threat of penalties to force vagrants to accept treatment for mental illness and drug addiction, which has contributed to the increasing disorder in West Coast cities.

San Francisco Mayor London Breed last sum-

mer held a rally in front of the Ninth Circuit courthouse to protest a lower-court injunction blocking the city from clearing homeless camps.

The judges weren't moved. On Thursday a 2-1 majority of a three-judge panel upheld the lower-court ruling.

In a fiery dissent, Judge Patrick Bumatay explained that nothing in "the text, history and tradition" of the Eighth Amendment "comes close to prohibiting enforcement of commonplace anti-vagrancy laws." The court's "sweeping injunction has no basis in the Constitution or our precedent," he added. "San Francisco should not be treated as an experiment for judicial tinkering."

"Our decision is cruel because it leaves the citizens of San Francisco powerless to enforce their own health and safety laws without the permission of a federal judge," Judge Bumatay wrote. "And it's unusual because no other court in the country has interpreted the Constitution in this way." This may be one reason the High Court agreed to hear the Grants Pass appeal.

Local governments in the Ninth Circuit's jurisdiction, including Los Angeles, San Francisco and Phoenix, also urged Justices to hear the case. That includes California Gov. Gavin Newsom, who argued in a friend-of-court brief that "courts are not well-suited to micromanage such nuanced policy issues based on ill-defined rules." We look forward to Mr. Newsom's constitutional communion with Justice Clarence Thomas.

Georgia's School-Choice Mulligan

Georgia has entered the second year of its biennial legislative session, and that means second chances. Namely, lawmakers have an opportunity to pass school-choice legislation that failed last year. A good sign is that Republican Gov. Brian Kemp is backing the effort early and with apparent conviction.

Gov. Kemp is making an ESA bill that failed last year a 2024 priority.

"I firmly believe we can take an all-of-the-above approach to education, whether it's public, private, homeschooling, charter, or otherwise," Gov. Kemp said in his State of the State address on Thursday. "It's time for all parties to get around a table and agree on the best path forward to provide our kids the best educational opportunities."

That's a wiser way to start than last year. The Governor was late to come out in full support for a bill providing education savings accounts (ESAs) of \$6,500 to students in Georgia's worst-performing K-12 district schools. The ESAs passed the Senate, but 16 Republicans joined Democrats to kill them in the House. Many of the opponents represent rural areas and claim school choice hurts public schools in areas that have few private school options. But district schools that perform well shouldn't have to fear losing students.

The bill went back to committee, where it can be taken up again and doesn't need another Senate vote. Lt. Gov. Burt Jones is

strongly in favor, and House Speaker Jon Burns has given some support but could do more.

The bill received 85 votes last year of the 91 needed to pass. A vacant Republican seat means one more vote might be needed. Some of the 16 "nos" are still putting up public resistance. Reps. Gerald Greene, J. Collins, Danny Mathis and Beth Camp told the Associated Press this month that they're still opposed or have reservations.

They might consider the response to an advisory question on the May 2022 Republican primary ballot, which asked voters if dollars should "follow the student to the school that best fits their need." Nearly 80% said yes, and the issue won in rural counties too.

They also might consider the electoral fate of opponents in other states. All Georgia legislative seats are up for election this year, and primaries begin in May. Gov. Kemp can emulate what Gov. Kim Reynolds did successfully in Iowa, and what Gov. Greg Abbott is doing now in Texas—endorsing challengers to lawmakers who didn't vote for school choice.

Gov. Kemp had it right in his remarks that "at the end of the day, our first and foremost consideration should be the future of that student." The bill isn't meant to pit some schools against others but to give parents better choices to educate their children.

LETTERS TO THE EDITOR

The Tokyo Crash and the American Character

In "What America Can Learn From the Tokyo Crash" (Declarations, Jan. 6), Peggy Noonan offers that we "need to work on our national style." She wonders, "What if that had been a Delta flight at JFK full of Americans revelers home from holiday?" But it wasn't. It was a U.S. Airways flight out of LaGuardia headed to Charlotte, N.C. It landed in the Hudson River on a cold January afternoon in 2009.

My uncle, like all 155 passengers, was surprised he was alive when they hit the water. Almost everyone on board expected they would sink quickly while trapped in the plane. At best, they would drown in the frigid Hudson. The men aboard, of all generations, insisted on evacuating "women and children first."

ANDREW BAZARIAN Wilbraham, Mass.

I was a Delta captain for over 40 years, and I have flown wide-body jets to Japan hundreds of times. My crew and I noticed that Japanese passengers generally deplane faster than any other group. Individuals seemed to pride themselves on being organized and cooperative so they could smoothly enter the flow of deplaning passengers. It was enjoyable to watch.

Rather than merely praise the Japanese, however, Ms. Noonan suggests that Americans would inhibit an evacuation because we are more individualistic. But that Americans may fumble around a bit on our way out, after a safe airline flight is parked at the gate, says nothing about how we respond during a true emergency. American values were on display on

9/11 when hundreds of citizens ran into the burning and falling World Trade Center buildings to save people they didn't know. I have had a few in-flight emergencies, and I was always impressed by how calm and cooperative Americans are when they understand the danger. That we have rowdy political battles doesn't mean we don't come together when it really matters.

RONALD P. CARLSON Boise, Idaho

Ms. Noonan's take on the Tokyo plane crash may be premature. By most accounts, it took 18 minutes to evacuate the plane. A common target of plane evacuations is 90 seconds. It is telling that while the plane was on fire, the passengers had to ask the crew and the cockpit to open the emergency exits. If it weren't for the slowness of the fire's spread, the passengers may have gone politely to their deaths.

DAVID M. BEKUS Skillman, N.J.

Ask any active crew member of any major U.S. carrier if they really think they can evacuate an airliner in 90 seconds. I am a retired airline captain, and I can tell you that it's impossible. The Federal Aviation Administration test is a sham and they know it. The FAA needs a rewrite of the rules on this and other outdated specifications. A more realistic approach would be refreshing and enhance safety for the flying public. The tragic accident in Japan was a wake-up call. Let's hope the FAA heard it.

CLYDE ROMERO Marietta, Ga.

Henry Wallace and the Game of 'What ifs'

Having finished Benn Steil's book "The World That Wasn't" (reviewed by Michael Barone, Jan. 6), I find his portrait of my grandfather, Henry Wallace, so skewed as to be nearly unrecognizable. Mr. Steil's purpose seems to be less to depict a person accurately than to attack claims by historians that a Wallace presidency might have avoided the Cold War. He summons up instead a different counterfactual history of appeasement leading to spreading Communist domination. To frame such a specter, he skims over Wallace's accomplishments and vacuums up negative reports and errors in judgment.

The problem for Mr. Steil, as he speculates darkly over what Wallace might have done, is that Wallace's actual decisions in office usually proved quite beneficial to the nation. He may

have been the best U.S. agriculture secretary but, as Michael Barone notes, the book allocates 17 pages to that tenure versus 61 pages to a plant-hunting fiasco by a Russian mystic.

On the eve of the 1944 Democratic convention, 64% of Democratic voters wanted Wallace on the ticket again (Gallup polled Harry Truman at 2%), and Franklin Roosevelt publicly stated his preference that Wallace be renominated. Being replaced by Truman had less to do with FDR "dumping" him than conservative Democratic bosses ensuring that Wallace's progressive vision would be truncated.

I've appreciated Mr. Steil's writing on Bretton Woods, but "The World That Wasn't" would be better titled "The Henry Wallace That Wasn't."

DAVID WALLACE DOUGLAS Santa Fe, N.M.

U.S. Universities Had a Reason to Spend Big

Many buildings at STEM schools are required to adhere to federal guidelines that make it cheaper to build new than to retrofit an existing building. One example is the science lab. There are myriad and expensive rules for these labs concerning ventilation, wastewater disposal, fire containment, chemical storage, security, first aid and more.

No Political Orthodoxy Will Leave the Sciences Alone

Lawrence Krauss and his Yale physics colleagues atop "science hill" thought they were safe from the "postmodernism and deconstructionism" that had captured the humanities until it all came for the physicists and mathematicians too ("Alan Sokal's Joke Is on Us as Postmodernism Comes to Science," op-ed, Jan. 6). Chillingly, Natan Sharansky, the former Soviet dissident, has described how he, too, pursued a career in the "sanctuary of science" until Andrei Sakharov's 1968 manifesto confronted him with the reality that Soviet ideological censorship would handicap his advancement there as surely as it would in any other field.

Meanwhile, here in Canada the national framework for enhancing physician training is hoping to "decentralize medical expertise" in its foundational model for medical education, replacing it with "anti-oppression, anti-racism and social justice."

DEENA AGES, M.D. Toronto

Sinwar and His Predecessor

Regarding Judith Miller's op-ed "Ehud Olmert's Missed Shot at Hamas" (Jan. 10): The best outcome for all the suffering in Israel and Gaza would be for Hamas's Yahya Sinwar to end his life in the bunker where he is hiding, as did his predecessor in Berlin 78 years ago.

RICHARD S. LAUB Buffalo, N.Y.

The Real Contempt Precedent

It isn't true that "The Contempt of Hunter Biden" (by William McGurn, Main Street, Jan. 9) could render congressional investigations toothless. As the nonprosecution of Lois Lerner and the prosecutions of Steve Bannon and Peter Navarro for contempt demonstrate, Republican congressional investigations are rendered toothless when a Democrat is attorney general.

MICHAEL J. GALASSI Hurst, Texas

Pepper ... And Salt

THE WALL STREET JOURNAL



"I was okay with the no sugar thing, and then the lunchtime yoga, but I am not doing a thirty day lunge challenge."

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

OPINION

The Voters Finally Get Their Say



DECLARATIONS By Peggy Noonan

Finally we vote. Iowa is Monday, New Hampshire a week from Tuesday. I refuse to see the story as over. "Nothing is written." Both big parties look set on making a mistake, but there's time to turn it around.

Democrats on the ground are making a mistake in not rebelling against the inevitability of Joe Biden. He's no longer up to the job, the vice president never was, and this doesn't go under the heading National Security Secret Number 379, everybody knows.

The problem isn't the Biden campaign, however lame it may or may not be. It isn't that the president's most important advisers are in the White House, not the campaign. It's him, and it's not only his age. His speeches are boring, he never seems sincere, he seems propped up. He doesn't have a tropism toward intellectual content and likes things airy; his subject matter isn't life as most people are experiencing it but something many steps removed. He often seems like he just met the text.

His advisers would think, "Then we'll do more interviews," but he's not good there either—hesitant, lacking the confidence you must have to express your own thoughts as they arrive in your head. This means we have a president who, in an election year, has no way of communicating effectively, in person, with the American people. He hasn't provided the sentence that makes the case for his being kept in office, and he hasn't painted what a second term might look like, what its Great Intention might be.

