

THE WALL STREET JOURNAL

What's News

Business & Finance

- ◆ **Facebook parent Meta** Platforms published instructions encouraging advertisers to use a workaround to avoid paying a 30% service charge to Apple. **B1**
- ◆ **Biden's top economic** adviser outlined the factors that she identified as making it easier to bring down inflation without a big decline in economic activity. **A2**
- ◆ **U.S. stocks benefited** from renewed optimism about the economic outlook, with the S&P 500, Dow and Nasdaq rising 0.6%, 0.9% and 0.3%, respectively. **B11**
- ◆ **VW faced mounting** pressure to pull out of a joint venture in China, as geopolitical tensions collide with business priorities for Germany's largest manufacturers. **B1**
- ◆ **As Boeing labors** through its latest crisis, Airbus is extending its lead over its U.S. rival and threatening to topple the duopoly that has long ruled the industry. **B1**
- ◆ **Multinational carmaker** Stellantis said it would launch a buyback equivalent to \$3.22 billion after posting record sales and after-tax profit in 2023. **B2**
- ◆ **Nike will reduce** its workforce by about 2%, or more than 1,600 people, part of its effort to cut costs by as much as \$2 billion over three years. **B3**
- ◆ **Rod Stewart sold** his song catalog to Iconic Artists Group as the music-rights market draws a flurry of fresh capital. **B3**
- ◆ **Wells Fargo's key** regulator said it closed the 2016 consent order placed on the bank for opening fake accounts, the subject of a yearslong scandal. **B10**

World-Wide

- ◆ **The Israeli military** plans to invade Rafah have exacerbated tensions between Netanyahu's government and the Biden administration, which has grown increasingly frustrated with its attempts to rein in Israel's military campaign. **A1, A6**
- ◆ **Fulton County** District Attorney Fani Willis took the witness stand, sparring with lawyers to rebut allegations that her romantic relationship with another prosecutor should disqualify them both from prosecuting Trump for alleged election interference in Georgia. **A1**
- ◆ **Ukraine's top** military-intelligence officer said Russian invading forces in his country are using thousands of Starlink satellite internet terminals, and that the network has been active in occupied parts of Ukraine for a long time. **A1**
- ◆ **Russia is pursuing** an "antisatellite capability" that represents a serious concern but doesn't present an active threat to Americans' safety, the Biden administration said. **A7**
- ◆ **An informant who** alleged that Biden engaged in a bribery scheme with a foreign national during his vice presidency was arrested on charges of lying to the FBI. **A4**
- ◆ **Putin said he preferred** Biden to Trump in the U.S. election, in the Russian leader's first public comments on the 2024 race. **A4**
- ◆ **Preliminary findings** suggested the deadly shooting at a Super Bowl rally in Kansas City, Mo., was a dispute among individuals and wasn't linked to terrorism or domestic extremism, officials said. **A3**

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Fulton County, Ga., District Attorney Fani Willis, testifying on Thursday, accused defense lawyers in the case of lying about her.

Defiant Trump Prosecutor Gives Rebuttal Over Office Romance

"You're confused, you think I'm on trial." When Fulton County District Attorney Fani Willis took the stand in Atlanta on Thursday, she sparred with lawyers

By Mariah Timms, Corinne Ramey and James Fanelli

to rebut allegations that her romantic relationship with her deputy should disqualify them from prosecuting Donald Trump for alleged election interference in Georgia. "These people are on trial for trying to steal an election

in 2020. I'm not on trial, no matter how hard you try to put me on trial," she said in response to questions from defense lawyer Ashleigh Merchant, who has led the push for her disqualification. Her plain-spoken responses, sometimes delivered in a defiant tone, were a sign of the wide latitude she was given to respond as she wished, even as the judge cautioned her not to speak over defense attorneys. Also on Thursday, a New York justice ordered Trump's trial related to alleged hush money for a porn star to begin

on March 25, the first of his criminal cases to be tried. In an Atlanta courtroom packed with other lawyers and reporters, Willis faced questions about her relationship with Nathan Wade, the special prosecutor she hired in 2021 to work on the case against the former president and his associates for alleged racketeering. Willis said that defense lawyers seeking to sideline her had made false and offensive allegations about her history with Wade. In testimony that was wide-ranging and combative,

Willis responded to questions from defense attorneys in great detail. She discussed her father's advice to keep several months' worth of emergency cash in the house and her preference for Grey Goose vodka over the wine she and Wade shared on vacations. In August, Trump and 18 co-defendants were indicted on racketeering charges alleging they engaged in a criminal conspiracy to subvert the 2020 presidential election. All defendants pleaded not guilty; four have since taken plea deals. Co-defendant Mike Roman, *Please turn to page A4*

Tensions Build Between Netanyahu And Biden

Clash over Israeli plan to invade Rafah underscores waning U.S. influence on ally

By Dion Nissenbaum and Vivian Salama

The Israeli military plans to invade Rafah have exacerbated tensions between Prime Minister Benjamin Netanyahu's government and the Biden administration, which has grown increasingly frustrated with its attempts to rein in Israel's military campaign. The consequences of the distrust between President Biden and Netanyahu, who have spoken 19 times since Hamas's Oct. 7 assault, have grown only starker in recent days. Biden now appears to be trying to draw a line with Israel's proposed military operation on Rafah where 1.1 million Palestinians—many of them displaced—now reside. In their latest call Thursday, Biden "reiterated his view that a military operation should not proceed without a credible and executable plan for ensuring the safety of and support for the civilians in Rafah," the White House said in a statement. Netanyahu, meanwhile, has vowed to forge ahead, saying Wednesday that Israel would mount a "powerful" operation in the city once residents are allowed to evacuate. *Please turn to page A6*

◆ **Israel hunts for hostages** in Gaza hospital..... **A6**
 ◆ **Egypt builds walled enclosure** near border.... **A6**

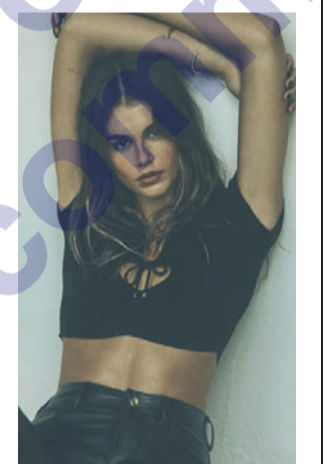
Ukraine Says Russia Is Using Starlink In Big Way

By James Marson and Thomas Grove

KYIV—Ukraine's top military-intelligence officer said Russian invading forces in his country are using thousands of Starlink satellite internet terminals, and that the network has been active in occupied parts of Ukraine for a long time. Lt. Gen. Kyrilo Budanov's comments in an interview suggest that Russia is starting to acquire Starlink terminals, made by Elon Musk's SpaceX, at a scale that could cut into a major Ukrainian battlefield advantage. Ukraine's government said last year that around 42,000 terminals are used by the military, hospitals, businesses and aid organizations. Starlink, which is more secure than cell or radio signals, is considered so vital to Ukrainian operations that the Pentagon struck a deal with SpaceX last year to help fund access for Kyiv's forces. Up to now, Russian forces have had no similarly secure communications system. A spokesman for SpaceX didn't respond to a request for comment. Musk previously said SpaceX wasn't selling to Russia. "To the best of our knowledge, no Starlinks have been sold directly or indirectly to Russia," he wrote on his social-media platform X on Sunday. Neither Musk nor Starlink has responded directly to questions about whether the devices could be obtained in other countries and used in

◆ **Kremlin lures Cubans** to fight in Ukraine..... **A7**

TOMORROW



WSJ. MAGAZINE KAIA GERBER

China Revives Socialist Ideas To Fix Its Real-Estate Crisis

Xi Jinping aims to put the state back in charge of the property market, part of a push to rein in the private sector

By Lingling Wei and Stella Yifan Xie

China's massive property market is crumbling. Xi Jinping wants to revive socialist ideas about housing and put the state back in charge. Home prices across China are falling, developers have gone bust and people are doubting whether real estate will ever be a viable investment again. The meltdown is dragging down growth and spooking investors worldwide. Under the new strategy, the Communist Party would take over a larger share of the market, which for years has been dominated by the private sector. Underpinning it are two

major programs, according to policy advisers involved in the discussions and recent government announcements. One involves the state buying up distressed private-market projects and converting them into homes that the government would rent out or, in some cases, sell. The other calls for the state itself to build more subsidized housing for low- and middle-income families. The goal, the policy advisers say, is to increase the share of housing built by the state for low-cost rental or sale under restricted conditions to at least 30% of China's housing stock, from 5% or so today. The plans line up with Xi's broader push in

Please turn to page A9

Migrant Influx Brings Economic Growth

By Paul Kiernan

WASHINGTON—The influx of millions of unauthorized migrants in recent years has sparked a political firestorm that has paralyzed Congress and consumed election campaigns. But it also has a benefit: a bigger, faster-growing economy. The precise scale of that

economic boost was laid out in the Congressional Budget Office's latest long-term budget and economic outlook, released Feb. 7. It estimates the labor force will be larger by 1.7 million potential workers in 2024 and 5.2 million more—about 3%—in 2033 than the nonpartisan agency expected one year ago. Gross

domestic product—the value of all goods and services produced in a year—should be 2.1% larger. Because those extra workers will be paying taxes and generating economic activity that also yields tax revenue, the federal deficit should be smaller at 6.4% of GDP in 2033, rather than 7.3% as pro-

jected last year. "More workers means more output, and that in turn leads to additional tax revenue," CBO Director Phillip Swagel said. But a bigger economy doesn't necessarily equate to a better economy. The latest group of migrants differs from *Please turn to page A2*

Your Cat Up a Tree? Climbers Branch Out, Swing to the Rescue

Feline-specialists fill in for fire departments; 'Ralphie...let me help you, buddy'

BY BETSY MCKAY

yet now he was unable to get down. His family spent days chasing their tails, looking for help. Finally, they found Duane Hook, a tree climber who specializes in the high-tech fixing of feline misadventure. *Please turn to page A9*

U.S. retail sales, change from a month earlier

January -0.8%

Retail Sales Shrink

U.S. retail sales fell a seasonally adjusted 0.8% in January compared with a month earlier. The larger-than-expected decline came after a strong round of holiday shopping in December, which was revised to a 0.4% gain. **A2**

Note: Seasonally adjusted Source: Commerce Department



U.S. NEWS

Retail Sales Dropped More Than Expected

BY CHARLEY GRANT AND JUSTIN LAHART

Consumers entered the year with less vigor than in prior months.

U.S. retail sales fell a seasonally adjusted 0.8% in January compared with a month earlier, the Commerce Department said Thursday.

The larger-than-expected decline came after a strong round of holiday shopping in December, which the report revised to a 0.4% gain. Excluding autos, sales were down 0.6%; economists expected an increase.

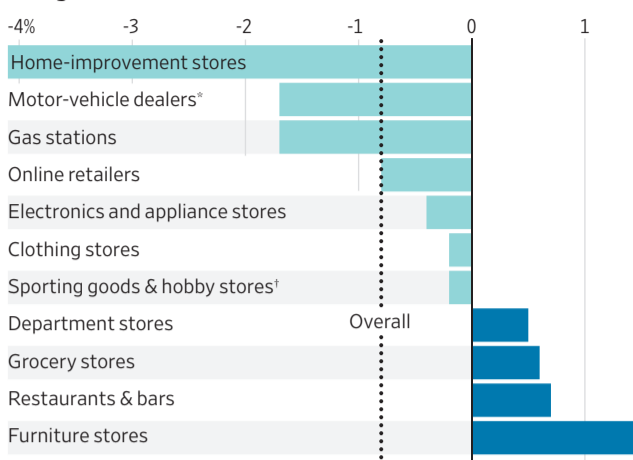
While technical factors may have exaggerated the weakness, a pullback by consumers, who account for roughly two thirds of economic activity, would spell a weaker outlook for growth this year than in 2023. Many economists have long expected that higher interest rates and the whittling down of savings Americans built up following the pandemic's onset would crimp consumer demand.

The S&P 500 rose 0.6% after release of the data, which followed the strong January jobs report, suggesting the fundamentals for consumers remain solid. Investors' main interest was determining to what extent the report suggested consumers might be pulling back after a generally hotter-than-expected economic start to 2024, and how much of the signal was being muffled by complications with the data.

"I don't think the economy is nearly as good as the jobs report suggested," said Luke Tilley, chief economist at Wilmington Trust. "And I don't think it's nearly as bad as today's report suggests."

December and November sales were revised lower, a sign that consumer spending, while still robust, might not have been quite as strong in the fourth quarter as earlier reported. Economists at Goldman Sachs estimate that gross domestic product grew at a 3.2% annual rate in the fourth

U.S. retail sales in January for select categories, change from December



*Includes parts dealers †Includes musical instrument and bookstores
Note: Seasonally adjusted
Source: Commerce Department

quarter, down a notch from the 3.3% the Commerce Department reported last month. In addition, the economists lowered their forecast of first-quarter GDP growth to a 2.5% rate from 2.9%.

Behind January's weakness,

two factors might have pushed the sales figures lower. The first was technical: The seasonal adjustments the Commerce Department applied to January sales were less supportive than in years past. The second was the cold

weather that spread across much of the U.S. last month and might have significantly weighed on sales.

Sales typically fall in January from December by a lot. December is the month when holiday shopping is in full swing, and in January consumers reset. The Commerce Department adjusts for this, based on historical patterns, in an attempt to discern the underlying trend.

Some economists expected those adjustments to Thursday's data would be unforgiving. "In contrast to December, the seasonal factor for the upcoming January data looks unusually 'harsh,' which all else equal should generate weaker seasonally adjusted sales," wrote Daniel Silver, an economist at JPMorgan Chase. He had projected a 0.9% decline.