Democrats on the ground should raise a ruckus, issue a mighty roar. They can do better than this. To win, I think, they must.

Republicans similarly shouldn't accept the inevitability of Donald Trump. On the debate stage Wednesday Nikki Haley and Ron DeSantis were the Bickersons, and seemed smaller. On Fox, in a counterprogramming coup, the former president was Big Daddy with a sinister side, and seemed big. He's riding high. He thinks he's got this thing.

In just the past seven days we learned that he refused to sign Illinois's traditional candidate's vow not to attempt to overthrow the U.S. government. Everybody signs it and always has. He warned of "bedlam" if he's convicted in court and he loses the election. A few days before, Rep. Elise Stefanik, major MAGA mover, refused to say, on "Meet the Press," that she would accept the voters.

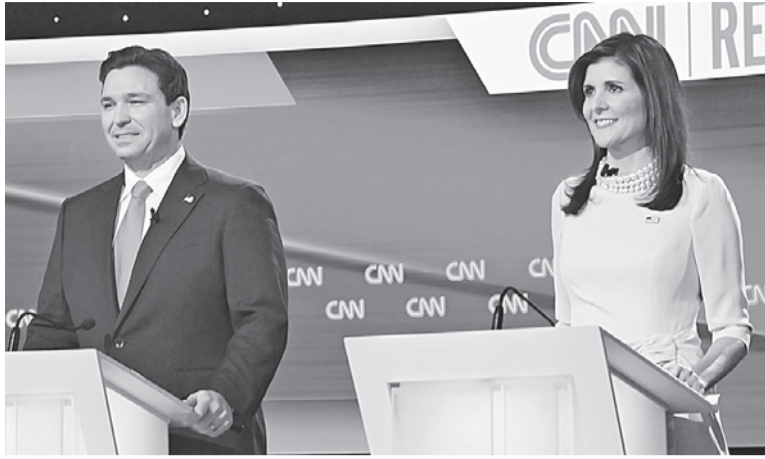
Other basic institutions are under growing attack. The left has been clear that it intends to pack the Supreme Court by creating new seats and the Senate by admitting the District of Columbia as a state. Less than two years ago, leftist mobs descended on the homes of justices to pressure and intimidate them. Mr. Biden's Justice Department refused to enforce the law that protects jurists from such bullying.

The president has opened the border and produced an illegal mass migration unprecedented in our history, while members of his party have pushed to permit foreign nationals to vote in local elections.

How does Mr. Biden explain the unprecedented acts of his agents seeking to ban challengers from the ballot? It isn't only the brazen and unconstitutional attempt to bar Mr. Trump. Democrats have aggressively worked to ban challengers from their own primaries. They seized from Democratic voters in Iowa and New Hampshire the right to have a meaningful say in the nomination, in part for fear they wouldn't vote for him in sufficient numbers.

Our democracy is under attack from the fringes of both parties. The president makes matters worse by treating the threat as if it comes only from the other side.

Mr. McClintock, a Republican, represents California's Fifth Congressional District.



Ron DeSantis and Nikki Haley debate; Donald Trump and Joe Biden.

outcome of the election. Is that all stubbornness and rhetorical posturing, or is it something more, something hiding in plain sight? If there is ever another day like Jan. 6, 2021, it will be led by people who were there the first time and are now better at it. Last time we didn't wind up in full constitutional crisis, because systems held. Will they next time? Do we really want to find out?

Each party seems set to make a big mistake, but a Trump-Biden rematch isn't yet inevitable.

Mr. Trump will say anything for attention; he wants the cameras on him. He says—again, confining ourselves to the past week—the Civil War could have been negotiated and avoided. Heroic figures in Congress for decades attempted precisely that, trying to thwart and limit the spread of slavery while keeping the nation together. Mr. Trump implied Lincoln wanted war: "If he negotiated it, you probably wouldn't even know who Abraham Lincoln was." Yes, Lincoln was a cynical, self-aggrandizing pol,

not a genius deal maker like Mr. Trump. What an idiot he is.

What is behind a Republican voters' decision to stick with him?

Hope—he'll be better than Mr. Biden, he was good until the pandemic and 1/6, but he's learned.

Pride—you took a lot of guff for past support, you're not gonna back off now. Identification—he's a non-elite. Anger—he's a living rebuke of the system that has produced disorder. Cold calculation—"In a world full of animals, he's our animal."

Mischief, sheer humor—his antics make you laugh, and it isn't a bad feeling to subvert things when you feel what you're subverting is decadent.

Some other things, I think. Americans have long used political debate as a distraction from their real lives. Once Mr. Trump is in office again you have a job again. When he's in power he dominates the stage, the national conversation. Everyone is forced to argue about Trump. Your job the next four years is to defend him. It's a full-time job so you get to ignore your life and what needs fixing in it. These tend to be the hard parts—lost kids, loneliness, job problems. You can't fix them, you're too busy saving the nation! You have to avoid them!

The FCC vs. the News in Your Neighborhood



BUSINESS WORLD By Holman W. Jenkins, Jr.

You probably have a family member who, seeing a rake left lying in the driveway, doesn't pick it up and put it safely out of the way. Official Washington has Jessica Rosenworcel, the Federal Communications Commission chief. Last seen restarting a needless fight over net neutrality, over the holidays she committed more bureaucracy. The courts pressured her to complete her agency's absurdly delayed 2018 "quadrennial review" of its extensive media ownership regulations. Of course she found these regulations more urgent than ever despite the internet having obliterated the ostensible electromagnetic scarcity on which they were premised.

In 1996, amid the coming digital plenty, Congress required the FCC every four years to consider getting rid of the rules. But for Ms. Rosenworcel they will never be obsolete, whatever the pleas of broadcasters trying to survive in a digital world the rules never contemplated.

A Republican dissenter on her commission, Brendan Carr, tried to list the new players in the video mar-

ket, from YouTube to SlingTV. He ran out of space. Every radio and TV station on the planet now can compete for audience everywhere thanks to the web. Podcasts, blogs, social media and every news outlet's website reaches every smartphone on earth. Most importantly, advertising fortresses of the sort once enjoyed by local broadcasters and newspapers are kaput because any web operator can now target ads geographically.

Local TV and radio stations still have one business-model strategy going for them: assembling sufficiently valuable local audiences that can be enticed indirectly to pay for the production and distribution of local news.

Ms. Rosenworcel thinks so too, and pretends to be helping by restricting consolidation. She's doing the opposite of helping, as manifested in the plummeting value of TV stations and steady shrinkage of their audiences.

The FCC's ancient prohibition against ownership of TV stations and newspapers in the same market has already helped put thousands of newspapers out of business. If she's looking for fire-sale liquidations of TV stations and a loss of news reporting across large swaths of America, she's on the right track. Station owners at least comfort themselves that their incumbency on the pub-

licly owned airwaves can be their golden parachute. They and their lobbyists should think again. Congress will likely grab for itself any windfalls from redeploying spectrum to wireless broadband if digital penury means broadcasters by then have given up their local news audiences and thus leverage over pols.

Local broadcasting might have a future if the agency's ownership rules would get out of the way.

Ironically, with entertainment and sports programming fleeing to national streaming operators, stations are already filling more airtime with local news, just as Ms. Rosenworcel claims to want. She makes herself an obstacle. Especially in small and mid-size markets, stations spend resources covering the same car crashes and fires when they could eliminate this duplication and free up resources for more challenging coverage.

But the FCC clings to the power granted by its ownership restrictions because it's a power. It makes the agency important. It sustains hundreds of lawyers, lobbyists and activ-

The left does this too, maybe more so. But it all got turbocharged in the Trump era.

More seriously—most seriously—deep down a lot of hard-core Trump supporters, and many not so hard-core, think it's all over. They love America truly and deeply but think the glue that held us together is gone. Religion and Main Street are shrinking into the past, and in the Rite Aid everything's locked up. School shootings, mass shootings, nobody's safe, men in the girls' locker room, race obsessions, a national debt we'll never control. China, Russia, nukes and cooked-up plagues. If they decide to do a mass cyberattack and take out our electricity for six months we'll never get through it. Once we would.

I am always struck by how many jolly, kind, cheerful, constructive Americans hold this sense of impending doom in their hearts and go cheerfully through each day anyway.

But they figure if we're at the end times, he's the perfect end-times president, a guy who goes boom.

Some feel our problems are so deep that a democratic republic is maybe at this point just another form of governance, one of a variety, including various forms of autocracy, that might be adopted. Ours is the preferred one, to be sure. But different eras demand different governmental forms, and we don't exist to serve the form, the form exists to serve us. An odd variation on this is an overconfidence about our democratic republic—we've had it since the Constitution was ratified in 1788, we'll always have it, so stop manipulating people with "Democracy is on the ballot"; nobody's threatening it, we can never lose it.

But of course we can't know that. It has to be kept healthy and operating, which means at this of all times we have to be careful. We have to navigate in a sound and prudent way, we have to steer clear of the rocks.

A practical argument would be that whatever the nature or flavor of your conservatism, you surely want to make progress, urgently, with the next Congress. Ron DeSantis or Nikki Haley would come in with the whoosh of the new, aim at conservative legislation, know how to use the levers of power, and get things done. Mr. Trump would come in a lame duck (provided he accepts Constitutional proscriptions), do his crazy-man antics, say his crazy-man things, and proceed with a mad blunderer's imitation of sophistication.

If your intention is to stand and fight and make things better he'd be the least effective choice.

Ms. Haley is a steely, orderly lady, Mr. DeSantis a bull, Mr. Trump a malign screaming meemie.

The voting begins now. May Iowa prove the heartland of a sound and hopeful nation.

Notable & Quotable: The Culture Has Changed

Eugene Daniels reporting for Politico, Jan. 10:

Since the Oct. 7 Hamas attacks on Israel, President Joe Biden's consistent support of Prime Minister Benjamin Netanyahu's response has prompted a series of anonymous letters from staffers within the White House, the State Department and the Biden campaign—letters that have left politicians of a certain age shaking their heads.

The notion that junior staffers in such coveted jobs would dare cross the principal—even anonymously—

would have been inconceivable not long ago, they say.

"There's this whole, 'You're not the boss of me' attitude now. 'I might work for you but I have my own views,' " said longtime Democratic strategist James Carville, who worked for former President Bill Clinton as a top campaign strategist. . . .

"The bargain a staffer strikes has always been this: You get to influence the decisions of the most powerful government in the history of the world," said Paul Begala, who worked alongside Carville in the Clinton White House. "In exchange for that influ-

ence, you agree to back the final decision even if it goes against your advice. If confronted with a decision that crosses one's ethical, moral, social, political lines, the choice is clear: Shut up and support it, or resign."

Things have changed more recently. In the Trump presidency, unauthorized leaks became a form of political currency, with anonymous officials writing op-eds, and wild bits of drama routinely finding their way into the news.

Inside the current White House, there's a feeling that the culture has now irrevocably changed.

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SPORTS



Mike McDaniel, Matt LaFleur, Kyle Shanahan and Sean McVay worked for Mike Shanahan in Washington.

The Coach With 5 Playoff Teams

Mike Shanahan hasn't coached in the NFL since 2013. His influence has never been stronger.

By Andrew Beaton

It was a head-spinning week that saw football coaching greats Bill Belichick, Nick Saban and Pete Carroll all exit their jobs after decades roaming the sidelines. But there's one venerable NFL head coach in his early 70s who still has a team in the playoffs.

Actually, he has five of them. Today, Mike Shanahan is mainly known as the architect of back-to-back Super Bowl titles with the Denver Broncos, but his outsize influence on the chase for this year's championship can actually be traced through his time with a different franchise. Five playoff teams this season have head coaches or coordinators who were assistants under Shanahan during his time in Washington from 2010 to 2013.

Back then, they were the little-known grunts operating in the shadow of one of the best to ever do it. The most prominent among them was Kyle Shanahan, Mike's son, who was the offensive coordinator. He now leads the No. 1-seeded San Francisco 49ers. The staff also included three other current head coaches in lesser roles: the Los Angeles Rams' Sean McVay, the Green Bay Packers'

Matt LaFleur and the Miami Dolphins' Mike McDaniel. Bobby Slowik, the coordinator of the Houston Texans' resurgent offense, also got his first NFL job alongside them.

Their collective success this season means the elder Shanahan's role in shaping the modern NFL is more unmistakable than ever. While Belichick's disciples have generally fizzled in head coaching jobs, Shanahan's are among the most innovative offensive schemers in the game—which is precisely what he was looking for when he first hired them.

"That's why I think these guys have been so good," Mike Shanahan says. "They understand that if you don't keep up on the game, it's going to pass you by because every year things change."

What's curious about all the coaching firepower packed onto that Washington staff is that the team back then wasn't particularly successful. The franchise then known as the Redskins made the playoffs once during Shanahan's four seasons as coach. The stint was far less successful than when he won 62% of his games over 14 years in Denver, where he won two Super Bowls with John Elway under center.

Yet those years in Washington were a preview of how some of the offensive concepts that were taking over the college game would soon infiltrate the pros.

That's precisely what Shanahan, now 71 years old, was looking for when arrived in Washington in 2010. He had seen his share of coaches in their 50s and 60s tire out and fall behind the times, and that was precisely what he wanted to avoid. He started by hiring his son, who was just 30 years old but coming off back-to-back seasons calling plays for top-five offenses with the Houston Texans, as his new offensive coordinator.

Then he sought to fill out his staff with other babyfaces. It didn't matter if he had never worked with them before, Shanahan wanted assistants who were young, motivated and had a finger on the pulse of the game's strategic evolutions.

"I said, 'What you guys gotta be doing is you guys got to be on top of everything that's new in football,'" Shanahan said. "You guys are young enough to under-

stand what we're doing now will be outdated in time."

LaFleur had worked beneath Kyle Shanahan in Houston. McVay, whose grandfather John helped run the San Francisco 49ers when Mike Shanahan was a coordinator there, had just spent a season working for the Florida Tuskers in something called the United Football League. McDaniel, who was a coaching intern under Mike with the Broncos after graduating from Yale, had been coaching for a different UFL team and had also spent some time in Houston.

One thing that united them was that they had all played football, and Shanahan respected their education in the sport. McVay, for instance, may have not been a household name at that time, but he had spent time learning under Jon Gruden in Tampa Bay on a highly regarded staff that included numerous future head coaches on both sides of the ball. Even when Shanahan didn't have a full-time role for McVay, he brought him aboard as an offensive assistant before pro-

178
Number of wins, including two Super Bowl titles, by Mike Shanahan as a head coach in the NFL

The Quarterback Who Made Green Bay Forget About Aaron Rodgers

By Robert O'Connell

FOR THE GREEN BAY PACKERS, simply making the NFL playoffs isn't usually something to celebrate. The franchise is so synonymous with titles that the league's championship prize is named after their former head coach.

This year's Packers team, with a 9-8 record and a roster as green as its uniforms, isn't likely to claim the Lombardi trophy. Yet these are happy times for the cheeseheads.

Aaron Rodgers, the 40-year-old quarterback who left the Packers in a drawn-out divorce last spring, spent the first moments of his season tearing an Achilles tendon and the rest rehabilitating it. Jordan Love, his 25-year-old replacement, steered Green Bay to three consecutive must-have victories to end the regular season and qualify the team for a wild-card game against the Dallas Cowboys on Sunday.

In the latest chapter of what has become a proud tradition at the Frozen Tundra, Green Bay let a Hall-of-Fame passer leave—and were quickly proven justified in doing so.

"It means everything," Love said after a 17-9 win over the Chicago Bears last Sunday secured a postseason slot. "This is the opportunity that we work for all season long."

Love has been working, and waiting, for much longer than that. From the start, the Love-Rodgers dynamic echoed the last transfer of power in Green Bay, when Rodgers replaced Brett Favre in 2008. Rodgers, a first-

round draft pick in 2005, rode the bench during the final three years of Favre's Packers career before assuming the starting job. Love, a first-round pick in 2020, likewise wore a headset over his first three pro seasons while Rodgers padded out his historic résumé.

In both cases, Green Bay's approach reflected a rare patience—highly drafted quarterbacks almost always take over the starting job in less than a season's time—and a tolerance for awkwardness. Rodgers chafed at backup duties at the start of his Packers career; by the end of it, he vocally opposed the team spending resources on his eventual replacement instead of on players who could line up alongside him.

"They want to move on, and now so do I," Rodgers said last March, when he announced his intention to go to the New York Jets.

With Rodgers out of the way, Love opened Green Bay's season as a certain starter but no sure thing. His strong arm and eye for unconventional angles had convinced the Packers to trade up to draft him, but three intervening seasons had dampened the fan base's excitement. The first weeks were rocky: a 38-20 win over the division-rival Bears (a day before Rodgers ruptured his tendon), a run of four straight losses that spanned October.

Over the season's last two months, though, Love has flourished, throwing 18 touchdowns and just one interception during a stretch in which Green Bay won six of its last eight games. Where Rodgers sometimes bucked against coach Matt LaFleur's read-and-re-



Over the season's last two months, Jordan Love has flourished.

act system, Love has executed it nimbly, even when the pressure is highest.

In the closing minutes of last weekend's contest against the Bears, Love feathered a pass between layers of the Chicago defense for one first down and slung a sidearm dart for another. The drive iced the game and punched the Packers' postseason ticket—something neither Favre or Rodgers managed in their first seasons as starters.

"I'm happy for him," Packers coach Matt LaFleur said afterward. "I know it's not always easy when you're a first-round

pick and you have to sit there and watch and wait your turn."

For some Green Bay fans, Love's early success unfolding against the backdrop of a tumultuous year for Rodgers has only made it sweeter. Like Favre before him, Rodgers spent his final years in Wisconsin unhappily, voicing frustrations with the front office and coaching staff and hinting at a desire to retire or relocate.

In New York, Rodgers has carried on the sideshow. He suggested he could return from his Achilles injury in record time, then didn't. He has sniped at team employees who he sees as insuffi-

ciently dedicated to winning, saying the Jets "need to get the bulls—t out of the building." Last week, he falsely insinuated on "The Pat McAfee Show" that late-night host Jimmy Kimmel would appear on a list of Jeffrey Epstein's contacts, drawing a sharp rebuke from an ESPN executive.

Love has been everything Rodgers isn't: young, healthy and focused on football. His dedication to studying the game, in the years when he hardly played it on Sundays, is apparent.

Matt Wells, who coached Love at Utah State, remembers when the talented underclassman started his college career sitting behind the incumbent starter. Love developed a routine of arriving early for the quarterback meetings, finding a dark office and watching film of the player whose job he was chasing.

"He'd have questions ready to ask," Wells said. "He didn't have to announce that he was doing extra work, say, 'Look at me.' He just quietly went about his business."

Love is only the most visible member of his team's youth movement. The Packers have the youngest roster of any playoff team since 1970, according to Stats Perform. Four top receivers—Jayden Reed, Christian Watson, Romeo Doubs and Dontayvion Wicks—are in their first or second years. The team's entire receiving corps made just \$7.5 million this year—or \$4.5 million less than former Green Bay receiver Allen Lazard earned after joining the Jets to re-team with Rodgers.

If this year's squad has humbler goals than those led by Rodgers—which went to five conference championship games and won a Super Bowl after the 2010 season—it also derives more joy from smaller accomplishments.

"It was awesome," Love said on Sunday, when he was asked about LaFleur embracing him after the clock ran out. "That's a moment I'll never forget, right there."

ILLUSTRATION: EMIL LENDOFF/THE WALL STREET JOURNAL; GETTY IMAGES (5)

JOHN FISHER/GETTY IMAGES



20,000
Citigroup CEO plans
big job cuts to
streamline **B9**

EXCHANGE

Red Sea Ripple
Tesla to hit pause at
its only large factory
in Europe **B10**



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The Boeing 737 MAX 9 that suffered a midair door-plug blowout earlier this month.

FROM TOP: MATTHEW LEWIS/ROLAND/GETTY IMAGES; LINDSEY MASSON/ASSOCIATED PRESS; RIEVELYN HOCKSTEIN/REUTERS (CITI JOBS)

Inside Boeing's Manufacturing Mess

Outsourcing worried engineers and sparked battles over quality before a door plug fell out in midair

By Sharon Terlep and Andrew Tangel

Long before the harrowing Alaska Airlines blowout on Jan. 5, there were concerns within Boeing about the way the aerospace giant was building its planes. Boeing, like so many other American manufacturers, was outsourcing more and more of the components that went into its complex machines.

A Boeing aerospace engineer presented a controversial white paper in 2001 at an internal technical symposium. The engineer, John Hart-Smith, warned colleagues of the risks of the subcontracting strategy, especially if Boeing outsourced too much work and didn't provide sufficient on-site quality and technical support to its suppliers.

"The performance of the prime manufacturer can never exceed the capabilities of the least proficient of the suppliers," Hart-Smith wrote. "These costs do not vanish merely because the work itself is out-of-sight."