Cold and wet weather in large parts of the country was likely a factor in weaker debit- and credit-card spending, economists at Bank of America Institute said in a report.

Top Biden Aide Ties Spending To Soft Landing

BY NICK TIMIRAS

Efforts to boost spending on infrastructure and computer chips, together with a surge in people returning to the workforce and business formation, have made it easier for the economy to bring inflation down without a big decline in economic activity, President Biden's top economic adviser said in an interview.

Lael Brainard, director of the White House National Economic Council, played down concerns that the so-called last mile of reducing inflation would become more difficult than it has been so far.

Measures of supply-chain pressures "spiked, and inflation followed them up. Now they have returned to prepandemic levels, and we have seen inflation coming down closely behind that," Brainard said. "So my anticipation is we're going to continue to see progress on inflation coming down."

But Brainard signaled concern over the potential for makers of some consumer staples to maintain high margins even as input costs have fallen. Shoppers "can see the economy is really back to normal and the prices of many things that they buy on a weekly basis, groceries in particular, are not back to normal," she told reporters Thursday after a speech to the National Association for Business Economics.

Brainard said it was possible prices could come down further as price-sensitive consumers pulled back from certain purchases.

President Biden called out food retailers and wholesalers this week for maintaining higher margins by shrinking the size of certain goods on grocery aisles. "For the grocery store chains that raised their margins during the height of the pandemic, it is time to bring those down," Brainard said.

In her remarks, Brainard pointed to how inflation-adjusted manufacturing spending has more than doubled over the past year and drew a contrast with former President Donald Trump's policies to promote business investment largely by reducing business-tax rates. More broadly, she laid out the case for how the administration's response to the pandemic avoided permanent scars in the form of lost output and idled workers.

In the interview, Brainard dismissed concerns that high interest rates might damp the investment in sectors targeted by those spending bills. "The investing environment should only get better as inflation has come down," she said.

While private-sector fixed



Lael Brainard

investment spending has increased because of the administration's policies, the cost-benefit trade-off remains up for debate because of how much debt the U.S. has incurred, said Marc Sumerlin, a former economic adviser to President George W. Bush.

"We have a long-term budget deficit increase that is part of the cost of those policies, and it's not yet clear they will have a high return," said Sumerlin, managing partner at Evenflow Macro. The Biden administration has said it expects its policies to generate more revenue over the long run that makes up for any higher spending in the short run.

◆ Stocks advance broadly in sign of confidence..... B11



Border agents process migrants outside Eagle Pass, Texas, earlier this month. More than 2.5 million migrants crossed the southwest border in 2023.

Influx Enlarges Economy

Continued from Page One previous cohorts in ways that could put modest downward pressure on wages and productivity in the short term.

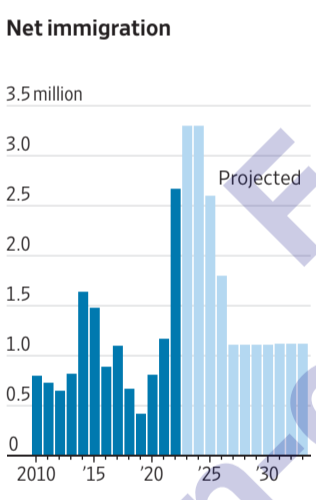
More than 2.5 million migrants crossed the southwest border in 2023, according to the Department of Homeland Security. That resulted in net immigration of 3.3 million people last year, up from an annual average of 919,000 in the 2010s.

The politics around immigration have always been sensitive, but the issue has come to the forefront as record numbers of migrants claim asylum at the southern border and head for large cities such as New York and Chicago, where local laws require the cities to offer them shelter. Claiming asylum triggers a legal process that often takes years to resolve and allows migrants to live and work in the U.S. while they wait.

The economic costs and benefits of immigration were an afterthought to the recent compromise effort to overhaul border laws, and its subsequent failure in Congress.

But public opinion on immigration has also long been driven by anxiety about competition for jobs, particularly among less economically secure segments of the population.

"It's millions and millions of people—they're pouring into



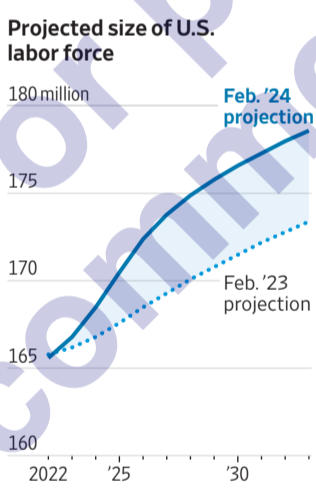
*Annual wages and salaries per civilian employee
Source: Congressional Budget Office

our country," former President Donald Trump, the front-runner for the 2024 GOP presidential nomination, said Wednesday night at a rally in South Carolina. "The biggest victims are African-Americans, Hispanic Americans, Asian Americans...They're getting decimated in their hourly wages."

President Bill Clinton expressed similar worries in the 1990s, vowing to crack down on "illegal aliens" entering the country.

"The jobs they hold might otherwise be held by citizens or legal immigrants; the public services they use impose burdens on our taxpayers," Clinton said in his 1995 State of the Union address.

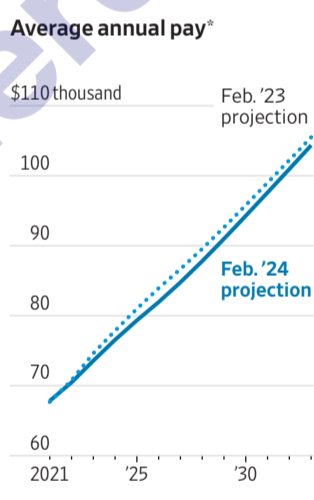
The recent influx seems likely to accentuate such concerns. Before the pandemic, foreign-born adults were almost as likely as the overall population to hold at least a bachelor's degree. This was mainly because of higher educational



attainment among immigrants from Asia, Africa and Europe, which offset lower levels of schooling among people from Mexico and Central America. Highly educated individuals are thought to facilitate innovation, raising the productivity of all workers and ultimately their wages.

Data on the most recent arrivals remains sparse. But while researchers have documented migrants from around the world at southern border crossings, the biggest cohorts are thought to be from poorer communities in Latin America.

More important, a much smaller share of the latest immigrants have legal authorization to work in the U.S. than those who arrived in the previous decade. That doesn't mean they will remain outside the labor force, Swagel said, but it does make it likely that they will skew toward lower-wage jobs in part because lack of work authorization limits access to many occupations.



By increasing the lower-paid share of the labor force, the CBO said the immigration surge will create a modest drag on average wages. It has reduced by 1.7% its forecast for the employment cost index, a measure of private-sector pay and benefits, in 2033.

The injection of more labor into the economy—without a commensurate increase in capital—also tends to reduce the average worker's productivity. Think about it like this: Five accountants with five computers should each get more work done than six accountants with five computers.

In the U.S., this drag is likely to be most pronounced in the near term. As new machinery is acquired, more infrastructure is built, more immigrants find jobs that match their skills, and productivity should improve.

Still, the CBO expects per capita GDP to be 0.8% less a decade from now than it would have been without the

increase in immigration.

One question the agency didn't address is the potential downward pressure on resident workers' wages from increased competition from immigrants. The lack of data on the latest cohort of immigrants complicates any such estimate.

But economists have noted that an abrupt decline in immigration during the pandemic was immediately followed by labor shortages—and pay spikes—in sectors such as food-service and hospitality, which tend to employ more foreign-born workers. Federal Reserve Bank of Richmond President Tom Barkin said Feb. 8 that the recent rebound in immigration has "helped alleviate labor-market pressures" and thus inflation.

Rico Torres, a 40-year-old roofer from Oaxaca, Mexico, who has lived in the U.S. for 16 years, said he was laid off by a construction company two months ago. These days he stands outside a U-Haul parking lot in Maryland hoping customers who need a helper will pick him. But there are a dozen or so other men doing the same thing, and many days he goes home empty-handed.

"There are a lot of people coming in from other countries," Torres said. "I think that's why it's getting so difficult."

To be sure, construction activity normally slows in the winter, and the industry is also struggling with high interest rates. Torres said he was hopeful that work would pick up as the weather warms.

In the long run, many economists said, immigration is a net economic positive. Because most newcomers are in their prime working years, they tend to contribute more in taxes than they draw in federal benefits. This is especially important as the U.S. population ages.

"If you have more people, and more people produce more, that creates a bigger economy," said Giovanni Peri, a labor economist at the University of California Davis who studies international migration. "But does this help people who are employed now? That's not necessarily the case."

CORRECTIONS & AMPLIFICATIONS

A spokesman for the speaker of the House of Representatives on Wednesday said any votes on the Foreign Intelligence Surveillance Act would be delayed. In some editions Thursday, a U.S. News article incorrectly said that happened on Tuesday.

A Supreme Court ruling in 2018 paved the way for states across the country to legalize sports betting. A Sports article on Monday about the National Football League and Las Vegas incorrectly said sports betting became legal nationwide following the ruling.

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

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U.S. NEWS

Personal Dispute Cited in Rally Shooting

Officials don't think gunfire in Kansas City had link to terrorism; two teens detained

By SHANNON NAJMABADI AND ERIN AILWORTH

KANSAS CITY, Mo.—Preliminary findings suggest the shooting that killed one person and wounded 22 others at a Chiefs' Super Bowl rally had no link to terrorism or home-grown violent extremism, and instead was a dispute among several people that ended in gunfire, officials said Thursday.

Two teens were being detained as part of the investigation, police said. Police released a third person they detained after finding that person wasn't involved.

Officials were trying to determine whether others were involved. They declined to give details about potential weapons, beyond saying several firearms were recovered.

The suspects haven't been arrested. Officials earlier said they could detain suspects for 24 hours before filing charges or releasing them from custody, but didn't say juvenile suspects were exempt from this policy. The two teens being detained are juveniles.

A video widely circulated on social media shows bystanders tackling a potential

gunman at the rally. That person was taken into custody, police said.

"This is still under investigation," Police Chief Stacey Graves said. "We are working closely with the Jackson County prosecutor's office."

The victims ranged between the ages of 8 and 47; about half are under 16. A spokeswoman for Children's Mercy, a local hospital, said it treated 11 children and all are expected to recover.

Fifteen people have critical or serious injuries, Fire Chief Ross Grundyson said. About a million people were in downtown Kansas City the day of the rally, Graves said.

Investigators were soliciting the public for any information about the shooting, and working with the Federal Bureau of Investigation, which has provided an online tool so people can upload videos of the event.

Mayor Quinton Lucas said officials will review the shooting and the response from law enforcement.

"I don't think in any way that this is Kansas City," he said. "I do think there is a gun-violence challenge in this community and many others, and there certainly is a gun-violence challenge as it relates to major events."

Officials said a 43-year-old woman, Elizabeth Galvan, died in the shooting.

Kelly Dougherty, a spokes-



Police officers at the scene after Wednesday's shooting in Kansas City, Mo.

We've got two guns located over here with us."

Several rallygoers said they helped tackle a potential suspect or provided aid.

Trey Filter, 40, said he heard what sounded like firecrackers after the rally but wasn't initially concerned.

"We saw that there was a military presence. We could see sharpshooters, so everybody felt fairly safe," said Filter, who owns an asphalt company in Wichita, Kan. "I told my son, 'It's probably not guns.'"

He then saw someone run past and heard people say "get him."

"I tackled him and [another] dude was there helping. People were screaming 'gun, gun,'" he said. His wife, Casey Filter, picked up and moved the dropped gun, which he said was an AK-47 rifle.

Chasitty Logsdon, 39, said she saw a man lying on the ground and a woman holding his head in one hand and her phone in the other. There was a puddle of blood.

Logsdon said her training as a nurse—she is an emergency-room nurse in Kentucky—kicked in and she started to perform chest compressions. She stayed until medics arrived.

"I just wish I could have done more," she said.

◆ Jason Gay: Horror at Super Bowl parade..... A12

woman for local radio station KKFI 90.1 FM, said Galvan was one of their disc jockeys, who was known on air as Lisa Lopez-Galvan.

Galvan was always smiling and was a "mainstay in the up-and-coming next-generation of Latino leaders in Kansas City," said Manny Abarca IV, a local legislator who said he has known her family for years.

Abarca was among several VIP guests who hid in Union Station, a train center and civic hub where Chiefs players had appeared onstage earlier.

There was a "flood of peo-

ple running, screaming, yelling 'guns, police, run,'" Abarca said. He picked up his 5-year-old daughter and ran, alongside players, Chiefs coach Andy Reid, and members of the Hunt family who own the football team, he said.

Abarca went into a restaurant and barricaded himself in a bathroom with his daughter, bracing his body to hold the door shut.

"She was calm and she said, 'Daddy, is this like the drill?'" Abarca said.

He sent out a plea for help on social media as he hid. "My daughter and I are in union

station, locked down and being quiet. I need to know when it's safe for us to come out of hiding," Abarca wrote on X.

Radio dispatches from police and first responders, collected by Broadcastify, paint a chaotic scene in which officers detained someone just minutes after the first report of shots fired.

Details about weapons were unclear, with officers mentioning a rifle in one dispatch and two guns in another.

"We have one party in custody," a person said in that second dispatch. "I don't know how many shooters we had.

Democrats Continue to Push for New State Gun Limits

By JON KAMP AND SCOTT CALVERT

Democrats are pushing for new gun restrictions in several states, from an assault-style weapons ban to longer waiting periods, spurred on in part by an election win and the response to yet another mass shooting, this time near the Kansas City Chiefs' Super Bowl rally.