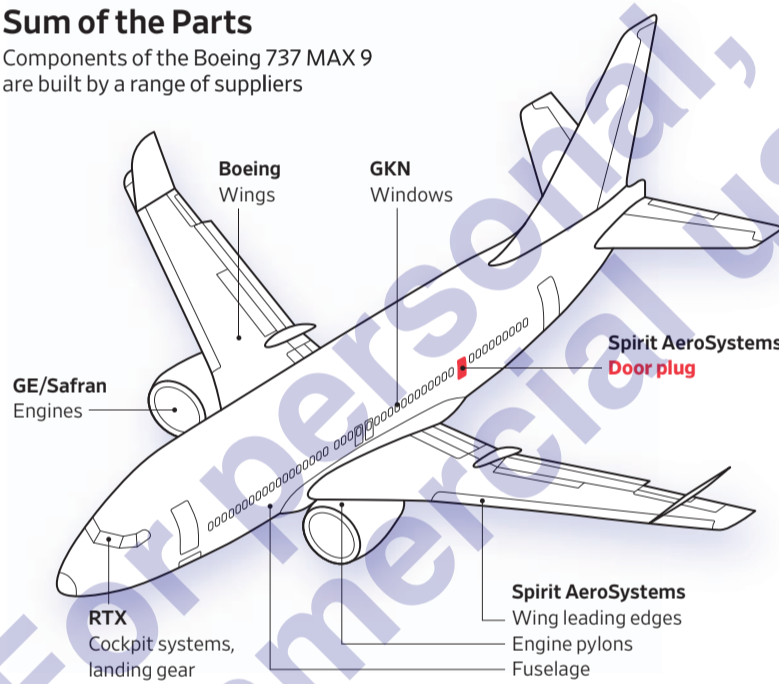
The paper became a sensation within Boeing. It was passed among engineers. Posted on factory walls. Hart-Smith, after he later retired from Boeing, said of his warning of excessive outsourcing: "It's common sense."

Two decades later, Boeing is reckoning with the fallout from its outsourcing strategy.

The Alaska accident is the latest in a string of quality problems at Boeing. The company's reputation has suffered

Sum of the Parts

Components of the Boeing 737 MAX 9 are built by a range of suppliers



Sources: Boeing; the companies



from a pair of fatal 737 MAX 8 crashes in 2018 and 2019 that grounded hundreds of jets for nearly two years. More recently, Boeing has been dogged by issues with various models—misdrilled holes, loose rudder bolts, and this month's MAX 9 door-plug blowout—lapses the company failed to catch.

Many of the problems with Boeing jets since the deadly crashes can be traced back to a production system adopted by Boeing and its aerospace rivals before Hart-Smith's paper. Dozens of factories build key pieces of 737 and 787 jets before they are assembled by Boeing. One of them is a sprawling fuselage plant in Wichita, Kan., that Boeing owned until 2005.

At the time, then-Boeing executive Alan Mulally said selling the factory to a private-equity firm would let Boeing focus on final assembly, where it could add the most value to its airplanes.

The factory is now run by a public company called Spirit AeroSystems and it has been plagued by production problems and quality lapses since Boeing ceded so much responsibility for its work.

Spirit is the sole supplier of the fuselages used in many Boeing jets, including the Alaska plane that made the emergency landing. It is heavily dependent on Boeing for revenue, and the two companies have battled for years over costs and quality issues. The earlier MAX grounding and Covid-19 pandemic sapped Spirit's finances, and the company slashed thousands of jobs, leaving it short-handed when demand bounced back.

Some Spirit employees said production problems were common and internal complaints about quality

Please turn to page B4

◀ A door plug on a different Alaska Airlines Boeing 737 MAX awaits inspection this past week.

New Gucci CEO Wants Older, Richer Customers

By Nick Kostov

Milan

WHEN GUCCI'S flagship store here reopened last month, the space was missing the baroque flourishes and jewel-toned colors that have defined the brand in recent years.

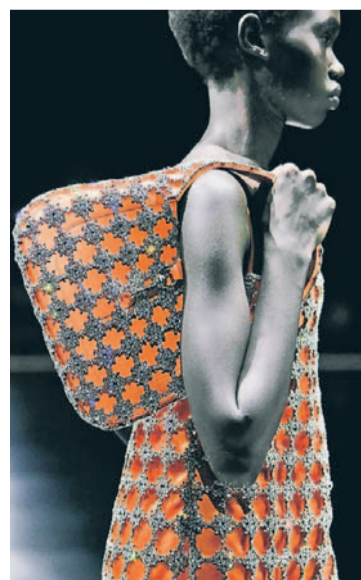
Instead the look is decidedly less maximalist—all clean lines and understated tones.

The restrained renovation is part of a dramatic makeover by the once-florid brand aimed at reaching older and more conservative customers. Or, to put it another way, richer ones.

After several years of resetting Gucci is trying a slow. In an effort to close the gap with its luxury rivals, the brand that long strived to be at the cutting edge of



fashion is trying to go more up-market. The shifts mean Gucci could risk becoming just another expensive brand that has lost touch with the attributes that made it great. If the plan works,



Models walk the runway in Milan in September wearing looks from Gucci designer Sabato De Sarno at his first show for the fashion house.

Gucci will join the small group of megabrands that seem to mint money whatever the ups and downs of the world economy.

"Gucci had come to the end of a

Please turn to page B3

Remote Workers Are Losing Out on Promotions

New data shows whose careers are stalling, particularly women; 'I feel a little lost'

By Te-Ping Chen

FOR A WHILE, remote workers seemed to have it all: elastic waistbands, no commute, better concentration and the ability to pop in laundry loads between calls.

New data, though, shows fully remote workers are falling behind in one of the most-prized and important aspects of a career: getting promoted.

Over the past year, remote workers were promoted 31% less frequently than people who worked in an office, either full-time or on a hybrid basis, according to an analysis of two million white-collar workers by employment-data provider Live Data Technologies. Remote workers

also get less mentorship, a gap that's especially pronounced for women, research shows.

Of employees working full time in an office or on a hybrid basis, 5.6% received promotions at their organization in 2023, according to Live Data Technologies, versus 3.9% of those who worked remotely.

"There's some proximity bias going on," says Nick Bloom, an economist at Stanford University who studies remote work and management practices, of the challenges facing remote workers. "I literally call it discrimination."

In the four years since the Covid-19 pandemic upended the way Americans work, forcing companies and employees alike to

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EXCHANGE

THE SCORE | THE BUSINESS WEEK IN 5 STOCKS

Bitcoin ETFs Dent Coinbase, Banks Take Hits

COINBASE GLOBAL

U.S. regulators on Wednesday approved the first exchange-traded funds to hold bitcoin. Known as spot bitcoin ETFs, these funds allow mainstream investors to buy and sell bitcoin more easily and cheaply than trading on crypto exchanges like Coinbase or Binance. On Thursday, funds from Fidelity Investments, Invesco and others got a roaring start on their first day of trading. BlackRock's spot bitcoin ETF had one of the highest-volume days on record for a brand-new ETF. Coinbase shares **lost 6.7%** Thursday.

CHESAPEAKE ENERGY

Chesapeake and Southwestern Energy are merging. If the deal goes through, the \$7.4 billion all-stock transaction will create the largest natural-gas producer in the U.S. The tie-up, at \$6.69 a share, values Southwestern at a 2.9% discount to its closing market value of about \$7.6 billion on Wednesday. The merger is the latest in a flurry of energy deals, including Exxon Mobil's \$60 billion purchase of Pioneer Natural Resources and Chevron's \$53 billion acquisition of Hess. Chesapeake shares **gained 3.2%** Thursday.

\$4.6 billion

Approximate worth of spot bitcoin ETF shares that changed hands Thursday

\$7.4 billion

Value of Chesapeake's all-stock purchase of Southwestern



Stores in New York that went out of business in 2020 during the pandemic.

STREETWISE | JAMES MACKINTOSH

Stocks Are Forever. That Doesn't Mean Now Is the Time to Buy.

Data going back to 1802 hold lessons about the remarkable recovery investors have seen since Covid upended the global economy



If you're finding it hard to remember the pandemic, you're in good company: Investors have already consigned the Covid chaos to history.

Someone who put \$1,000 in the S&P 500 in December 2019—when the first infections occurred in Wuhan, China—and reinvested dividends would have made 6.8% annualized after inflation and had \$1,299 by the end of last year. That return is bang in line with the annualized return investors have received in the stock market since 1802.

Gross domestic product is expected to have finished last year all but identical to the official forecasts made in 2019, despite the virtual shutdown of the economy. Someone who slept through it all would be shocked only that economists got something right, for a change.

This all feels wrong. Surely the economy can't just be closed down without any repercussions for growth or share prices? Surely more than a million American dead can't be irrelevant to finance?

There's a positive spin: Perhaps the stock gains were just a natural catch-up from the shutdowns, a reversion to normal returns. Over long periods, stocks have tended to return 6.5% to 7% a year after inflation, including dividends but ignoring taxes, as Wharton finance professor Jeremy Siegel set out in his popular book "Stocks for the Long Run." Hold for long enough, and gains above inflation have been assured—with long enough being a bit under 20 years. Just buy and hold, pandemics be damned.

There are a few flaws in the argument. First of all, even the strongest supporters of Siegel wouldn't expect four-year returns to match long-run averages except by chance, because there can be wild swings over such short periods.

Second, it takes the returns from the peak, or close to the peak (U.S. stocks actually reached their pre-Covid high in February 2020). The idea that when you buy doesn't matter is obviously wrong, and even more wrong for short periods; buy just before a huge fall, and it can take a really long time just to get back to the average return.

An investor who bought U.S. stocks in January 1973, before the Arab oil embargo knocked half the value off the S&P 500, has made 6.6% a year in the half-century since, again after inflation and including dividends, fractionally below the super-long-term average. One who bought in the autumn of 1974, when stocks reached their low, has made a whopping 8.5% a year—a difference that compounds to turning \$1,000 into \$54,347, rather than only \$25,545.

Third, the 19th-century data used by Siegel was incomplete. Edward McQuarrie, a retired business professor at Santa Clara University, found that when missing stocks, dividends and other data were added in, the U.S. return wasn't much changed—although bond returns were changed significantly, and bonds beat stocks over the 19th century as a whole.

Even his revised data still exclude Confederate stocks and the collapse and recapitalization of the New York insurance sector after the great fire of 1835, so it's plausible that investors could have lost money over more than 20 years.

London academics Elroy Dimson, Paul Marsh and Mike Staunton say that from 1900 on, 16 years was enough to guarantee positive real returns—but only in the U.S.

Coming back to the short term, it's safe to say that the past four years were highly unusual. The gains from the pre-Covid peak were the best for any four-year period in the past half-century from a pre-bear market peak, and the past four years included two bear markets.

Some of the unusually rapid return to form this time is thanks to the rapid recovery of the economy from lockdowns, which was itself in part because of pent-up demand.

But much of the rebound in both economy and markets was thanks to massive government deficit spending, which isn't sustainable. Some of the rest is because stocks are even more highly valued than at the prepandemic peak. The S&P 500 reached 19.1 times the estimate of forward 12-month earnings in February 2020, the highest since the dot-com bubble of 2000. The multiple is now slightly higher, at 19.3 times, suggesting investors expect earnings to grow even faster than they thought back then.

For real returns to continue at historic levels from here, the economy will have to start delivering profit without so much government help, or valuations will have to rise even higher—both big asks.

This doesn't mean stock prices are sure to fall, or that the U.S. will break its long-term record of no real losses over two decades. But even bulls should plan for lower returns ahead.



PepsiCo stopped supplying goods to Carrefour's European stores.

PEPSICO

PepsiCo on Monday said it initiated its split with the international supermarket giant Carrefour. On Jan. 4, Carrefour announced that it would stop selling Pepsi, Doritos, and other products in European countries like France and Italy because of PepsiCo's "unacceptable" price increases. PepsiCo said it decided to stop supplying Carrefour's European stores because the two hadn't agreed on a new contract. PepsiCo shares **fell 1.1%** Tuesday.

Performance of soda and snack makers this week



Source: FactSet

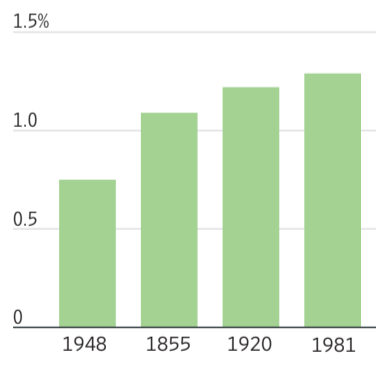
HERTZ GLOBAL

Hertz said in a filing Thursday that it will sell about a third of its global EV fleet due to weaker demand for electric rentals. Hertz will use part of the proceeds from selling about 20,000 EVs in the U.S. to purchase internal-combustion-engine vehicles. The sales are a reversal of its recent investment in EVs, after Hertz in 2021 ordered 100,000-vehicles from Tesla. Hertz shares **declined 4.3%** Thursday, and Tesla shares decreased 2.9%.

BANK OF AMERICA

The regional banking crisis of 2023 cost Wall Street giants in the latest quarter. Big banks took charges to cover a special government fee related to the failures of Silicon Valley Bank and Signature Bank. The payments will replenish the Federal Deposit Insurance Corp.'s deposit-insurance fund. Bank of America on Friday posted a profit of \$3.14 billion, down 56% from a year earlier, and Citigroup swung to a loss. JPMorgan Chase's fourth-quarter profit fell 15%. Bank of America **lost 1.1%** Friday. —Francesca Fontana

Worst 20-year U.S. stock annualized real total return



Source: Prof. Edward McQuarrie

WSJ COMIC | DALE HRABI & KAGAN MCLEOD

A Piece of Work | The Harvard Grad's Dark Secret



EXCHANGE

KEYWORDS | CHRISTOPHER MIMS

If Gadgets Never Needed to Be Charged

Indoor solar power technology is finally becoming available; works just like plants



After decades of trying, consumer electronics companies are rolling out a solar technology that mimics photosynthesis in plants.

It lets devices charge indoors and, in some cases, can eliminate batteries entirely.

This new light-harvesting tech is fundamentally different from the crystalline silicon-based panels on rooftops and in solar farms, and also from the amorphous silicon cells on the kind of solar-powered calculators that were once ubiquitous. This new tech is based on principles first explored by chemists in the 1960s and turned into workable solar cells in the 1980s. It's taken until now for versions of these cells tough enough for consumer applications to be manufactured on the scale required for mainstream adoption.

Now, companies including Ambient Photonics and Exeger are offering solar cells of this kind, known as a "dye-sensitized solar cell." They are lightweight, bendable, made from common materials, and can be manufactured cheaply, in a type of printing process. Sharp is also working on dye-sensitized solar cells, although its version is rigid, and made with the same equipment used to make LCD panels.

At this year's CES, the world's largest trade show, in Las Vegas, these thin and often flexible cells are showing up on headphones, earbud cases, walkie-talkie-style headsets, keyboards, mice, and TV remote controls. In the future, these solar cells are likely to appear in a number of applications, including door locks, electronic shelf labels, and eventually millions or even billions of internet-connected sensors, as part of the "Internet of Things."



These new, dye-sensitized solar cells capture energy in a way that's similar to how plants do it, and as a result, they can use light that falls on them from almost any angle. For indoor light, Marina Freitag, a professor of chemistry at Newcastle University in the UK, has achieved up to 38% conversion efficiency with these cells, a record for the technology.

Per square inch, such cells are harvesting more than 10 times as much energy as what was possible with the original silicon cells on pocket calculators.

Even in not-so-brightly-lit rooms, dye-sensitized solar cells can capture and convert an amount of energy that is unprecedented among energy-harvesting technologies. These competing, and in some cases complementary, technologies include systems that try to sponge energy from radio waves, vibrations and slight temperature differences in order to power sensors and other devices.

Another key to this new generation of solar-powered gadgets is that engineers are getting better at making consumer electronics more efficient in their use of power. The result is that, for example, headphones you never have to charge from a wall outlet are now possible.

Take the second generation of the "Los Angeles" headphones and "Phoenix" earbuds from Stockholm-based Urbanista. Shipping later this year, these devices can all top up using light captured both indoors and outdoors, using Powerfoyle solar cells from Exeger. Depending on how much they use the devices, some people report never having to charge these devices from a wall outlet at all.

Getting to this point required squeezing efficiencies out of every part of these devices, says Urbanista product director Mårten Sahlén. One area that was ripe for improvement was power losses between the solar panel on the

earbud case and the earbuds themselves. (In every electrical system, some energy is lost as electrons are shuttled about.)

Urbanista's gear—and similar offerings from 3M, which is rolling out a walkie-talkie-type headset that also uses Exeger's solar cells—still contains rechargeable batteries. But for some devices, adding this new generation of solar cells means the end of batteries altogether.

Ambient Photonics also recently announced a partnership with Google to produce a device in 2024. A remote would be a logical first offering.

Given how often they disappear into couch cushions, and the often dim lighting of the rooms they inhabit, a remote might seem like the last gadget you'd want to be solar powered. That was certainly true with older solar-cell technology, but the newer kind harvests so much more power that a remote can go from completely dead

to usable after just a few seconds of exposure, says Kjetil Meisal, chief executive of ONiO, which makes low-power chips for Internet of Things and other devices. Key to this development, he adds, is using an ultra low-power chip like ONiO's.

Meisal's company is teaming up with Exeger to make remotes, and other devices, which will compete with those made with solar cells from Ambient Photonics. Electronics giant Sharp is also showing off its solar-powered remotes at CES this year, and a spokesman for the company says they could eventually show up in a slew of other gadgets.

Unfortunately, the one thing that leaps to mind when people hear about solar-powered electronics—powering our phones in this way—just isn't realistic. Phones are essentially power-hungry supercomputers in our pockets, communicating wirelessly with at least a half dozen different protocols, with displays so bright they can be seen in full sunlight. Even with this new technology, powering your average smartphone with nothing but indoor light would require a solar panel the size of a desk.

The really transformative use of high-efficiency indoor solar cells is likely to be in devices that we don't use now, because powering them is burdensome.

One of the big barriers to adopting more smart home devices, along with other sensors and actuators, is that they all need direct power or batteries that need replacing.

So, imagine this scenario: You want to add a new light switch to a room. In the past, you would likely hire an electrician to put holes in your wall, run new wiring to a switch box and install the switch itself. In the future, a solar-powered switch compatible with the new wireless communication standards coming to connected devices could go anywhere you like, in any room of your house, and attach to the wall with little more than some removable adhesive.

Multiply that scenario by every possible combination of sensors and switches that could be used in every industrial and commercial setting you can imagine, and you start to get an idea of just how much potential a humble indoor solar cell could unlock.

Gucci CEO Remakes The Brand

Continued from page B1 chapter, and was about to open a new one. We decided to really open a completely fresh one," said the brand's new CEO Jean-Francois Palus. "It's about taking this opportunity to do new things. A fresh eye. A new mindset. A new approach. New leadership."

Palus embodies the severity of the changes: A Frenchman at the head of a company that is as Italian as Chianti, he isn't yet fluent in the native language, nor does he have a creative background.

Palus, 62 years old, was chosen by Francois-Henri Pinault, the CEO and chairman of the brand's parent company, Kering, to reinvent Gucci as a steadier, more dependable brand less vulnerable to shifts in the fashion cycle. It is an approach that aims to bring its strategy closer to some of its biggest rivals, including Louis Vuitton, Chanel and Hermès.

By comparison, sales at these brands are heavily driven by a small number of staples, which remain on store shelves well beyond abbreviated fashion seasons. While they employ influential creative directors for their collections—notably,

the superstar music producer Pharrell Williams at Louis Vuitton—they don't center their entire creative vision around a single person. No matter what goes down the runway, shoppers can find their stalwart handbag styles and luxury essentials in its stores.

Gucci is similarly striving to make itself a little less available, reducing its overall product range by 20% in recent months and cutting its distribution network.

Perhaps nothing reflects the reset for the 102-year-old brand more than the elevation of Palus to the role of CEO in July. He began his career as an auditor and financial adviser with Arthur Andersen. He then ran the books for the timber division of the conglomerate that would go on to become Kering, which today includes brands like Saint Laurent and Balenciaga as well as Gucci.

Palus was originally put in the job for a transitional period. Executives have since said he is likely to stay on for at least two or three years.

To bolster his Italian, the Frenchman is taking language lessons twice a week, as well as reading local children's books.

The perks of his new job have also taken some getting used to. When Palus's assistant tries to make a reservation at Milanese restaurants for him, she sometimes gets turned down because maitre d's don't know the name. When she points out that Palus is the CEO of Gucci, tables instantly open up.

As part of the reset, Palus has redirected much of its marketing spending away from digital and toward glossy magazines and outdoor billboards—a radical shift af-

ter its growth in previous years was fueled by social media. On Instagram, the brand now posts meticulously curated photos six or seven times a week, whereas it would previously post several times a day.

"It's more about thinking about the next 20 years, rather than mourning the five last years," Palus said.

Palus has taken the reins as Gucci pilots itself through a complete creative overhaul. Just before the regime change, Sabato De Sarno, a little-known designer hired away from Valentino, took control of Gucci's creative team. He is the brand's first external hire for the role in Gucci history.

"Gucci thrives when over the top," said Bernstein analyst Luca Solca. The "shift to classic makes the collection potentially more commercial, but it also pitches Gucci against more credible incumbents" such as Chanel and Hermès.

The conditions for Gucci's transformation are precarious, as people have pared back their spending on luxury goods over the past year amid economic uncertainty and higher inflation. Younger consumers, who have traditionally made up a large chunk of Gucci's sales, have pulled back the most.

In 2022, LVMH, Gucci's weightiest competitor, saw sales in its fashion and leather goods division, which includes brands like Louis Vuitton and Christian Dior, soar to 74% above 2019's figures.