Maine lawmakers say they will tackle firearms legislation after a gunman killed 18 people there last October. New Mexico's Democratic-controlled legislature approved some new gun limits. And Virginia Democrats have already passed several gun bills through at least one chamber after barely flipping the House of Delegates in November.

The upshot: In the absence of federal gun legislation, states are continuing to go it alone, with uncertain prospects for passage and with divergence among red and blue states.

"We have a responsibility, an obligation to make sure that we put these bills on the governor's desk, and let him grapple with his own conscience," said Don Scott, Virginia's Demo-

cratic House speaker, referencing expected vetoes from Gov. Glenn Youngkin, a Republican. Youngkin has said he thinks Virginia's gun laws are strong enough. His spokesman said he would review any bills passed by the legislature.

Democrats have gained ground in recent state elections, and they have used their clout to pursue new firearms limits. They are helped by well-funded gun-control groups, as the National Rifle Association has weakened. They are also responding to public anger over mass shootings carried out with weapons such as AR-15 rifles.

"There is growing momentum in Democratic Party circles for gun-safety reform," said Adam Winkler, a law professor at the University of California, Los Angeles.

Republicans control more state legislatures than do Democrats, and they have actively pursued new laws, too, including expanding the right to carry concealed handguns without a permit. More than half the states now have such a law, including a dozen passed since 2021, according to the Giffords Law Center to Prevent Gun Violence. Pro-gun advo-



Maine Gov. Janet Mills has made firearms a top issue.

ates won a key 2022 Supreme Court ruling, striking down New York's system for issuing concealed-weapons permits, which has amplified other legal challenges to gun restrictions around the U.S.

"The pro-gun side has been succeeding much more at the state level" than gun-control advocates, Winkler said.

Virginia Democrats, who took full control of the legislature last year, are following Michigan and Minnesota. The party won control of those legislatures in 2022 and used majorities to pass new gun restrictions such as red-flag laws, which allow guns to be taken temporarily from people deemed dangerous.

One issue that has drawn strong bipartisan support in Virginia is a proposed ban on auto sears, also known as Glock switches, which are devices that can make semiautomatic guns fire automatically. But the gun debate is otherwise breaking largely on partisan lines, including bills that passed the House and Senate banning the sale of new assault-style weapons.

"These weapons were designed to put aimed, sustained, semiautomatic fire on an enemy, and our neighbors and our children are not our enemies," said Democratic Delegate Dan Helmer, sponsor of the House bill.

Republicans question the constitutionality and practical effects of a bill that would ban sales of weapons such as AR-15s. "We're talking about the most commonly owned rifle in the United States," Delegate Timothy Griffin, a Republican, said on the House floor.

Delegate Todd Gilbert, the House GOP leader, said he expects Youngkin to block the latest firearms bills.

Youngkin's aides pointed out that Virginia ranks as the 15th safest state in Everytown

for Gun Safety's gun-law scorecard. That gun-control group said it spent about \$1.5 million ahead of November's elections to help elect Democrats. The National Rifle Association donated \$168,000 to Republican candidates, according to the nonpartisan Virginia Public Access Project.

New Mexico Gov. Michelle Lujan Grisham, a Democrat, backed several changes there in a session that ended Thursday, but most items didn't advance. Lawmakers passed bills adding a seven-day waiting period on certain purchases and limits on guns near polling places.

Maine lawmakers have made firearms a top issue after the nation's deadliest mass shooting last year, and they are expected to introduce gun-related bills soon.

Maine Gov. Janet Mills, a Democrat, said she wants to add to the state's yellow-flag law, which came under scrutiny after evidence emerged that the Lewiston shooter had previously received inpatient psychiatric care and threatened to shoot up a National Guard base, among other mental-health concerns.

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U.S. NEWS

New AI Deepfakes Complicate 2024 Votes

The explosion of artificial-intelligence technology makes it easier than ever to deceive people on the internet, and is

By Robert McMillan, Alexa Corse and Dustin Volz

turning the 2024 U.S. presidential election into an unprecedented test on how to police deceptive content.

An early salvo was fired last month in New Hampshire. Days before the state's presidential primary, an estimated 5,000 to 25,000 calls went out telling recipients not to bother voting.

"Your vote makes a difference in November, not this Tuesday," the voice said. It sounded like President Biden but was created by AI, according to an analysis by security firm Pindrop.

On social media, however, the call's origin was up for debate. On Meta Platforms' Threads app, some users saw an attempt to suppress voter turnout. "This IS election interference," wrote one.

Telltale signs

When Pindrop analyzed the audio, they found telltale signs the call was phony. The Biden voice pronounced the noisy fricative sounds that make up

the letters S and F, for example, in a very unhuman way.

Two weeks later, the New Hampshire attorney general's office said it identified a Texas-based company named Life Corp. as the source of the calls and that it issued a cease-and-desist order citing law against voter suppression.

A spate of elections

Thanks to recent advances in generative AI, virtually anyone can create increasingly convincing but fake images, audio and videos, as well as fictional social-media users and bots that appear human.

The proliferation of AI fakes also comes as social-media companies are trying to avoid having to adjudicate thorny content issues around U.S. politics.

Around 70 countries estimated to cover nearly half the world's population—roughly four billion people—are set to hold national elections this year, according to the International Foundation for Electoral Systems.

While AI makers and social-media platforms often have policies against using AI in

deceptive ways or misleading people about how to vote, how well those companies can enforce those rules is uncertain.

OpenAI Chief Executive Sam Altman said at a Bloomberg event in January during the World Economic Forum's meeting in Davos, Switzerland, that while OpenAI is preparing safeguards, he is still wary about how his company's tech might be used in elections.

OpenAI says it is taking measures to prepare for elections, including prohibiting the use of its tools for political campaigning.

Platforms say they want to respect free-speech considerations.

In early February, the oversight board of Facebook parent Meta Platforms called the platform's rules around doctored content incoherent.

The board, an outside body created by the company, found that Facebook abided by existing policy, but said the platform should act quickly to

clarify its policy around manipulated content before coming elections. A Meta spokesman said the company was reviewing the board's guidance and would respond within 60 days.

Meta says its plan for elections in 2024 is largely consistent with previous years. It will prohibit new political ads in the final week before the U.S.'s November contest.

People who have studied elections debate how much an AI deepfake could actually sway someone's vote, especially in the U.S., where most say they've likely already decided who they'll support for president.

Claims about AI are being used to "discredit things people don't want to believe"—for example, legitimate video shot around the Oct. 7 Hamas attacks on Israel, said Renée DiResta, research manager at the Stanford Internet Observatory.

Social-media giants have struggled for years with questions around political content. In 2020, they went to aggressive lengths to police political discourse, partly in response

to reports of Russian interference in the U.S. election four years earlier.

Now, they're easing up on some counts, particularly at Elon Musk's X. Since his 2022 acquisition of Twitter, Musk has renamed the site and rolled back many of its previous restrictions in the name of free speech.

More moderators

More recently, X has said it was hiring more safety staffers, including some 100 content moderators who will work in Austin, Texas, and other positions globally.

YouTube said it stopped removing videos claiming widespread fraud occurred in the 2020 and other past U.S. elections, citing concerns about curtailing political speech.

Meta took a similar stance when deciding to allow political ads to question the legitimacy of Biden's 2020 victory.

Meta let go many employees working on election policy during broader layoffs starting in 2022, though the company says its overall trust and safety efforts have expanded.

The companies say they remain committed to fighting deceptive content and helping users get trustworthy information.

So far, the U.S. hasn't detected a major foreign-backed interference operation targeting the 2024 election, according to senior intelligence officials.

—Jack Gillum contributed to this article.

Informant Made Up Biden Claims, Say Prosecutors

By ARUNA VISWANATHA AND C. RYAN BARBER

An informant who alleged that Joe Biden engaged in a bribery scheme with a foreign national during his vice presidency was arrested on charges of lying to the FBI, a dramatic twist that appears to undermine a push by House Republicans to impeach the president.

The informant, Alexander Smirnov, who had been a confidential source for the FBI since 2010, provided "false derogatory information" about Biden and his son Hunter, authorities said Thursday.

Smirnov's allegations were memorialized in an official FBI record that House Republicans have touted in their investigation into the Biden family's business dealings.

That record was at the heart of a standoff last year between the FBI and GOP lawmakers who subpoenaed the document in their inquiry.

Rep. James Comer (R., Ky.), chairman of the House Oversight Committee, threatened to hold FBI Director Christopher Wray in contempt over the bureau's initial reluctance to turn over the record, but the two sides later reached a deal that allowed lawmakers to review the document.

Republicans made it public last summer. A top FBI official cautioned at the time that investigative reports only "include leads and suspicions, not conclusions of investigators based on fuller context."

In response to the indictment of Smirnov, Comer said the impeachment inquiry into Biden doesn't rely on the FBI document and is based on "a large record of evidence," including bank records and witness testimony.

"We will continue to follow the facts to propose legislation to reform federal ethics laws and to determine whether articles of impeachment are warranted," Comer said.

Abbe Lowell, a lawyer for Hunter Biden, said, "For months we have warned that Republicans have built their conspiracies about Hunter and his family on lies told by people with political agendas, not facts. We were right and the air is out of their balloon."

In another twist, the case was brought by Special Counsel David Weiss, who is separately prosecuting Hunter Biden on gun and tax charges. The younger Biden has pleaded not guilty.

Smirnov had allegedly provided the FBI with tips related to Burisma, a Ukrainian gas producer that had Hunter Biden on its board for around five years starting in 2014, when Joe Biden was vice president. That relationship has been the subject of criminal and congressional investigations for years into Hunter Biden.

In June 2020, while Joe Biden was running for president, Smirnov told the FBI that in two meetings in 2015 or 2016, executives associated with Burisma admitted they hired Hunter Biden to "protect us, through his dad, from all kinds of problems," and that they had paid \$5 million each to Joe Biden and Hunter Biden when Joe Biden was still in office, in part to help end a criminal investigation by the then-Ukrainian prosecutor general into Burisma.

Smirnov also reported two purported phone calls between himself and a Burisma official in which the official said he had been forced to pay both Bidens and it would take investigators 10 years to find records of the payments to the president.

Those allegations were fabrications, prosecutors said. Smirnov hadn't actually met with officials from Burisma until 2017, according to the indictment.

FBI agents interviewed Smirnov in September. He then changed his story on some claims and made up new ones, prosecutors alleged.

Smirnov was arrested in Las Vegas upon arriving on an international flight. A lawyer for Smirnov couldn't be identified for comment.

Putin Says He'd Prefer the President Be Re-Elected

Russian President Vladimir Putin said that he preferred President Biden to Donald Trump in the U.S. election, de-

By Georgi Kantchev, Alex Leary and Dustin Volz

scribing the president as "more experienced" and "predictable" in his first public comments on the race.

In an interview with Russian state television released late Wednesday, Putin said Biden "is a politician of the old school" and added that Moscow would work with any elected

U.S. leader. Trump, meanwhile, mentioned Putin's remarks during a campaign rally Wednesday night in South Carolina.

"He's just said that he would much rather have Joe Biden as president than Trump," the former president said. "Now that's a compliment. A lot of people said, 'Oh, gee, that's too bad.' No, no, that's a good thing."

Current and former U.S. officials in Washington met Putin's remarks with skepticism, pointing to Russia's attempts to boost Trump and harm Democrats in previous elections, according to U.S. intelligence agencies.



Vladimir Putin

"Mr. Putin should just stay out of our elections," said White House National Security Council spokesman John

Kirby on Thursday.

Putin has publicly praised Trump in the past. Ahead of the 2016 election, Putin described then-candidate Trump as a "colorful and talented person." In 2018, Putin appeared in Helsinki at a press conference next to Trump and when asked whether he supported Trump in 2016 replied, "Yes, I did. Because he talked about bringing the U.S.-Russia relationship back to normal."

The U.S. later accused the Kremlin of interfering in the 2016 election, allegations that cast a shadow over the Trump presidency. Putin has denied

those allegations and defended Trump.

Trump has recently said that he would encourage Russia "to do whatever the hell they want" to U.S. allies that don't spend enough on defense.

The U.S. has continued to warn about Russia's influence operations directed at American politics and elections. In December, an intelligence community report stated that the Russian government and its proxies attempted to denigrate the Democratic Party and undermine voter confidence ahead of the 2022 midterm elections.

Trump Prosecutor In Rebuttal

Continued from Page One represented by Merchant, in January alleged that Willis and Wade benefited financially from Wade's contract to work on the case, including by taking expensive vacations together. Roman alleged that was a conflict of interest that could have influenced prosecutorial decisions.

Willis acknowledged being romantically involved with Wade for a time, but said defense lawyers had lied repeatedly and used innuendo to suggest she had engaged in impropriety when none existed.

The defense lawyers asked Wade and Willis who paid for the trips—and how they paid.

Wade made sure to pay her half, she said, in part because of concerns with his views on gender roles—which she said doomed the relationship.

"A man is not a plan, a man is a companion," she said. "And so there was tension always in our relationship, which is why I always gave him his money back." She said her father taught her to always take cash on dates: "If you're a woman and you go on a date with a man, you better have \$200 in your pocket. So if that man acts up, you can go where you want to go."

She may not keep as much cash in the house as her dad recommends—"so let's don't tell him that," she said—but she took his advice to heart for vacations. In Belize, she said she handed Wade \$2,500. For a short trip to California's Napa Valley with him, she thought she took maybe \$750, some of which went to a champagne, chocolate and caviar tasting they shared.

Until Willis arrived in the courtroom, her lawyers had



Defense lawyer Ashleigh Merchant questioned Nathan Wade on Thursday.

fought to keep her from having to take the stand, making her decision to appear a surprise. She repeatedly said the defense attorney, Merchant, had lied, rarely letting her finish a statement.

"I had some choice words about some things you said that were dishonest in this," Willis said. "Mr. Wade is a Southern gentleman, me not so much."

Willis is expected to return to the stand Friday morning at the start of another day of testimony before Judge Scott McAfee, who will decide whether to disqualify her.

Before Willis took the stand, Wade himself spent hours testifying in the unusual hearing. He also acknowledged the now-former relationship, and denied wrongdoing.

The majority of Thursday's questions related to financials, such as where Wade deposited

his checks from Fulton County and why Willis kept so much cash, as the defense attorneys attempted to connect the former couple's income to the alleged conflict of interest.

Wade, in the middle of a years-long divorce from his wife, testified that he was not in a relationship with Willis at the time she brought him onto the prosecution team in 2021. Both he and Willis said their romantic ties ended last summer.

"Miss Willis is very, as am I—we're private people. Our relationship wasn't a secret, it was just private," he said on the stand.

Separately in New York, a justice ordered Trump's trial on charges of concealing hush money to begin March 25, making it the first of the four criminal cases the former president faces to be heard by a jury.

In the New York criminal

case, Manhattan District Attorney Alvin Bragg, a Democrat, unveiled an indictment charging Trump with falsifying business records last April. The indictment accused Trump of orchestrating a scheme to pay porn star Stormy Daniels to suppress damaging sexual allegations, which he denied, on the eve of the 2016 election.

On Thursday, Justice Juan Merchan, who is presiding over the New York case, also denied Trump's bid to dismiss the 34 felony counts pending against him. Trump sat at the defense table with his lawyers.

Todd Blanche, a lawyer for Trump, told the judge that a trial in the middle of campaign season was something that should never happen in this country. "President Trump is going to now spend the next two months working on this trial instead of on the campaign trail running for presi-

dent," Blanche said.

"What's your legal argument at this point?" asked Merchan.

"That is my legal argument," Blanche replied.

Trump, the front-runner for the 2024 GOP presidential nomination, had argued that Bragg's case should be dismissed because it is politically driven and the alleged crimes occurred more than five years before he was indicted.

Sitting for a six-week trial in Manhattan complicates Trump's presidential bid and adds to his legal burdens, which include three other prosecutions and a civil fraud case that could put him on the hook to pay hundreds of millions of dollars in penalties. A ruling on the civil matter, in which the New York attorney general alleged Trump inflated his wealth for financial gain, could come as soon as Friday. Trump also recently was hit with an \$83 million judgment for defaming writer E. Jean Carroll, who had accused him of sexual assault.

The Manhattan district attorney's office has denied being politically motivated, saying that it has brought hundreds of cases involving the same charge in the past 10 years. The office also said the investigation was delayed in part by the Covid-19 pandemic and litigation over a subpoena to Trump's accounting firm.

Trump's federal election-interference case in Washington, D.C., was scheduled to be the first trial to go forward. But that case is now on hold while Trump asks the Supreme Court to block a lower court's ruling that denied him blanket immunity for acts he committed as president in seeking to overturn Joe Biden's 2020 election.

Watch a Video



Scan this code for a video on Fani Willis's testimony at the hearing.

U.S. NEWS

Several Factors Help Ward Off Mental Decline

Exercise and other healthy habits are linked to prolonged cognitive agility

By DOMINIQUE MOSBERGEN

Vernon L. Smith, 97, is a very busy man.

The economist at Chapman University just finished writing a book about Adam Smith and works about eight hours a day, seven days a week in his home office in Colorado Springs, Colo. He enjoys chatting with friends on Facebook and attending concerts with his daughter.

"I still have a lot of stuff to do. I want to keep at it," said Smith, who won the Nobel Prize in economics in 2002.

Recent memory flubs by President Biden, 81, and former President Donald Trump, 77, have kindled debate about how to stay mentally sharp into your 80s and beyond.

There isn't a silver bullet to maintaining mental acuity or warding off dementia, scientists of aging say. But a combination of genetics, healthy lifestyle habits and factors such as cleaner air and good education have been linked to prolonged mental agility.

Three of Smith's grandparents lived into their 90s, and an ancestor on his mother's side lived to 105. But genetics are a small piece of the puzzle, scientists say. Smith has never smoked, eats healthy food, and is physically active and socially engaged—all behaviors linked

to longevity and maintaining mental sharpness.

"The healthier you are in the whole body, the better your brain responds to the aging process," said Dr. David Wolk, a neurologist at the University of Pennsylvania.

Cognitive performance peaks in healthy adults in their 20s and 30s, Wolk said. Over time, the brain shrinks, its outer layer thins, deeper regions become scarred, and communication between neurons can become less efficient.

These brain changes can cause memory, reasoning and other cognitive skills to erode. But some people can stave off cognitive decline better than others, said Yaakov Stern, a neuropsychologist at Columbia University.

Their brains might be more resilient to change or have better "cognitive reserve," the ability to adapt to brain changes, Stern said. Genetics is thought to play a role in brain maintenance, as does diet, exercise and a person's risk of vascular disease. More education, mental stimulation and social connectivity have been associated with improved cognitive reserve.

Many people don't know that healthier habits can lower the risk of developing dementia, scientists say. Some 40% of cases globally could be delayed or prevented by lifestyle or environmental changes, including reducing obesity and limiting exposure to air pollution, according to a 2020 report in the Lancet.

Sleeping too little—or too



Vernon Smith, top, age 97, works about eight hours a day as an economist at Chapman University. Right, books in his Colorado Springs, Colo., study.

much—can also lead to cognitive problems. Activities including yoga and tai chi, the Chinese martial art, could help improve cognitive function, research suggests.

Hearing loss is a risk factor for dementia, too. Lost hearing might cause the brain to atrophy more quickly and can make people more isolated, said Dr. Dung Trinh, chief medical officer of the Healthy Brain Clinic. Hearing aids can help preserve mental fitness.

"Our brain is like a muscle. Use it or lose it," he said.

Researchers studying "super agers," people over 80 who have mental faculties of people

decades younger, said strong social relationships are important for keeping brains sharp.

The same is true for people who live beyond 100, said Stacy Andersen, a behavioral neuroscientist at Boston University and co-director of the New England Centenarian Study.

"They have a purpose. They have things they want to go out and do every day," Andersen said.



Senators Press FDA to Curb Misleading Drug Ads on Social Media

By KHADEEJA SAFDAR AND ANDREA FULLER

Senators from both sides of the political aisle are calling on the U.S. Food and Drug Administration to take action against the marketing of prescription drugs on social media, citing a proliferation of dangerous and misleading content by telehealth companies.

In a letter to FDA Commissioner Robert Califf, Sens. Dick Durbin (D, Ill.) and Mike Braun (R, Ind.) criticized the FDA for not updating its guidance on prescription-drug promotion on social media for about a decade, saying "there are gaping holes in the FDA's oversight." The letter cited findings from a Wall Street

Journal investigation published in 2022 about misleading ads by telehealth companies.

The senators included a list of about a dozen questions related to its prescription-drug advertising policies. They requested that the FDA address the questions by March 27.

An FDA spokeswoman said the agency would respond directly to the senators. A Meta Platforms spokesman said advertisers are responsible for complying with all laws and regulations. TikTok didn't respond to requests for comment.

During the pandemic, telehealth companies such as Cerebral and Done Global flooded social media with ads



Sen. Dick Durbin.

about medical conditions such as attention-deficit hyperactivity disorder. In some cases, companies also pushed pre-

scription drugs as treatments. Companies have said they are making much-needed services more accessible.

The Journal reported that the telehealth companies have been advertising on social media largely outside FDA rules that govern drugmakers. During a four-week period, the Journal found that about 20 telehealth companies ran more than 2,100 ads on Facebook and Instagram that described benefits of prescription drugs without citing risks, promoted drugs for uses not approved by the FDA or featured testimonials without disclosing whether they came from actors or company employees.

Some telehealth employees and patients said in inter-

views that such practices have contributed to the abuse of controlled substances such as Adderall, a powerful stimulant used to treat ADHD.

In the letter, lawmakers asked whether the FDA would back legislation to close any possible regulatory gaps in its oversight of telehealth companies, if the agency believes such loopholes exist. The Journal previously reported that many telehealth companies have argued they aren't subject to FDA advertising rules because they aren't drug manufacturers, packers or distributors.

The senators said the proliferation of drug advertisements on social-media platforms puts children and patients at risk, and urged the

FDA to take additional action to police the promotion of drugs by paid influencers and celebrities who post videos on those platforms. The Journal investigation highlighted several such videos on TikTok, including one by an influencer promoting a worksheet on how to obtain an ADHD diagnosis.

Last month, tech company chief executives faced bipartisan criticism during a hearing of the Senate Judiciary Committee from senators who said the platforms should bear legal responsibility when children are hurt. The sessions included stories of mental-health struggles and sexual exploitation. Sen. Durbin is the chair of the Senate Judiciary Committee.

U.S. WATCH



SWISH: Caitlin Clark of Iowa celebrates after setting the NCAA women's basketball record for career points. She topped the previous record lickety-split and went on to finish the game against Michigan with 49 points. She now has 3,569 career points.

LOS ANGELES Nine Firefighters Hurt in Explosion

A burning truck's fuel tank exploded early Thursday while Los Angeles firefighters were trying to battle the blaze, injuring nine of them, including two critically, fire officials said.

All nine were rushed to Harbor-UCLA Medical Center and were stabilized, said Dr. Molly Dean, a trauma sur-

geon. One of the critical patients had to be intubated and was transferred to a burn unit at Los Angeles General Medical Center.

Of the other injured, four suffered moderate injuries and three had minor injuries, said Capt. Erik Scott, a fire department representative.

"Essentially, we had a mass casualty incident, tragically, of our own members," Scott said. —Associated Press

FEDERAL PRISONS Systemic Failures Cited in Deaths

The kind of systemic failures that enabled the high-profile prison deaths of notorious gangster Whitey Bulger and financier Jeffrey Epstein also contributed to the deaths of hundreds of other federal prisoners over the years, a watchdog report released Thursday found.

Mental-health care, emergency responses and the detection of contraband drugs and weapons all are lacking, according to the latest scathing report to raise alarms about the chronically understaffed, crisis-plagued federal Bureau of Prisons. The agency said it already has taken "substantial steps" toward reducing preventable deaths.

—Associated Press

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WORLD NEWS

Israel Hunts for Hostages in Gaza Hospital

Military says it has intelligence showing Hamas was holding some in big complex

Israeli troops entered the main hospital in the southern Gaza city of Khan Younis, after Israel said it had intelligence indicating that hostages kidnapped by Hamas were held there and that the bodies of some of them could be on the grounds.

By Margherita Stancati, Abeer Ayyoub and Dov Lieber

Israel had urged patients, medical staff and thousands of people sheltering in the grounds of Nasser Hospital earlier this week to evacuate in anticipation of military operations against Hamas militants it said were hiding there and using it for military activities.

"We have credible intelligence from a number of sources, including from released hostages," that Hamas held hostages there, said Israeli military spokesman Rear Adm. Daniel Hagari. "There may be bodies of our hostages in the Nasser Hospital facility."

By Thursday night, Hagari said Israel's military hadn't found any hostages in the hospital, but were still searching.

Israeli soldiers arrested dozens of suspected militants within the hospital complex, three of whom he said confessed to taking part in Hamas's Oct. 7 attack on Israel.

Amira Assouli, a doctor at Nasser Hospital, said the intensive-care unit was hit by artillery fire at about 4 a.m. Shortly after, the Israeli army ordered the thousands of displaced people sheltering there to evacuate. Assouli remained in the hospital early Thursday with about 1,000 patients and healthcare staff.

"The army said there is a safe corridor for those who want to leave, but it isn't safe at all," she said by phone, as the sound of shooting and shelling could be heard. "Can you hear that sound? It's very dangerous."



After being evacuated from Nasser Hospital in Khan Younis because of an Israeli operation, a woman rests in Rafah farther south in the Gaza Strip.

Doctors Without Borders said its medical staff left behind patients when they fled. Several people were killed and injured, it said.

Israel's search of Nasser Hospital comes days after Israeli troops rescued two hostages held in the town of Rafah, near the Egyptian border.

Talks brokered by Egypt and Qatar aimed at securing a cease-fire and the release of about 130 hostages still held in Gaza have stalled. Israeli Prime Minister Benjamin Netanyahu on Wednesday said he wouldn't send a delegation back to Cairo unless Hamas softens what he called "delusional demands."

On Thursday, Central Intelligence Agency Director Wil-

liam Burns met with Netanyahu and Mossad Director David Barnea in Israel to continue the hostage release and cease-fire talks, said people familiar with the matter.

Family members of the hostages and their supporters gathered outside the Israeli Defense Ministry on Thursday night as the war cabinet met, demanding Netanyahu re-engage with the talks in Cairo.

"If the Cairo initiative fails, 134 children and parents will be sacrificed and will die. Do not sacrifice them, do not abandon them again," said the Hostages and Missing Families Forum, a group representing the Israeli captives.

Israel estimates as many as

50 of the hostages could be dead. Israel on Thursday publicly acknowledged a 30th death; it said that person died on Oct. 7 and the body was taken to Gaza.

Hospitals have been caught on the front line of the war from the start. They have provided urgent, lifesaving care to the tens of thousands of Palestinians. Many more people have flocked to hospitals, crowding corridors and setting up makeshift tents around them believing they were the safest places to go.