In the same window, Gucci's sales only ticked up by 9%. In the



Jean-François Palus

- College buddies: Palus went to business school with François-Henri Pinault
- Career start: He began with Arthur Andersen as an auditor and financial adviser
- Lumbering up: Palus initially ran the books for the timber division of the conglomerate that became Kering
- Italian lessons: Palus is learning by reading Geronimo Stilton, a children's book. He takes two 90-minute lessons a week
- Pets: Palus' wife has two cats, who are moving to Milan from Paris

third quarter of this year, Gucci's sales dropped 14%.

Gucci first embraced cutting-edge styles in the 1990s, when designs like its slim-cut tuxedos in luxurious fabrics made the brand a darling to critics. But the strategy exposed the brand to the fickle tastes of the fashion crowd, and it was thin on trend-agnostic pieces that consumers could reliably buy season after season.

Sales soared under American designer Tom Ford in the 1990s and early 2000s. But by 2014, Gucci's shine had dulled to such an extent that U.S. department store Bergdorf Goodman no longer wanted to stock it.

Gucci roared back under Italian designer Alessandro Michele after he was promoted to the top creative role in 2015. More recently, as shoppers have grown weary of Michele's gender-blurring, rococo vision, Gucci has dragged down the fortunes of Kering, where it makes up more than half of sales and two-thirds of core profit. The conglomerate is trading today at a 25% discount to many of its peers as a multiple of expected earnings.

While it continues to court younger buyers with ornate pieces, the brand is also trying to better reach other clients who want to buy clothes or accessories that are more timeless. Gucci has traditionally done well in hand-

bags priced between \$1,500 and \$2,500, but is now working to improve its offerings in higher price points.

In its newly reopened boutique, Gucci is highlighting its recently released Jackie Notte handbag, a product inspired by the classic Jackie bag. The Jackie Notte leather is more sophisticated. The lining fabric is more luxurious. There is more gold. The stitching is thinner and less noticeable.

In ready to wear, Gucci is focusing more on evening dresses. Superstar Taylor Swift on Sunday attended the Golden Globes in a floor-length, green Gucci gown.

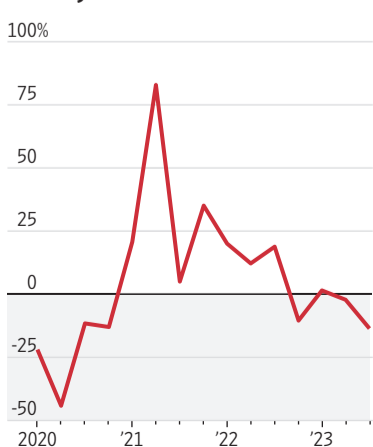
On Friday, for De Sarno's second show—and his debut men's collection—models took to the runway wearing a mélange of tailored suits, lengthy overcoats and chunky black loafers. There was a clear focus on commercially friendly accessories such as bulky gold jewelry and the brand's market-tested Jackie handbag, seen here in burgundy and lime green. The color palette was somber.

Just like his first show, the collection drew mixed reactions. Palus said the reset would take time. "Everything that we are doing right now, we are building for the long term," he said.



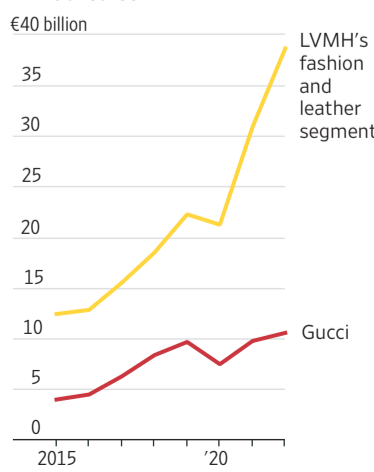
Kate Moss in Tom Ford for Gucci on the runway in the mid-1990s.

Gucci's quarterly revenue, change from a year earlier



Source: Kering

Annual sales



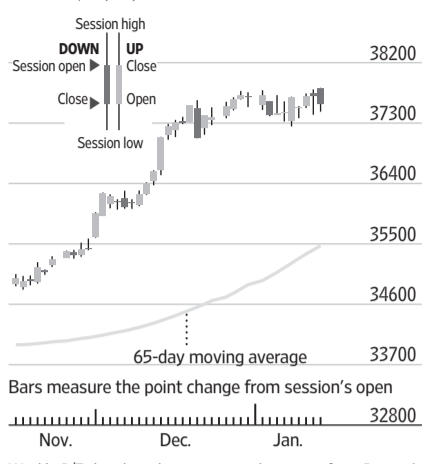
Note: €1 billion = \$110 billion. Source: the companies

◆ The booming business of secondhand luxury goods..... B12

MARKETS DIGEST

Dow Jones Industrial Average

37592.98 Last Year ago
Trailing P/E ratio 26.61 22.11
P/E estimate * 20.77 18.78
Dividend yield 1.96 2.01



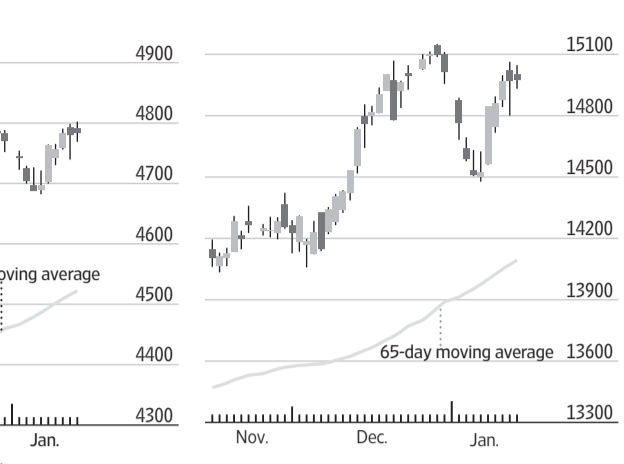
S&P 500 Index

4783.83 Last Year ago
Trailing P/E ratio * 21.82 19.15
P/E estimate * 21.57 17.37
Dividend yield * 1.50 1.72



Nasdaq Composite Index

14972.76 Last Year ago
Trailing P/E ratio ** 30.11 24.75
P/E estimate ** 28.53 21.65
Dividend yield ** 0.86 0.96



Track the Markets: Winners and Losers

A look at how selected global stock indexes, bond ETFs, currencies and commodities performed around the world for the week.

Table listing market performance for various indices and commodities. Includes columns for Index, Currency, Commodity, and Exchange-traded fund. Top performers include Nymex natural gas (+14.52%) and S&P 500 Information Tech (+4.86%).

Major U.S. Stock-Market Indexes

Table showing performance of major U.S. stock market indexes including Dow Jones, Nasdaq Stock Market, and S&P 500 Index with columns for High, Low, Latest Close, Net chg, % chg, 52-Week High/Low, and % chg YTD.

Trading Diary

Trading Diary table showing Volume, Advancers, Decliners, Total volume, Adv. volume, Decl. volume, Issues traded, Advances, Declines, Unchanged, New highs, New lows, Closing Arms, and Block trades for NYSE and NYSE Amer.

International Stock Indexes

Table of international stock indexes by region/country, including MSCI ACWI, S&P/TSX Comp, Euro STOXX, and others, with columns for Close, Net chg, % chg, and YTD % chg.

Percentage Gainers...

Table of percentage gainers including Applied UV, SYLA Technologies ADR, Nubia Brand Intl Cl A, and others, with columns for Symbol, Latest Session Close, Net chg, % chg, High, 52-Week Low, and % chg.

Percentage Losers

Table of percentage losers including SEALSO, Nukkleus, Minim, VivoPower International, and others, with columns for Symbol, Latest Session Close, Net chg, % chg, High, 52-Week Low, and % chg.

Most Active Stocks

Table of most active stocks including Charge Enterprises, Marathon Digital, Volcon, and others, with columns for Company, Symbol, Volume (000), % chg from 65-day avg, Latest Session Close, % chg, 52-Week High, and 52-Week Low.

Consumer Rates and Returns to Investor

U.S. consumer rates

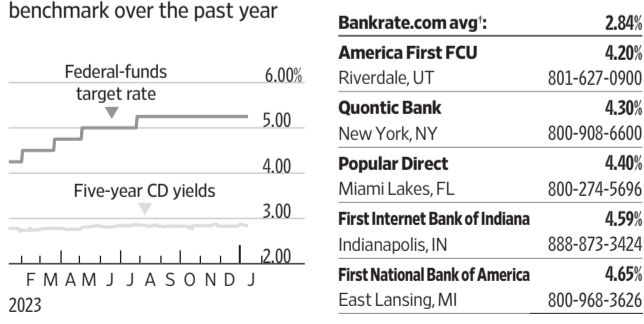
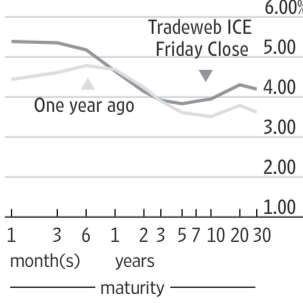


Table of selected rates for 5-year CDs from various banks, including Bankrate.com avg, American First FCU, Quontic Bank, and others.

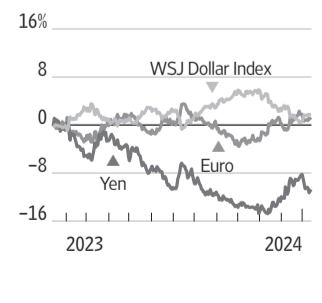
Treasury yield curve

Yield to maturity of current bills, notes and bonds



Forex Race

Yen, euro vs. dollar, dollar vs. major U.S. trading partners



Corporate Borrowing Rates and Yields

Table of corporate borrowing rates and yields for U.S. Treasury, U.S. Treasury Long, Aggregate, Fixed-Rate MBS, High Yield 100, Muni Master, and EMBI Global.

Large watermark text 'Use Only' and a QR code with text 'Scan this code Get real-time U.S. stock quotes and track most-active stocks, new highs/lows and mutual funds. Available free at WSJMarkets.com'.

Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Table of U.S.-dollar foreign-exchange rates for various countries and currencies, including Americas, Europe, Asia-Pacific, Middle East/Africa, and South America.

Commodities

Table of commodity prices for DJ Commodity, Refinitiv/CC CRB Index, Crude oil, Natural gas, and Gold.

MARKET DATA

Futures Contracts

Table of Metal & Petroleum Futures contracts including Copper, Gold, Crude Oil, and Natural Gas with columns for contract details, prices, and changes.

Table of Agricultural Futures contracts including Soybean Meal, Soybean Oil, Wheat, and Corn with columns for contract details, prices, and changes.

Table of Treasury Bonds, Canadian Dollar, and Japanese Yen with columns for contract details, prices, and changes.

Table of Australian Dollar, Mexican Peso, Euro, and Index Futures with columns for contract details, prices, and changes.

Table of Interest Rate Futures contracts including Ultra Treasury Bonds and Treasury Inflation-Protected Securities.