Meanwhile, the Israeli military has made clearing hospitals a priority. Its troops have repeatedly carried out operations in and around medical

facilities. Israel has accused Hamas of exploiting hospitals for military purposes, hiding militants and weapons there, and using them as command centers. Israel has released evidence to back up its claims.

The 350-bed Nasser Hospital is one of the biggest and last hospitals still open in Gaza. Hagari said Israel coordinated with the hospital and international groups to limit the disruption to services. "We seek no harm to innocent civilians. We seek to find our hostages and bring them home," he said.

Ashraf al-Qudra, a spokesman for the Ministry of Health in Gaza, said Israeli troops were targeting ambulances and tents used by displaced people.

Al-Qudra added that on Thursday the troops ordered patients moved from one building to another, and said that civilians sheltering there needed to evacuate.

Hamas condemned the Israeli incursion into Nasser Hospital, calling it part of a systematic policy of "targeting hospitals and destroying civilian infrastructure in the Gaza Strip," and a violation of international law.

Further south, the waves of Palestinians fleeing the border town of Rafah ahead of the expected Israeli offensive continued to rise. Many families have moved to coastal areas near the town of Deir Al Balah in central Gaza after airstrikes and operations in Rafah.

Egypt Builds Walled Enclosure on Border as Israeli Push Looms

BY SUMMER SAID AND JARED MALINS

DUBAI—Egyptian authorities, fearful that an Israeli military push further into southern Gaza will set off a flood of refugees, are building an 8-square-mile walled enclosure in the Sinai Desert near the border, according to Egyptian officials and security analysts.

For weeks, Egypt has sought to bolster security along the frontier to keep Palestinians out, deploying soldiers and armored vehicles and reinforcing fences. The massive new compound is part of contingency plans if large numbers of Gazans do manage to get in.

More than 100,000 people could be accommodated in the camp, Egyptian officials said. It is surrounded by concrete walls and far from any Egyptian settlements.

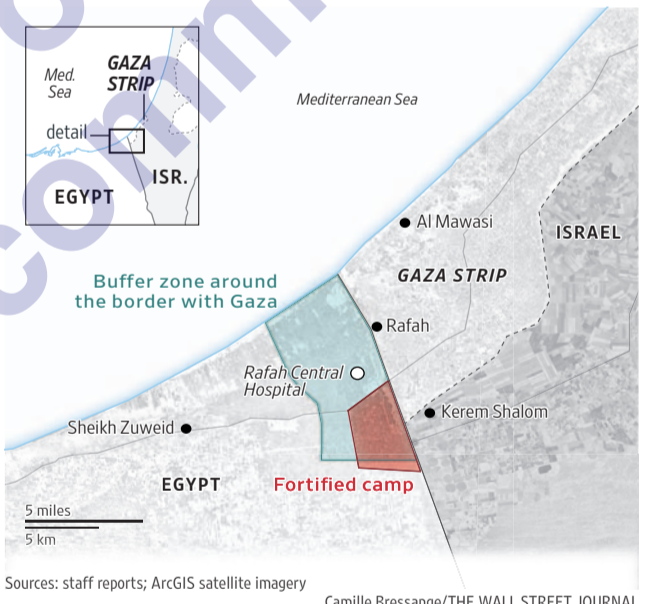
With Israeli Prime Minister Benjamin Netanyahu saying

his army will need to fight Hamas in Rafah, a Palestinian city on the Egyptian border, Egyptian officials think a broad Israeli offensive could happen within weeks.

In the event of a major exodus of Palestinians from Gaza, Egypt would seek to limit the number of refugees to well below the capacity of the area—ideally to around 50,000 to 60,000—Egyptian officials said.

Egypt has long sought to avoid a flood of refugees from spilling over its borders, even threatening to abandon its decades-old peace treaty with Israel if that occurs as a result of its offensive against Hamas. The fact that Egypt is now urgently proceeding with contingency plans signals that Egyptian officials see a rising danger of such a scenario.

The governor of Egypt's North Sinai region on Thursday denied initial reports of the construction of a potential refugee camp for Palestinians,



Sources: staff reports; ArcGIS satellite imagery

saying the activity in the area was part of an effort to take an inventory of houses destroyed during Egypt's past military campaign against Islamic State

extremists in the area.

Israel pulled out of the negotiations over a potential cease-fire deal on Wednesday, heightening fears that the

country will move forward with its Rafah offensive.

President Biden, U.N. officials and Palestinian leaders have also sought to avoid a mass displacement of Palestinians from Gaza, fearing that many wouldn't be able to return.

"You cannot imagine the terror and fear in the hearts of civilians here in Rafah," said Fatima Majdi Hamouda, a woman from Beit Lahiya in the northern Gaza Strip who like thousands of others fled to the south. "Some people are already on the Egyptian border, and if the bombing intensifies, they will go directly to Sinai. It's the worst of decisions," said Hamouda, 32.

If Israel does proceed with the offensive on Rafah, the military would seek to move the civilian population northward—out of the battle zone but within the Gaza Strip—a senior Israeli military official said. Israel has also assured the U.S. that it would create a safe

corridor to the north, according to a former U.S. official. Israel hasn't publicly outlined any plan for what it would do with the civilians in the area.

Satellite photos reviewed by The Wall Street Journal, taken by Planet Labs PBC, a satellite imaging company based in San Francisco, show that land within the area designated for the planned enclosure had been cleared between Feb. 4 and Feb. 14.

Sinai Foundation for Human Rights, a nonprofit organization, published a report this week documenting the construction of the concrete enclosure, including photos of what it said were concrete walls more than 7 yards high.

The report cited witnesses on the ground and included a map of the rough area of the enclosure. Egyptian officials confirmed to the Journal that the area identified by the foundation was the general location of the planned enclosure.

Tensions Grow Over Rafah Plan

Continued from Page One

The U.S. has communicated that it wouldn't—under any circumstances—support a plan for a full-scale invasion of Rafah, and that it would prefer to see targeted operations, U.S. officials said. The Biden administration has asked the Israeli military to produce a "credible plan" that included both a military and humanitarian component if it decides to disregard Washington's advice and invade the city, U.S. officials said.

The growing clash between the two governments over Rafah underscores the Biden administration's waning leverage over Netanyahu as his military continues to hammer Gaza, even as pressure grows inside the U.S. government to rein in

Israel. The State Department has launched a probe looking at several Israeli airstrikes in Gaza that killed dozens of civilians and the possible use by Israel of white phosphorus in Lebanon, to determine whether the Israeli military misused U.S. bombs and missiles to kill civilians, U.S. officials told The Wall Street Journal.

Talk of a Rafah operation came as the U.S., together with Qatar, Egypt and Israel, continued to work on fragile plans for a sustained pause in fighting to secure the release of some of the remaining hostages in Hamas captivity while also ensuring that desperately needed humanitarian aid gets to the people of Gaza. Those efforts appeared to collapse Wednesday when Israel said it wouldn't return to Cairo for further negotiations.

Egypt, afraid that an Israeli assault on Rafah will send refugees streaming its way, has begun building a walled enclosure in the Sinai Desert near the border, Egyptian officials and security analysts said. In recent weeks, U.S. offi-

cial have been exploring ways to exert pressure on Netanyahu, but Biden has shown no willingness to use the biggest tool in his arsenal: weapons sales to Israel. The president has dismissed any talk of slowing arms sales to Israel, U.S. officials said, and instead has largely relied on the bully pulpit to try to express discontent.

U.S. officials have pushed the White House to take a more critical public approach to Israel's war in Gaza, and Biden has in recent days expressed more concern about the way Netanyahu is leading the campaign, repeatedly calling Israel's military campaign "over the top." In a tense phone call Sunday over the potential for a full-scale Rafah invasion, Biden pushed Netanyahu to continue negotiations for a hostage release. Sitting alongside Jordan's

King Abdullah II on Tuesday, Biden again emphasized the U.S.'s desire for a hostage deal, which would cease fighting for at least six weeks, as a path to a longer-term resolution.

On Wednesday, Netanyahu's office said the government wouldn't send a delegation back to Cairo to continue negotiations.

Brian Katulis, a senior fellow at the Middle East Institute, a Washington-based think tank, said the Biden administration's public messaging so far is having very little impact on pushing Netanyahu to develop an exit strategy for Gaza or embracing the Biden administration's goal of advancing talks to establish a Palestinian state alongside Israel. "The gap between the Biden administration and the Netanyahu government on a range of key issues has widened in recent weeks as the

war between Hamas and Israel continues," Katulis said.

Tensions between Biden and Netanyahu had been rising for months. In mid-December, Biden angered Netanyahu and Israel's government when he told attendees at a campaign fundraiser that Israel was starting to lose support around the world because of its "indiscriminate bombing" of Gaza.

At that same event, Biden recalled something he once said to Netanyahu, whom he has known for nearly 50 years: "I said, 'Bibi, I love you, but I don't agree with a damn thing you have to say.' That remains to be the case."

The relationship reached a boiling point later that month, according to U.S. and Israeli officials, when Biden abruptly ended their Christmas-week call following a tense exchange about civilian casualties and, in Washington's view, the need for Israel to shift to a new phase in its war, focused on targeted operations. Biden, who was so angry that he was almost shouting in the Dec. 28 call, according to officials, de-

Biden appears to be drawing a line, while Netanyahu is forging ahead.

clared the conversation "over" and hung up.

Some of Biden's senior aides are becoming increasingly worried that his support for Israel's war in Gaza risks damaging his re-election prospects.

Israel's bombardment in the enclave has left more than 28,000 people dead, mostly women and children, according to Palestinian health authorities. The figures don't distinguish between civilians and combatants.

Netanyahu has significant considerations about his own political longevity with his war against Hamas. He is deeply unpopular in Israel, and some more left-leaning media outlets have said the prime minister bears responsibility for the Oct. 7 attack on Israel.

"It remains to be seen what leverage the Biden administration might be willing to use to address this gap between Israel and the United States on the Gaza endgame," Katulis said. "It's one thing to leak messages of discontent and disapproval—it's another thing to make a policy shift."

WORLD NEWS

The Kremlin Is Luring Cubans To Fight on Ukraine Front Lines

By JOSÉ DE CÓRDOBA

On a blazing hot day in November, Raibel Palacio and three neighborhood friends boarded a plane in Varadero, Cuba, taking selfies and chattering in excitement. They had a job offer that promised a way out of the island's misery.

A few weeks later, Palacio was killed by a drone as he tried to tie a tourniquet to stanch the bleeding from a leg wound on the freezing front lines of Ukraine, said Danelia Herrera, his mother.

"Cubans are cannon fodder and they will kill them all," she said, weeping in her home, a wooden shack on the outskirts of Havana.

The four young men are part of a wave of Cubans who enlisted in the Russian army, lured by salaries in the region of \$2,000, far higher than they would be able to earn at home, where the average monthly wage is less than \$20. Ambassador Ruslan Spirin, Ukraine's special representative to Latin America and the Caribbean, said the government believes that about 400 Cubans are fighting in the country. "We take it seriously," he said.

Others think the numbers are higher. Maryan Zablotskyi, a member of the Ukrainian parliament who has studied the issue, estimates that between 1,500 and 3,000 Cubans have enlisted.

Russia also has recruited fighters from the Central African Republic, Serbia, Nepal and Syria, according to Ukrainian authorities. On the opposing side, the number of volunteers, initially numbering thousands, including U.S. military veterans, has dropped off as the war drags toward a third year.

The Cubans are one of the largest contingents, motivated by the implosion of Cuba's economy, ossifying under a conservative Communist government reluctant to open up to private and foreign investment after decades of mismanagement, and the impact of U.S. economic sanctions.

For military recruiters working for Russia, Cuba's worsening poverty makes for easy pickings as Moscow attempts to fill the holes in its front lines, security experts say.

Deteriorating living conditions and an increasing sense of hopelessness among working-age Cubans have sparked an unprecedented wave of emigration. More than 500,000 Cubans, or about 5% of the nation's population, have left for the U.S. in the past two years, according to U.S. government data, while back home on the island, shortages of fuel, food



This undated photo provided by the Palacio family was sent by Raibel Palacio, center pointing down, while he was serving in the Russian army in Ukraine. He was later killed.

and medicine are spreading. Power outages are frequent. Palacio was the first Cuban recruit whose death in combat last month was confirmed by his family. It initially was reported by the Spanish-language Univision network in Miami.

"After five months, they were going to give him a Russian passport and citizenship for me, his mother and our two daughters," said Melisa Flores, Palacio's wife. She hoped to escape to a new life far from the shack she shared with her husband.

In Russia, she thought things would be different, she said.

As word spread on WhatsApp chats across the Caribbean island, "everybody in the neighborhood was talking about going to Russia to work," said Mario Velázquez. His teenage son, Andorf, an unemployed mason who lived in Havana, left for Moscow in July. Two recruiters promised

Andorf a bright future, he said.

Havana said in September that it dismantled a recruitment ring luring Cubans to fight in Ukraine. The island's Communist regime, historically wary of invasion by the U.S., bans mercenary recruitment.

Ukrainian officials are skeptical about the impact of the Russian recruitment drive in Cuba.

"A few hundred Cubans won't make a difference on the battlefield," said a senior Ukrainian security official, though he noted that Russia's aim in recruiting them likely is to draw Cuba deeper into the war.

Russia's Embassy in Havana didn't reply to requests for comment. Neither did Cuban officials in Washington and Havana.

As Russia expands its recruitment from impoverished countries, from the Caribbean and across Africa to parts of Asia, it helps President Vladimir Putin delay what would be

a deeply unpopular order to call up more Russians to fight until after a presidential election next month. Though he is expected to win another six-year term, the margin of his victory is important to the Kremlin as it tries to demonstrate continuing support for the war.

In the city of León in central Mexico, Velázquez looks at photos on his phone showing his son Andorf, who signed up for what he thought was noncombatant duties, Velázquez said. He hasn't been able to talk to his son since September.

In a video of Andorf and his friend Alex Vega, they said they ended up on the front lines in Ukraine after signing contracts in Russian that they didn't understand. "There are a lot of Cubans who have disappeared," Vega said. "If you are thinking about coming to Russia, don't."

—James Marson contributed to this article.

U.S., Allies Vexed By Tehran's Rise As Arms Supplier

By BENOT FAUCON

Iran's arms industry is growing rapidly, turning the country into a large-scale exporter of low-cost, high-tech weapons whose clients are vexing the U.S. and its partners in the Middle East, Ukraine and beyond.

The transformation of the industry, accelerated by Russia's 2022 purchase of thousands of drones that altered the battlefield in Ukraine, has helped Tehran scale up its support of militia allies in Middle East conflicts that have intensified alongside Israel's war with Hamas in Gaza.

One of Iran's top arms exports, a Shahed suicide drone—designed to carry explosives and crash into its target—was used to kill three U.S. soldiers in Jordan in an attack by an Iraqi militia group on Jan. 28, U.S. officials said.

The same day, the U.S. Coast Guard confiscated over 200 packages of weapons originating from Iran and bound for Yemen, the U.S. said Thursday. U.S. Central Command, which is responsible for U.S. military operations in the Middle East, said the shipment was headed for territory controlled by Iran's Houthi allies, a group whose attacks on Red Sea shipping lanes have disrupted global commerce and drawn airstrikes by the U.S. and U.K.

Battlefields in Europe and the Middle East have provided a showcase for Tehran's emergence as a global-arms supplier. In Ukraine, Russia has been using Iranian drones to great effect against military targets and civilian infrastructure, while Mideast militias have employed Iranian-supplied weapons to target the U.S. military, Israel and global-shipping interests.

"By exporting these technologies and proving their efficacy in battle, Iran has likely changed the nature of asymmetric warfare forever, potentially giving substantial leverage to previously disadvantaged nonstate actors," said Adam Roussele, a researcher at the Militant Wire, a network of experts that examines weapons used by nonstate actors. "The consequences...could be disastrous for major powers."

Iran sold about \$1 billion in weapons in the 12 months end-

ing in March 2023, three times as much as the previous year, Deputy Defense Minister Mahdi Farahi said in November. In a tally that omits smuggled weapons, Iran became the world's 16th-biggest arms seller in 2022 with \$123 million in exports, a jump from \$20 million in 2017, when Iran was the 33rd-biggest exporter, said the Stockholm International Peace Research Institute.

The U.S. is the world's top weapons supplier. U.S. exports under the Foreign Military Sales system climbed to a record \$80.9 billion in the 2023 fiscal year.

Iran's sales include a range of weapons. Russia is planning to buy short-range ballistic missiles from Iran, according to U.S. officials, and Tehran also has supplied ammunition to Russia, The Wall Street Journal has reported.

Iran's Islamic Revolutionary Guard Corps, or IRGC, which controls the country's defense industry, also supplies weapons free to allies in the Mideast as a way to back their activities. Beneficiaries of Iranian support include Hamas and Lebanon's Hezbollah, under what Tehran calls its "Axis of Resistance." The U.S. designates both groups as terrorist organizations.

"Iran faces no restrictions or prohibitions on the purchase and sale of weapons" under international law and United Nations Security Council resolutions, the Iranian mission to the United Nations told the Journal on Monday. Restrictions on Iran's weapons trade, while lifted by the U.N. last year, have been maintained by the U.S. and the European Union.

Iranian drones that have turned up in Ukraine showed a leap in engineering, becoming more accurate through improvements in radio communications, onboard computers and measurement tools, according to Conflict Armament Research, a U.K.-based investigative organization.

Iran's sale of drone technology to Russia has "brought exponential resources and profitability to the Islamic Republic's high-tech defense industry," said Lou Osborn, an analyst at All Eyes on Wagner, an open-source research nonprofit.

—Gordon Lubold contributed to this article.

'The consequences... could be disastrous for major powers.'

Moscow Is Developing Antisatellite Weapon, U.S. Confirms

By DUSTIN VOLZ AND GORDON LUBOLD

WASHINGTON—Russia is pursuing an "antisatellite capability" that represents a serious concern but doesn't present an active threat to Americans' safety, the Biden administration said Thursday after declassifying intelligence at the behest of a member of Congress.

The system is still in development, said John Kirby, a spokesman for the National Security Council. "There is no

immediate threat to anyone's safety," he said Thursday. "It is not an active capability, and it has not yet been deployed."

The intelligence the White House declassified was limited, and Kirby didn't confirm whether there is any nuclear component to the Russian antisatellite device—though he did say it would violate a decades-old treaty banning the deployment of nuclear weapons or weapons of mass destruction in space.

Intelligence that remains

classified indicates that Russia is seeking to develop a nuclear weapon in space that could be used to target satellites, The Wall Street Journal reported Wednesday.

President Biden has been briefed on the developing capability for many weeks, Kirby said. Jake Sullivan, the national security adviser, provided information Thursday to members of Congress who have oversight of intelligence matters.

The disclosure by the White House came a day after Rep.

Mike Turner of Ohio, the Republican chairman of the House Intelligence Committee, issued a cryptic statement about an unspecified "serious national-security threat" to the U.S. and requested that Biden declassify information around it. The unusual maneuver caught administration officials and lawmakers by surprise, and fueled speculation about the nature of the threat.

White House officials were eager to reassure lawmakers and the public that Russia's

capability, while serious, wasn't something that posed an imminent danger to Americans or allied countries.

But frustration and confusion mounted around Turner's vague warning. Rep. Andy Ogles (R., Tenn.) sent a letter to House Speaker Mike Johnson (R., La.) requesting that he open an inquiry, saying Turner's disclosure was done with "a reckless disregard of the implications and consequences said information would have on geopolitics, do-

mestic and foreign markets."

In a follow-up statement Thursday, Turner said his intelligence panel had "worked in consultation" with the Biden administration to notify the broader Congress of the national security threat and that the language he had used was "cleared by the administration."

Administration officials say they approved only a sentence to be used internally in Congress, but not the language Turner used in his release that was shared widely.

Russia Said To Be Using Starlink

Continued from Page One Russian-occupied parts of Ukraine. Starlink has said SpaceX takes steps to deactivate Starlink terminals if the company determines sanctioned or unauthorized parties are using them.

Private Russian companies buy the terminals off intermediaries who pass off purchases as for personal use and deliver the equipment to Russia via neighboring countries, including former Soviet republics, Budanov said. Russian army units down to company level were seeking to acquire Starlink terminals, often by col-

lecting money for the purchases, he said.

"It's an open market," said Budanov, who heads Ukraine's military-intelligence agency, known as HUR. "It's not a military item."

A search for Starlink terminals on Russian search engine Yandex.ru yields numerous dealers in Moscow and elsewhere who promise to install the systems across the country and the Russian-occupied territories of Ukraine.

One website, strlnk.ru, promised "tested performance" in the occupied areas of Crimea, Luhansk, Donetsk and Kherson with monthly fees starting at \$100 a month. The website provided contacts for a dealer, including a Russian cellphone number and a Yandex email. A representative of the company declined to comment.

Another website that uses the name of a German appli-

cance company sells Starlink terminals for nearly 300,000 rubles, equivalent to just over \$3,000.

Like other space communications systems, Starlink relies on satellites in orbit, infrastructure called ground stations and terminals to allow people to tap in to its high-speed internet connections. Customers use a flat antenna array that needs an unobstructed view of the sky to connect with satellites.

SpaceX, which doesn't want to provide connections to users in countries where regulators haven't permitted its use, wields significant control over where it offers service and where it doesn't.

Budanov said Starlink service has worked on occupied territory for "quite a long time," without elaborating. Asked whether he knew from personal experience, he replied: "Of course." HUR units

often work behind enemy lines.

Russia's Defense Ministry didn't respond to a request for comment. Kremlin spokesman Dmitry Peskov said earlier this week that officially Starlink was neither delivered to Russia nor used in the country.

The Kremlin has steadily tightened its grip on Russia's communications infrastructure in the past decade. Current regulations force any foreign satellite operator in Russia to pass traffic through one of several ground stations inside the country. It was unclear whether any Starlink traffic abided by those rules. Exceptions can be made only with permission of the country's Federal Security Service, or FSB.

Access to Starlink has been a politically charged issue since early in the war, when Musk made the service available in Ukraine.

Sen. Ron Wyden (D., Ore.) said in a statement that re-

ports of Russian military use of Starlink terminals were extremely concerning. "SpaceX needs to do everything in its power to ensure the Russian military isn't using its technology as part of its invasion of Ukraine," he said.

Last year, when SpaceX said it could no longer fund access for Kyiv, the Pentagon agreed to pay to help keep the service running. Private donors, governments and other organizations also pay for terminals.

Musk said in September that earlier in the war, he had declined a request to activate Starlink service around Sevastopol in Crimea to avoid directly involving his space company with what he described as a plan to sink Russian ships there.

Musk said that if he had agreed to it, SpaceX would have been "complicit in a major act of war and conflict es-

calation." He didn't address how this was different from Ukraine's use of Starlink in many other operations.

Reports on Russian use of Starlink come as Musk has spoken out against further aid to Ukraine, saying Monday that it would prolong the war and cause more deaths as "there is no way in hell" that President Vladimir Putin of Russia could lose the war.

During the discussion in a forum on X, Musk acknowledged that he has been accused of being an apologist for Putin, but he called that absurd, pointing in part to the support Starlink has provided to Ukraine.

Asked about Musk's views on the war, Ukraine's military-intelligence chief Budanov said: "That's his personal matter."

—Nikita Nikolaienko, Michael Maidenberg and Drew Fitzgerald contributed to this article.

WORLD NEWS

Top Global Economies Fall Behind America

U.K. and Japan echo weak conditions in much of continental Europe and China

By Joshua Kirby and Paul Hannon

Economies in the U.K. and Japan shrank at the end of last year, underlining the widening gulf between robust growth in the U.S. and more anemic conditions in the rest of the world. The decline in activity in Japan came as a surprise to economists and means that it has slipped in the global rankings of the world's largest economies behind Germany and into fourth place. In the U.K., the economy shrank for the second consecutive quarter, the shorthand definition of a recession. Gross domestic product fell at an annualized rate of 1.4% in the final three months of

2023, compared with a 3.3% increase in the U.S. during the same period, the U.K.'s statistics agency Thursday said. U.K. consumer spending, the main driver of the nation's economy, fell during the second half of 2023 even as wage growth outpaced inflation for the first time in two years, boosting consumers' purchasing power. Japanese consumers, who are still seeing prices rise faster than wages, also cut their spending in the final quarter. The growth numbers from the U.K. and Japan mirror similarly weak conditions in much of continental Europe and China. The divergence between the U.S. and the rest of the rich world is in large part a story of surprising U.S. strength. The U.S. grew much faster than economists expected it would at the start of 2023, while Europe was badly hit by high energy prices from the Ukraine war and rising inter-

est rates. Economists forecast the growth gap will narrow somewhat during the course of the year, but remain wide. U.S. consumer spending has been more resilient as interest rates have risen than in other parts of the world. Government spending in the U.S. also has remained at historically high levels for periods outside of recessions, giving the economy an added boost. The Organization for Economic Cooperation and Development earlier this month said it expects the U.S. economy to grow by 2.1% this year, while it sees the U.K.'s economy growing by 0.7% and Germany's economy by 0.3%. To be sure, the declines in activity in Europe and Japan have been relatively modest, and are a reflection of slow-growing economies that by nature fall into contraction more often than those that have a higher sustained level of growth.



The U.K. economy shrank for the second consecutive quarter in late 2023. A London shopper.

And while economic output declined in several wealthy countries as 2023 drew to a close, job markets in Europe and Japan remained tight, as they were in the U.S. As a result, many economists hesitate to describe the U.K. and Japanese downturns as full-blown recessions. Policymakers expect economies to improve as inflation ebbs in the coming months.

'We're seeing some signs of a pickup,' Bank of England Gov. Andrew Bailey told lawmakers Wednesday. Japan's unemployment rate fell to an 11-month low in December, and the Bank of Japan's Tankan survey 'showed that business conditions across all industries and firm sizes were the strongest they've been since 2018.' Many economists expect

the Bank of Japan to end its policy of negative short-term interest rates in either March or April, although the bank hasn't confirmed that. 'We doubt that today's GDP figures will prevent the Bank [of Japan] from ending negative interest rates in April,' said Marcel Thieliand, head of Asia-Pacific at Capital Economics. —Megumi Fujikawa contributed to this article.