Table of Exchange-Traded Portfolios including the Largest 100 exchange-traded funds.

Bonds | wsj.com/market-data/bonds/benchmarks

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 showing global government bond yields and spreads for various countries like U.S., Australia, France, Germany, Italy, Japan, Spain, and U.K.

A Week in the Life of the DJIA

A look at how the Dow Jones Industrial Average component stocks did in the past week and how much each moved the index. The DJIA gained 126.87 points, or 0.34%, on the week.

Table showing the performance of DJIA component stocks over the past week, including stock names, prices, and percentage changes.

Exchange-Traded Portfolios

Largest 100 exchange-traded funds, latest session

Table listing the top 100 exchange-traded funds with columns for fund name, symbol, closing price, and change.

Corporate Debt

Prices of firms' bonds reflect factors including investors' economic, sectoral and company-specific expectations

Investment-grade spreads that tightened the most...

Table showing investment-grade bond spreads for various issuers like Citigroup, Lincoln National, and Procter & Gamble.

...And spreads that widened the most

Table showing bond spreads that widened for issuers like Bank of Nova Scotia, Caterpillar Financial Services, and Hyundai Capital America.

High-yield issues with the biggest price increases...

Table showing high-yield bond issues with the biggest price increases for issuers like Transocean, Liberty Interactive, and Occidental Petroleum.

...And with the biggest price decreases

Table showing high-yield bond issues with the biggest price decreases for issuers like Dish DBS, CSC Holdings, and Bath & Body Works.

Borrowing Benchmarks | WSJ.com/bonds

Money Rates

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 showing inflation rates for various countries like Switzerland, Britain, and Australia.

U.S. consumer price index

Table showing U.S. consumer price index for all items and core items.

International rates

Table showing international mortgage yields for 30-day and 60-day terms.

Prime rates

Table showing prime rates for U.S., Canada, and Japan.

Policy Rates

Table showing policy rates for the Euro zone.

Fannie Mae

30-year mortgage yields

Table showing Fannie Mae 30-year mortgage yields for 60-day and 90-day terms.

Notes on data:

U.S. prime rate is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks, and is effective July 27, 2023. Other prime rates aren't directly comparable; lending practices vary widely by location. Complete Money Rates table appears Monday through Friday.

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. % CHG: Daily percentage change from the previous trading session.

Table showing new 52-week highs and lows for various stocks including ACI Worldwide, ACN, and Amgen.

Table showing new 52-week highs and lows for various stocks including MPLX, Macrogen, and Meta Platforms.

Table showing new 52-week highs and lows for various stocks including VertexPharm, Vertex, and Vertex.

Table showing new 52-week highs and lows for various stocks including Inno, IvanhoeElectric, and JAGX.

Dividend Changes

Table showing dividend changes for various companies like Aegion Enterprises, STAG Industrial, and Reduced.

Stocks

Table showing stock prices and changes for various companies like TransCode Therapeutics and RNAZ.

Lowes

Table showing stock prices and changes for various companies like AMC, AMC, and AMC.

BUSINESS & FINANCE

Bitcoin ETFs Are Live. Cue The Fee War.

By JACK PITCHER

The fierce competition for new bitcoin fund assets means that trading the cryptocurrency just got a lot cheaper.

Ten nearly identical bitcoin exchange-traded funds began trading Thursday, and the first days and weeks will be crucial in determining winners and losers. Institutional investors will favor funds with the most assets and volumes big enough to ensure that large trades don't move prices too much.

Cue the fee war. Leading up to launch, asset managers disclosed proposed fees and introductory waiver offers through regulatory filings. Several refiled with lower fees after seeing competitor pricing.

At least six of the funds will charge investors no fee for an initial introductory period—a rarity. Combined with the no-commission trading offered by most major brokerages, trading cryptocurrency through ETFs is likely to be much cheaper than buying directly through crypto exchanges.

BlackRock, the world's largest asset manager and leading provider of ETFs, first unveiled a 0.3% annual fee on assets, lower than many analysts expected. After several smaller asset managers undercut it, BlackRock lowered the fee to 0.25% Wednesday.

The cheapest S&P 500 index funds charge less than 0.1% in fees, but more exotic or actively managed funds often charge much more.

"It's like a year's worth of normal fee war happened in a couple hours," said Eric Balchunas, senior ETF analyst at Bloomberg's research arm.

To be profitable with fees below 0.3%, funds will need to gather substantial assets, into the tens of billions of dollars, Balchunas said. He sees BlackRock playing the long game by using its scale and ability to subsidize losses.

"BlackRock is going for the jugular here, looking to crush the others before they are even born," Balchunas said.

BlackRock's **iShares Bitcoin Trust**, known by the ticker IBIT, was the biggest winner on the first day, with volumes of more than \$1 billion. Fidelity's

Wise Origin Bitcoin Fund followed with more than \$700 million. The fund from Cathie Wood's ARK Investment Management had just under \$300 million, leading the way among the smaller asset managers.

Although asset managers are likely to be disappointed by slim profits in such a competitive environment, investors should be able to trade and hold bitcoin for cheap. An investor would pay \$2.50 of fees annually on a \$1,000 investment at a 0.25% expense ratio.

"If you look at the fees on bitcoin ETFs, those are lower than all of your possible entry points, whether it's via retail apps or closed-end or trust structured funds," said Steve Kurz, global head of asset management at **Galaxy Digital**, the digital-asset firm joining with **Invesco** on the Invesco Galaxy Bitcoin ETF.

One notable outlier in the fee wars: Grayscale Investments, which sued the Securities and Exchange Commission—and won—over the denial of its application to convert its bitcoin trust fund into an ETF. That helped pave the path for the ultimate approval of the funds.

For years, Grayscale's trust, known as GBTC, was the only SEC-registered vehicle for gaining exposure to bitcoin. But the fund's structure led to its shares trading for a significant premium or discount to its underlying assets, an issue that should be resolved now that it has converted to an ETF and can continuously meet investor redemption requests.

The fund had nearly \$29 billion in assets as of Tuesday and charged a lucrative 2% management fee—cut only as far as 1.5% upon Thursday's conversion to an ETF. Grayscale's fund had more trading volume than any other spot bitcoin ETF on Thursday, at more than \$2.3 billion.

Grayscale appears to be betting it can hold on to its existing assets and extract higher fees. Some analysts note that investors using taxable accounts would likely need to pay capital-gains taxes if they sell their Grayscale shares, negating the benefit of shifting to a lower-fee fund.



BlackRock says the new business will have more than \$150 billion in assets under management.

BlackRock Makes \$12.5 Billion Deal For Global Infrastructure Partners

By JACK PITCHER

BlackRock has agreed to buy private-equity firm Global Infrastructure Partners for roughly \$12.5 billion in cash and stock, a significant push into private-market investments for the world's largest asset manager.

New York-based GIP owns and operates energy, transportation, and water and waste companies, including a stake in London's Gatwick Airport. The acquisition would be BlackRock's largest since it bought Barclays's asset management business in 2009.

BlackRock separately reported its assets under management topped \$10 trillion at the end of the fourth quarter for just the second time in its history.

To acquire GIP, BlackRock will pay \$3 billion in cash and 12 million of its own shares, worth about \$9.5 billion based on Thursday's closing price. GIP is majority owned by its six founding partners, who will collectively become among the largest shareholders of BlackRock by acquiring about 8% of the shares outstanding, according to a person familiar with the deal.

Five of the six founding partners, including Chief Exec-

utive Bayo Ogunlesi, are joining BlackRock. Ogunlesi will sit on BlackRock's board and resign as lead director of Goldman Sachs. He will lead BlackRock's new infrastructure group.

"Infrastructure is one of the most exciting long-term investment opportunities, as a number of structural shifts restructure the global economy," BlackRock Chief Executive Larry Fink said in a statement. "Policymakers are only just beginning to implement once-in-a-generation financial incentives for new infrastructure technologies and projects."

BlackRock has been pushing to expand its private-market operations, an area that is faster growing and potentially more lucrative than its core business of selling low-cost passive investment products such as exchange-traded funds. The deal will boost BlackRock's private assets by about 30% and roughly double its private-market base management fees.

In GIP, BlackRock is buying an infrastructure fund man-

ager with about \$100 billion under management and \$80 billion of combined revenue from its portfolio companies.

The deal is expected to close in the second or third quarter, after which BlackRock will create a distinct Global Infrastructure Partners business that combines the acquired firm with existing BlackRock infrastructure teams. BlackRock says the new business will be the second-largest private infrastructure manager globally with more than \$150 billion in assets under management, trailing only Brookfield Asset Management.

Growing government deficits are increasing the need for private financing of major infrastructure projects, and subsidies can make the investments attractive, BlackRock Chief Financial Officer Martin Small said.

BlackRock favored acquiring GIP over a more-traditional private equity buyout firm in part due to the belief that private equity's best returns from the zero-interest rate era are

behind it, Small said.

For GIP, coming under the BlackRock umbrella should enhance scale and access to boardrooms and governments, said **Raj Rao**, president of GIP.

In a memo to employees, BlackRock concurrently announced a reorganization it calls its "biggest transformation in 15 years." BlackRock will create a new global product services business that works across all of the firm's investment strategies and fund structures, including the mammoth iShares ETF business. The division will aim to connect clients with all of BlackRock's offerings, including public and private investments, and help "drive the next phase of growth for iShares," the memo said.

Salim Ramji, the current global head of iShares, is leaving the firm "to pursue a new career path," the memo announced.

BlackRock on Tuesday said it was laying off about 600 people, or 3% of global employees, to "reallocate resources."

The company's fourth-quarter earnings, also announced Friday, largely beat Wall Street's expectations.

Net income climbed 9% from the same period a year ago, and quarterly revenue rose 7%.

\$10T

Blackrock's assets under management at the end of the fourth quarter



Tesla said it would stop nearly all production from Jan. 29 to Feb. 11 at the factory near Berlin where it builds the Model Y.

Supply Issues Shut Down Tesla in Germany

BERLIN—**Tesla** plans to halt production at its only large factory in Europe for two weeks because of a lack of parts, as the fallout from re-

routed container ships on longer voyages around the Horn of Africa, leading to higher costs and weeklong delays—a disruption that shipping analysts say will likely continue for weeks to come.

Tesla said Friday it would stop nearly all production from Jan. 29 to Feb. 11 at the factory near Berlin where it builds the Model Y because of a lack of components.

"The considerably longer transportation times are creating a gap in the supply chains," Tesla said.

Separately Friday, Volvo Cars, the Chinese-Swedish automaker, said that it would halt production for three days at a plant in Ghent, Belgium, citing "adjusted sea routes that have resulted in a delivery delay of gearboxes."

And German industrial con-

glomerate **Siemens** said it was experiencing some restrictions in its supply chains, and was working with its suppliers on alternative ways to cope with potential bottlenecks.