Pakistan Voters Defy Military, Revive Democratic Hopes

By Saeed Shah

ISLAMABAD, Pakistan—Imran Khan wasn't on Pakistan's ballot last week. He was sitting in a prison cell on the outskirts of the capital. Still, the opposition leader that many of his supporters have come to refer to as prisoner No. 804 delivered a stinging defeat to the country's military. Khan's party members faced arrest. Their party symbol was banned from ballots. But millions came out to vote for candidates associated with Khan. 'This round was won by Imran Khan,' said Mohammad Zubair, a former minister in the previous government of Nawaz Sharif, whose party was seen as the front-runner and the preferred choice of the military. 'We are looking at a completely changed Pakistan.' The change might not be so apparent on the surface. This week, the rival parties an-

nounced that they had reached a deal to form a coalition government coalescing around Sharif's party, ignoring the choice made by a plurality of voters. Still, the result has shaken the country's military, an institution long seen as all-powerful, and made clear the public discontent with its role in a country where it has ruled directly for decades and at other times shaped politics using other levers. Many voters rejected the compact between the army and established politicians—and the illusion of political stability it offered—delivering the opposite of what the army wanted, even though it would mean more political turmoil ahead. No prime ministers in Pakistan have ever completed their full term in power. But after Khan was ousted as prime minister in 2022, instead of going quietly, he took on the army brass in a way it had never

seen before. He gave fiery speeches across the country about the need to curtail the military's influence, tapping into discontent felt by ordinary Pakistanis over how the country is run. Voters rewarded him for it. 'At a time when we've seen democratic erosion across the world, this was a vote for democracy,' said Maleeha Lodhi, a former Pakistani ambassador to the U.S. Pakistan's army has admitted to interfering in constitutional politics in the past, but said it no longer does so. Khan, a celebrated former captain of the country's cricket team, also played the game for a while, allying himself with the military, which eventually propelled him to

power in the 2018 election. But when he tried to pursue an independent foreign policy, including reaching out to Russia—Pakistan and the U.S. have long been allies—and choosing his own spymaster, he lost its support. Khan hasn't thrown in the towel yet. After meeting with him inside his prison Thursday, his lawyers announced he had picked his candidate for prime minister and had called for protests across the country this Saturday over alleged vote-rigging that the party says robbed it of an outright victory. Khan's candidates, who hold about 90 seats, have filed legal challenges over about 40 seats of the 265 seats up for grabs. The Election Commission,

which attributed the delayed release of election results to internet issues, didn't respond to a request for comment on the rigging allegations. The military has said the vote was 'free and unhindered' and called for an end to political turmoil. Despite back-channel jockeying continuing, political experts say the most likely outcome is a shaky government headed by Shehbaz Sharif—Nawaz Sharif's younger brother and loyal deputy. The Sharifs' Pakistan Muslim League-N party ultimately trailed Khan's independents by a wide margin of seats. 'Does it happen in any country that the loser wins an election?' said Shabbir Hussain Abbasi, a 71-year-old who traveled two hours to the northern city of Rawalpindi on Sunday to join a protest by Khan's party, which attracted thousands in towns around the country. 'This isn't democracy.' Tarnished by legitimacy

questions, the likely government will have to take challenging decisions almost as soon as it takes power at the end of this month, when it will need to demonstrate it has a majority in Parliament. Already, rumors of a key coalition partner having second thoughts have circulated. The country has been lurching from one bailout from the International Monetary Fund to the next, and will need to negotiate a new IMF loan by April, which could involve conceding to painful economic measures. The country's dire economic situation played a part in the vote. Many voters blame ties between the army, veteran politicians and industrialists for their woes, with a small elite benefiting while many struggle to escape poverty. Political experts say Pakistani authorities underestimated the public's anger over the visible hobbling of Khan's party.

WORLDWATCH



ANTI-VIOLENCE PROTEST: Filipino students in Manila took part in the global One Billion Rising global campaign to end violence against women and advance gender equality.

VENEZUELA U.N. Rights Office Is Ordered to Close Venezuela's government on Thursday ordered the local U.N. office on human rights to suspend operations and gave its staff 72 hours to leave, accusing the office of promoting opposition to the South American country. Foreign Affairs Minister Yván Gil announced the decision in Caracas, the capital. Gil's announcement came on the heels of the detention of human rights attorney Rocío San Miguel, which set off a

wave of criticism inside and outside the country. Gil said the office, the local technical advisory office of the U.N. High Commissioner for Human Rights, had been used by the international community 'to maintain a discourse' against Venezuela. It wasn't clear if the government had notified the United Nations directly of its order to close the office. San Miguel was taken into custody Friday at the airport near Caracas while she and her daughter awaited a flight to Miami. —Associated Press

GREECE Same-Sex Unions Are Legalized Greece became the first Orthodox Christian country to legalize same-sex civil marriage, despite opposition from the influential, socially conservative Greek Church. A cross-party majority of 176 lawmakers in the 300-seat parliament voted late Thursday in favor of the landmark bill drafted by Prime Minister Kyriakos Mitsotakis's center-right government. Mitsotakis tweeted after the vote that Greece 'is proud

to become the 16th (European Union) country to legislate marriage equality.' 'This is a milestone for human rights, reflecting today's Greece—a progressive, and democratic country, passionately committed to European values,' he wrote. Opinion polls suggest that most Greeks support the proposed reform by a narrow margin. The main opposition to the new bill has come from the traditionalist Church of Greece—which also disapproves of heterosexual civil marriage. —Associated Press

SENEGAL Court: Government Vote Delay Illegal Senegal's top election authority on Thursday voided the government's postponement of a presidential election set for Feb. 25 and its rescheduling for December, ruling that the moves were unconstitutional. The National Assembly's decision on Feb. 5 to reschedule the vote for Dec. 15 was 'contrary to the constitution,' said Senegal's Constitutional Council's judgement. The postponement has thrown the country into politi-

cal turmoil, and it wasn't clear if the vote could go forward as initially scheduled, or whether more time would be needed to allow for campaigns. President Macky Sall didn't make public comments. He postponed the vote hours before campaigns were to begin, citing a dispute between the judiciary and the legislature over the final list of candidates and the reported dual nationality of some candidates. The opposition accused Sall of trying to keep power beyond the constitutionally allowed limit. He denied this. —Associated Press

FROM PAGE ONE

Climbers Branch Out For Cats

Continued from Page One

Armed with ropes, harnesses, and a way with cats, Hook launched himself after Ralphie, who had clawed his way up a towering backyard maple and catwalked onto a spindly branch.

Traversing expertly around limbs, Hook closed in. "It was like he was Tarzan in the tree," says Connie Palmer, Ralphie's owner, of Hook.

Finally, cats have found humans almost worthy of liberating them from perilous perches. Hook is one of many skilled tree climbers and ar-

borists branching out into the service of freeing cats from places cats aren't meant to be.

They deploy cutting-edge equipment, fluency in cat-speak and feline bribery (Churu cat treats are like "crack cocaine for cats," Hook says). They call themselves cat rescuers—but for the most part know the cat is in charge.

"Cats have this pride—they don't want to admit they need help from this human," says Hook, who makes cat calls through his volunteer service, "Getmeowtuhere Treetop Cat Rescue." He delivered about 50 felines back to earth last year within driving distance of his home in Ohio.

Many fire departments rescue cats. But they are also often busy helping humans, or may not always have high-enough equipment. So they and 911 dispatchers frequently send distressed relatives to

experienced tree climbers.

Winning a cat's trust can be the trickiest part, says Tom Otto, who rescued 726 cats last year and more than 75 so far this year with fellow arborist Shaun Sears in Washington state, through their nonprofit Canopy Cat Rescue. "We try to build rapport with the cat," Otto says.

He recently did so with Bynx, a tabby up a Douglas fir. After more than 30 minutes of climbing, Otto encountered a big-eyed kitty. When he finally tried to pet her, she bolted higher. They were at 185 feet, his highest ascent for a cat.

"I got the sense she was just really scared and just wanted some help," he recalls. He moved up and softly pet the tip of her tail. This time, she turned and walked toward him on a twig, her paws and legs covered in resin. Otto scooped her up, whisked her

into a net, and got a quick video on his phone.

Canopy Cat Rescue's other clients include Bowser, Thumbelina, Roxy, Yeti and Bagel, who was stuck for nearly a week in a tree.

"When folks call, we ask, 'Hey, is your cat friendly?'" says Sears. "They're going to act up a tree how they act on the ground."

In the tree, a high-pitched fast meow might be, *hey, open to some help here*, while Sears says a low growly one could mean "a kitty that is not super excited to get handled."

Can one scratch out a living as a cat rescuer? Many raise money or take donations rather than charge. Otto and Sears have also been given a wooden statue of a cat with its tongue out.

It is easy for cats to get up trees because they have front-facing claws, says Bob Reese,

a cat rescuer in Huntsville, Ala. Getting down is harder.

A cat instinctively wants to descend head first, he says, "but they quickly learn that it doesn't work." He trained three of his cats to back down.

It isn't a hard rule, but most rescuers prefer to wait until a cat has been in a tree awhile before responding. "They haven't submitted to their situation that they need help until they've been up there 24 hours," Hook says. Owners can find that hard to digest. "I honestly do more counseling of humans than I do rescuing of cats."

Hook, an engineer and packaging manager at a brewery, started rescuing cats in 2010. He already was a passionate tree climber, had cats and learned other climbers were saving felines.

Ralphie had been stuck in the maple tree for five days by

the time Hook arrived one evening after a 10-hour workday. With Ralphie meowing pitifully, Hook launched a line.

Secured with his harness and ropes and wearing a camera, he climbed up and through the canopy and inched along the branches.

"C'mon kitty, kitty, kitty," he called, offering treats.

Using his equipment, Hook bent the branch and coaxed his target onto another limb. "Ralphie, why don't you let me help you, buddy?" he pleaded, as the cat moved away again.

"OK Ralph, I've chased you all over this friggin' tree," Hook said, after a long pursuit. He pulled the limb with Ralphie toward him, and before the scared cat could escape, snatched him up and into a sack.

"Hey guys?" he called down to Ralphie's owners. "The cat's in the bag!"

Xi Turns To Socialist Housing

Continued from Page One

recent years to expand party control over the economy and rein in the private sector. That push has included regulatory crackdowns on technology firms such as Jack Ma-backed Ant Group and more investment in state-owned enterprises in preferred industries such as semiconductors.

Beijing's economic mandarins, led by Xi's top economic-policy aide, Vice Premier He Lifeng, are still hammering out how to execute the real-estate strategy. Economists caution that the plan could take years to achieve—if it's achievable at all.

The cost would be huge: potentially up to \$280 billion a year for the next five years, or a total of around \$1.4 trillion, according to some analysts.

Whether China wants to pay that tab—or even can—is a central question. Local governments in China are already burdened with colossal debt, and it's unclear whether Beijing will be willing to bear the brunt of the funding burden.

Beijing has repeatedly disappointed analysts and investors over the past couple of years with insufficient or poorly executed measures to stimulate growth and clean up the housing mess. People who have examined some of the government's plans say the strategy is also filled with complexities and contradictory aims that could make it difficult to fully implement successfully.

'New model'

A December confab presided over by Xi made clear that a priority for 2024 is to speed up development of what authorities call "a new model" for the real-estate sector. The model should focus heavily on state-provided affordable housing, according to an official account of the meeting.

Initial plans call for adding six million affordable housing units in the coming five years, government documents show.

The People's Bank of China has set aside 500 billion yuan, or roughly \$70 billion, in low-cost financing to policy banks to help get the strategy rolling. A handful of projects funded with that money are under way.

The State Council Information Office, which handles inquiries for China's leadership, didn't respond to questions.

Xi is adamant that real estate, which for years propelled China's growth and at one point made up around a quarter of gross domestic product, should no longer take on such an outside role in the economy, the policy advisers say.

In Xi's view, too much credit moved into property speculation, adding risks to the financial system, widening the gap between the haves and the have-nots, and diverting resources from what Xi considers to be the "real economy"—sectors such as manufacturing and high-end technology that he sees as crucial for China in its competition with the U.S.

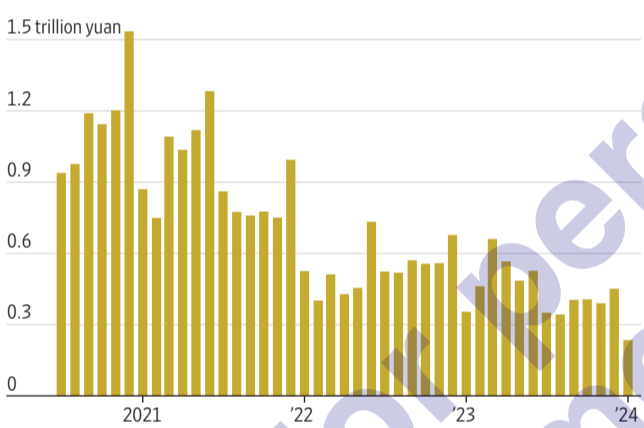
In some ways, Xi's plans would take China's housing market back to its roots. Decades ago, in the Mao Zedong era, the party controlled the market, with most Chinese people living in homes provided by their party work units.

In the late 1990s, when leaders started liberalizing the market, they initially envi-



Above, a man walked past unfinished residential buildings developed by China Evergrande on the outskirts of Shijiazhuang this month. Below right, Xi Jinping inspected a government-subsidized rental housing community in Shanghai in November.

China's new-home sales from the top 100 developers, monthly



Note: 1 trillion yuan = \$139.6 billion
Source: China Real Estate Information

sioned a two-tiered system in which some people would buy privately developed properties, while others would live in state-subsidized housing.

Over the following decades, however, private developers like China Evergrande expanded rapidly and increasingly dominated the market. Today, more than 90% of Chinese households own their own homes, compared with around 66% in the U.S.

The shift to private ownership created enormous wealth in China. But the market's explosive growth also sparked a debt-fueled bubble, priced many young families out of desirable housing, and dismayed Xi and other senior leaders who felt the country was straying too far from its socialist roots.

With the market plunging into turmoil last year following a yearslong government campaign to rein in excess property investment, economists inside and outside China called on Beijing to take more assertive steps to restructure the sector.

There are now millions of empty units across China and many buildings in need of financial support.