Other companies, including furniture retailer **IKEA**, have warned in recent weeks that the disruption to shipping could impact their operations.

If the production stoppages herald a broader wave of disruption for European manufacturing, it would be bad news for a region that has struggled to rebound from the pandemic and Russia's war in Ukraine.

The Houthi said Friday that the strikes had left their infrastructure mostly intact and warned they would retaliate.

"It will get worse before it gets better," said Peter Sand, chief analyst at Xeneta, a Norwegian shipping-pricing

company.

A total of 23 ships have reversed course or stopped since the U.S.-led strikes, but more than 90 are still active in the waterway, according to Lloyd's List Intelligence data.

Despite the big impact on shipping companies, not all of Europe's manufacturers have been affected by the Houthi attacks.

Volkswagen was hit hard by the pandemic-related semiconductor shortage and disruption of supply chains in the wake of Russia's invasion of Ukraine. For now, though, it doesn't expect any significant production restrictions from the situation in the Red Sea.

French carmaker Renault and German luxury automaker BMW said they are monitoring the situation but so far had no production problems.

Delta Sees Strong Travel Demand, Warns on Costs

By ALISON SIDER

Delta Air Lines forecast another strong year of travel after the airline posted double-digit revenue growth for the fourth quarter.

Shares, though, tumbled Friday as the Atlanta-based company trimmed its profit outlook for the current year, citing higher costs from wages, inflation and supply-chain snarls.

Delta now expects per-share profit this year between \$6 and \$7, below the more than \$7 a share it had previously predicted for 2024. Chief Executive Ed Bastian said Delta could pull off profits above the upper end of the new guidance range, but he felt more caution was warranted.

"The level of volatility that we see is what causes us to be a bit cautious and prudent," Bastian said during an investor call, pointing to geopolitical tensions, the U.S. elections, and energy prices. Above all, he said, supply-chain constraints and resulting cost increases appear set to continue.

Airlines including Delta have struck new contracts with massive pay increases for pilots, and Delta said it also expects higher maintenance costs.

Shares of Delta fell 9% Friday to \$38.47. Also weighing on the stock was a jump in oil prices after U.S.-led strikes against rebel Houthi targets in Yemen stoked concerns about escalating conflict in the Middle East.

The combination of news dragged down shares of rivals American Airlines and United Airlines Holdings, which each were down by a greater percentage than Delta.

Bastian said consumers remain eager to travel. "Demand for air travel remains strong, and our customer base is in a healthy financial position," he said.

One sign of consumers' financial health: The airline said its revenue from premium seat tickets grew 15% in the fourth quarter from a year earlier, outpacing growth in coach, as a record number of people paid to fill those seats rather than getting free upgrades.

Though last year's surge in international travel was "one of a kind," Bastian said he is optimistic that Americans will continue to take trips abroad, bolstering fares.

"I think the fares will stabilize internationally this summer, but they'll stabilize still at a meaningfully higher level than they were prepandemic, which is very much in line with our higher cost of production," he said.

Glen Hauenstein, Delta's president, said the company expects travelers' use of credit to normalize in the current quarter, and said Delta won't get the same benefits from operational challenges at rivals as it did in early 2023.

Meanwhile, "choppiness" in the U.S. market is starting to ease as some airlines cut back on flying plans, Bastian said. Last year U.S. travelers flocked to Europe and other international destinations, leaving some carriers with too many seats on domestic flights, and fares took a tumble. Budget carriers that focus on leisure travelers in the U.S. were particularly hard hit.

—Will Feuer contributed to this article.

MARKETS

S&P 500 Misses Record Despite Weekly Gain

Index is within 0.3% of a record high that has stood for more than two years

By RYAN DEZEMBER

The S&P 500 overcame big declines in airline stocks and shares of companies that rely on discretionary spending Friday to inch closer to a new all-time high.

FRIDAY'S MARKETS

The benchmark stock index ended Friday less than 0.1% higher, within 0.3% of a record high that has stood for more than two years.

Analysts believe the market's January performance sets the tone for the rest of the year.

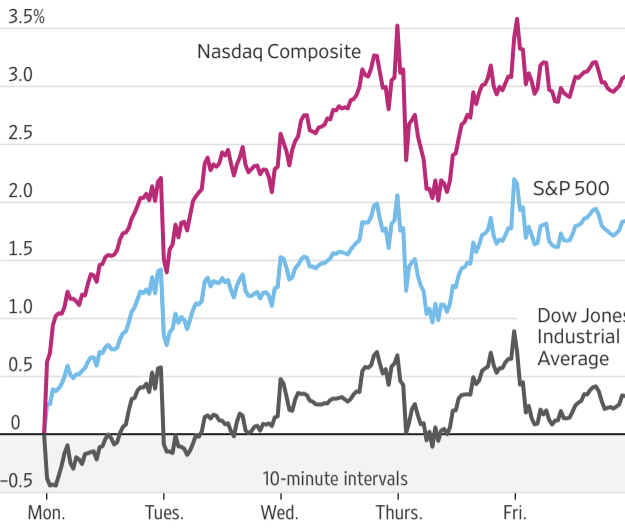
So far, the mood among investors is ho-hum despite stocks' march toward new highs. "Our concern is with market valuations, especially right at record highs, when the economy is not as strong as it was," said Jerry Braakman, chief investment officer at First American Trust.

He said the Santa Ana, Calif. firm has trimmed its exposure to the technology stocks that drove last year's rally for fear that they have become too expensive relative to their forecast profits.

"That's a pretty defensive stance," Braakman said.

Cindy Beaulieu, chief investment officer for North America at money manager Conning, said markets became too ebullient after Federal Reserve Chairman Jerome Powell sig-

Index performance this past week



Source: FactSet

naled in December that the central bank was finished raising interest rates.

Interest-rate futures indicate that investors believe that the

for the central bank to reverse course.

The yield on the 10-year Treasury note ended at 3.949%, down from 3.974% on Thursday and a recent peak of 5% in October.

Labor Department data released Thursday hinted that inflation might not be cooling quite as quickly as some investors hoped. On Friday, traders woke up to news that a U.S.-led coalition launched strikes on Houthi rebel targets in Yemen in retaliation for the rebels' attacks on commercial ships in the Red Sea.

Investors dumped airline stocks Friday after Delta Air Lines reduced its outlook for this year's bottom line. Chief Executive Ed Bastian cited geopolitical uncertainties, ongoing supply chain issues and volatile

energy prices.

"To be prudent, we should set expectations a little bit lower and hope to overachieve," Bastian told investors on a conference call.

Delta shares fell 9% despite beating Wall Street's fourth-quarter sales and profit expectations. Only rivals United Airlines and American Airlines fared worse among S&P 500 constituents, losing 11% and 9.5% respectively.

Energy, communications real estate and utilities were the top gaining segments of the S&P 500 on Friday.

Bank shares also had a mostly down day following earnings reports from four of the country's biggest lenders.

Overseas, stocks were mixed. Japan's Nikkei 225 rose for the fifth straight session, adding 1.5%, while major indexes in China, Hong Kong and Korea declined.

Oil Jumps After Airstrikes On Houthi Rebels in Yemen

By ADRIAN KERR

Crude-oil prices jumped after a U.S.-led coalition launched airstrikes against rebel Houthi targets in Yemen, raising concerns of a further escalation of conflict in the Middle East that could disrupt oil and gas supply.

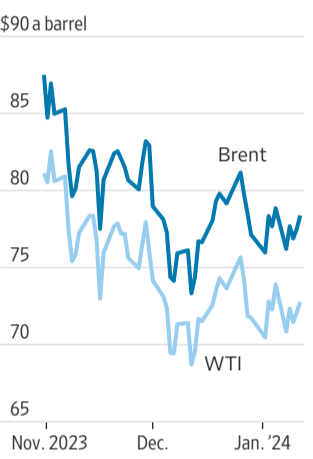
Front-month Brent crude oil futures rose nearly 2% immediately after the U.S. and U.K. launched the strikes, and settled Friday up 1% at \$78.29 a barrel in Europe. U.S. benchmark WTI futures rose about 1% to \$72.68 a barrel.

European natural-gas prices also rose, with benchmark Dutch TTF up 4% to EUR31.99 a megawatt hour.

Still, equities continued to climb, with gains across all major European bourses. The FTSE 100 was rose 0.6%, with France's CAC 40 and Germany's DAX both up about 1%.

Shares in Danish shipping

Crude-oil futures price



Source: CQG

giant A.P. Moller-Maersk fell 0.4%, having earlier risen as much as 3.9%, while Germany's Hapag-Lloyd was down 2%, having climbed more than 4% earlier in the session. In Asia, Hong Kong-listed shares in Cosco Shipping Holdings

closed 3.15% higher, while Taiwanese peers Evergreen Marine and Yang Ming Marine Transport gained 5% and 5.1%, respectively.

Iran-backed Houthi rebels from Yemen have repeatedly targeted commercial ships transiting through the Red Sea, in retaliation for Israeli actions in Gaza. As a result, shipping traffic has fallen significantly, hurting trade and crimping supply chains.

The U.S.-led coalition launched more than a dozen strikes late Thursday, officials said, two days after the Yemeni rebel force defied an ultimatum to halt its attacks on Red Sea shipping.

Higher energy costs add to higher-than-expected U.S. inflation data, which points to a bumpy last leg of disinflation, Saxo Markets analysts said. That in turn could see central banks acting more slowly to cut interest rates.



The luxury sector has been hit as inflation and high interest rates squeeze consumer spending.

Burberry Cuts Guidance After Demand Slows for Luxury Items

By MICHAEL SUSIN

Burberry cut its guidance after global luxury demand continued to slow during December's key trading period.

The British luxury-goods company said Friday that it expects fiscal 2024-adjusted operating profit—the company's preferred metric, which strips out exceptional and other one-off items—for year ending March 30 to be in the range of 410 million to 460 million pounds (\$523.2 million-\$587.1 million).

The company previously expected to achieve the lower end of the market's expected

range of GBP552 million to GBP668 million.

"We remain confident in our strategy to realize Burberry's potential and we are committed to achieving our GBP4 billion revenue ambition," Chief Executive Jonathan Akeroyd said.

The luxury sector has been hit by a slowdown in sales growth, with inflation and high interest rates squeezing consumer spending. In November, Burberry warned that deterioration in luxury demand had been hurting its performance and that it was unlikely to achieve its guidance if the trend continued.

Retail revenue for the 13-week period ended Dec. 30, known in the sector as the "golden quarter" because it encompasses the key Christmas period, dropped to GBP706 million from GBP756 million a year earlier, with sales on a like-for-like basis falling 4%.

Burberry said it also expects a currency headwind of around GBP120 million on revenue and around GBP60 million in adjusted operating profit.

The company's up update was brought forward one week. It had originally been expected on Jan. 19.

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