Document 14

In internal policy discussions, Vice Premier He, one of Xi's most trusted lieutenants, argued that getting the state more involved would be a way for the government to absorb excess home supply, put a floor under falling prices and help protect banks from having to write down hundreds of billions of dollars of property loans if the market kept getting worse.

Another selling point, according to the advisers: By converting more private properties to state-subsidized housing for rent or sale, it could help advance Xi's oft-repeated "common prosperity" goal of making Chinese society more equal.

The new strategy started coming into sharper focus with a central-government directive

issued in October, dubbed Document 14. It called for adding some six million affordable-housing units in 35 cities with more than three million people each over the next five years.

The document disclosed few details on how to implement the plan. But it specified that the government would place restrictions on who can buy any units that are offered for sale, and would forbid those units from being traded on the open market.

The PBOC, China's central bank, has since allocated 70% of the roughly \$70 billion it is making available to three policy banks, China Development Bank, Export-Import Bank of China and Agricultural Development Bank of China, PBOC disclosures show.

China Development Bank disclosed on Dec. 19 that it had granted a line of credit totaling 202 million yuan to the city of Fuzhou to build an affordable housing project. Upon its completion, expected in 2026, the project will have some 701 housing units, which the local government plans to sell to modest-income families at discounted prices.

The bank also extended a 10 million yuan loan to the government of Hunan, a province south of the Yangtze River, to develop government housing in a rundown inner-city district, according to information from the Hunan government.

It's unclear how much of those funds would be used to develop new projects or to purchase and repurpose existing properties from commercial developers. The bank and Hunan's government didn't respond to requests for comment.

In early January, the central bank and the government's top financial regulatory body, the National Administration of Financial Regulation, followed up with new guidelines pledging unspecified financial support to government-subsidized rentals. The guidelines said state funding would help "revitalize existing housing stock."

Vice Premier He laid out some of the government's plans to U.S. business representatives, including Wall Street executives, when he visited San Francisco last November with Xi.

During a meeting on the sidelines of Xi's summit with

President Biden, He focused on the government-subsidized housing plan, telling the American executives it will help people in big cities afford housing, according to people familiar with the matter.

The discussion suggested that Chinese leaders are concerned about how foreign investors view the government's response to the housing problem, and how they have been selling off Chinese equities and bonds in recent months, some of the people said.

But He didn't have anything to say on steps that many foreign bankers and investors have urged, such as restructuring cash-strained private developers or completing construction of millions of homes people in China already paid for but never received because their developers ran into financial trouble. He's half-an-hour-long monologue failed to impress the people say.

To the International Monetary Fund and some other economists, Beijing's most urgent task is to come up with a comprehensive plan to assist financially distressed developers with debt restructurings

and to get banks and other stakeholders to take losses—moves that, while painful, would restore public confidence in the market.

Beijing remains reluctant to offer direct liquidity support to developers, however, because officials are worried about re-inflating the housing bubble that Xi is bent on deflating, policy advisers involved in discussions say.

Buying properties and converting them to rental units raises many complexities, including whether the government should pay current market values—in effect bailing out developers or individual homeowners who can't make debt payments—or insist on steep discounts. It's also unclear what should happen if owners don't want to sell.

New construction for affordable housing is more straightforward, economists note, and would have the added benefit of propping up China's construction industry. But expanding new construction would also add more supply at a time when China's population is shrinking. The IMF expects fundamental demand for new housing to drop by almost 50% over the next decade.

Supply glut

Michael Pettis, a finance professor at Peking University, says that if the government does significantly improve affordable housing, "it will represent the kind of transfer to the poor households that China urgently needs," freeing people to spend more on other things. But he said it was too early to know how the plan would play out.

Zhiwu Chen, a finance professor at the University of Hong Kong, was more skeptical. He compared China's new housing strategy to the way Beijing uses its so-called "national team" of state funds to buy equities to try to prop up the depressed stock market.

Such efforts have often failed to sustainably bolster the market. Using government money to buy up distressed real estate would be no different, he said, given the country's demographic challenges and supply glut.

Government interventions could also raise uncomfortable questions about social fairness, he said. Buying properties from existing homeowners or developers when the market is weak would amount to using national resources to subsidize owners who have the flexibility to sell, when others don't, he said.

"It turns into an issue of wealth distribution," he said. "Not everyone in China owns multiple apartments, nor are they ready to sell."

Past efforts to support or re-engineer the market with government support have met with mixed results.

Over the past couple of years, a few Chinese cities, including Zhengzhou in central China and Suzhou, near Shanghai, have implemented their own programs to buy a few thousand unsold properties from developers and then convert them into affordable housing for low-income families, including farmers displaced by urban development.

According to analysts from China Real Estate Information Corp., the cities tended to buy from state-backed developers or those controlled by local governments, typically at below-market prices.

Those programs, economists say, helped absorb excess housing but also further strained local finances. Attempts to reach the cities for comment were unsuccessful.



Residents marked off numbers on a sign at a housing distribution site in Qingdao in November.

ARTS IN REVIEW



FILM REVIEW | KYLE SMITH

A Minor-Key Biopic of a Reggae Legend

Bob Marley's compositions, particularly "Redemption Song" and "No Woman, No Cry" (which he is believed to have written although he reportedly gave the credit to a friend to escape a contractual obligation), seem to exist outside of time, as if they've always been there and he was merely their conduit. Moreover, Marley's life was short and pained, ending at age 36 in 1981. He was bound to become a near-mystical figure, and by the mid-'80s he was.

The biopic "Bob Marley: One Love," which is respectful bordering on reverent, seeks to be the cinematic monument that will translate the reggae icon's musical stature to big-screen imagery, and perhaps introduce a new generation to his considerable talents. Yet if the film is ambitious, it is also inert.

English actor Kingsley Ben-Adir does a superb job, disappearing into the role of the man called "Skipper" by his friends. Director Reinaldo Marcus Green largely steers clear of cliché, but that choice also has the effect of denying the audience several pleasures they are likely to expect. We don't get to witness Marley's astonishing rise from poverty in a destitute country—he's already a star at the outset—and with one exception we

don't get to witness the creation of his most beloved songs. Instead, we are treated to quarreling, a few performances of tunes that are already finished when we hear them, and some frustratingly vague references to Marley's religion, Rastafari, an Afrocentric isotope of Christianity whose god is called Jah. The dialogue, which most of the cast deliver in a heavy Jamaican accent, is likely to seem impenetrable to many viewers.

Given Marley's association with breezy party music, the movie is surprisingly dour, flat and joyless. Mr. Green's screenplay, which he wrote with Terence Winter, Frank E. Flowers and Zach Baylin, confines itself almost exclusively to 1976-78, a period bookended by politically charged unity concerts in Jamaica that Bob Marley and the Wailers staged for the purpose of calming violence between rival parties and associated gangs. A title informs us that the island nation is on the brink of civil war and that holding a nonpolitical event will itself be taken as a dangerously political statement. Marley presses forward anyway, but two days before the show gunmen storm his house in Kingston to shoot him; his wife, Rita (Lashana Lynch); his manager, Don Taylor (Anthony Welsh), and another man. Taylor was hit several times and Marley twice,



including once in the chest, and Rita was shot in the head. Somehow no one perished.

Since this was evidently a political assassination attempt, it's narrative malpractice not to tell us about the underlying disputes. Instead, we're left with some hand waving about how people were angry at one another. This is entirely unsatisfactory for a story that is focused on placing Marley as an important political figure. It's not clear that he was; he goes on to perform, two days after being shot, at the unity concert, but seems to get spooked. He then moves to London, not to return until the end.

In his London period, Marley records his celebrated album "Exodus" (the best of the 20th century, according to Time magazine). The crafting of that album's title track, which according to the script was

▲ Kingsley Ben-Adir and Lashana Lynch, above; Mr. Ben-Adir, Anna-Sharé Blake, Ms. Lynch and Naomi Cowan, top.

inspired by the fondness of Marley's bandmates for the famous soundtrack of the 1960 Paul Newman epic, inspires an infectiously appealing scene as each musician adds his part, but Mr. Green should have included much more of this kind of creative magic.

Instead, Marley's business and relationship conflicts are the focus. Taylor antagonizes the singer by dragging his feet at a request to facilitate a tour of Africa, and later Marley beats him up, in an out-of-nowhere scene that is meant to make the singer look assertive but instead makes him appear brutish. His adultery, apparently a source of anxiety to Rita, is merely hinted at,

in the most delicate way. When Bob and Rita have a bitter fight, she seems more upset about her belief that he has sold out to the demands of executives such as Island Records founder Chris Blackwell (James Norton).

That argument, like Marley's on-rushing worries about the source of discoloration in his toe that is eventually diagnosed as skin cancer, is dispiriting, one of many clouds of unease plaguing the film. Near the end, there's a wonderful rendition of "Redemption Song" that Marley performs for his kids at home shortly after writing it, but the scene unintentionally reminds us of the gaps in the story: We know essentially nothing about the children or even how many of them there are. By the time the credits roll, we have learned disappointingly little about one of the most esteemed musical figures of the 20th century.

TELEVISION REVIEW | JOHN ANDERSON

A Team at the Top of the Game



▲ Tom Brady, Rob Gronkowski and Julian Edelman in 'The Dynasty: New England Patriots.'

Even for someone whose favorite football game was Super Bowl XLII (Giants 17, Pats 14), "The Dynasty: New England Patriots" will be a feast, hard to turn off and hard to dismiss, regardless of how one feels about Tom Brady. It's just a great story, or stories, about triumph, failure, betrayals, cheating, deflation and murder. Or murders. And a lot of football. Watch the 10 episodes slowly, fans: Maybe they will hold you till September.

The timing of "The Dynasty" might make the series feel like a belated obituary for the now-mythic version of the Patriots, the one Mr. Brady left several seasons ago after winning six Super Bowls under coach Bill Belichick, who recently parted company with the organization. Both appear extensively in Matt Hamachek's documentary extravaganza, Mr. Brady clad in a disreputable hooded sweatshirt that might be an homage to Mr. Belichick's fabled sartorial splendor. Mr. Belichick, for his part, looks like he's being garroted by his necktie, during interview segments that resemble hostage videos.

Given the perversely polarizing Mr. Brady—handsome, successful, often unstoppable on the field and once married to a supermodel—some viewers might fear that "Dynasty" is going to be the Tom Brady Story. It is not, though he does take up a lot of space. And if he is the light, Mr. Belichick is the dark, especially in the case of Aaron Hernandez, convicted of one murder, suspected in others and himself a 2017 suicide. His disturbed and

disturbing behavior Mr. Belichick apparently ignored while refusing to trade Hernandez away from the East Coast and bad influences. The former coach answers questions about Hernandez the same way he answers questions about Spygate (which involved the Patriots stealing signals in 2007) or Deflategate (the underpresurized-football scandal of 2015)—with denials, obfuscation or silence.

Mr. Brady is far more forthcoming,

even about his old coach, and he shares screen time with many old teammates as well as the entertaining New England director of football research, Ernie Adams, and even the celebrated Bill Parcells, who preceded Mr. Belichick until a falling out with

team owner Robert Kraft. One of the more straightforward people interviewed for "The Dynasty," Mr. Kraft expresses deep despair over Hernandez, with whom he felt very close, along with a genuine affection for the team and its players. His long-game acquisition of the Patriots is among his more amusing stories—he bought up all the real estate and surrounding parking until the team itself was worthless to anyone but himself. Ru-

pert Murdoch (chairman emeritus of News Corp, which owns the Journal) appears, praises Mr. Kraft, and helps him recount how Vladimir Putin pocketed Mr. Kraft's Super Bowl ring during a visit to Russia in 2005. Another terrific anecdote, though there are multiple in Mr. Hamachek's series.

"We always thought, 'They can't be this successful,'" says Adam Vinatieri. The kicker had performed some last-minute heroics of his own for the Patriots before moving to the Colts, the team that instigated the Deflategate investigation. But Mr. Vinatieri's comment says a lot about the perception of the Patriots, as does someone's offhand observation at the beginning of the series: Basically, if you are the hero long enough you become the villain. People outside New England loved to hate the Pats; it is still easy to dislike the charisma-free Mr. Belichick; Mr. Brady is too charming for a viewer to get an honest grip on him without questioning his or her own biases or perception. But perception, as we see, has a lot to do with how much a public person is forgiven and how ready people are to cry "cheater," and that is a valuable take-away from a show that's so handsomely put together and far from a deification of anyone.

The Dynasty: New England Patriots
Begins Friday, Apple TV+

Mr. Anderson is the Journal's TV critic.

ARTS IN REVIEW

THEATER REVIEW | CHARLES ISHERWOOD

Irreverent Indigenous Comedy

'Between Two Knees' is a deliriously funny show styled as a history pageant about Native Americans

A New York n indication that "Between Two Knees," one of the initial productions at the new Perelman Performing Arts Center, will not be a sober sermon about the suffering of Native Americans comes even before the show begins, when we hear Cher crooning her cheesy early hit "Half-Breed" as we take our seats.

The show's antic comic approach to the often dark history it explores is confirmed in the opening moments, when an actor takes the stage, announcing he is a Native American, and intones: "Across the centuries I have been called by many different names: Sitting Buffalo. Big Eagle. Punches Kittens. Bad Breath. . . . And Downward Facing Dog. But today, you can call me by my most sacred Indigenous name: Larry."

Larry, played by Justin Gauthier with the goofy, laid-back air of someone who's been smoking a lot of pot lately, will recur in various guises, mainly as a very loquacious narrator, throughout this mad romp of a show, written by the sketch-comedy troupe the 1491s and directed by Eric Ting. Irreverent is a pitifully mild way of describing the show's attitude toward its grim subject, the often brutal treatment of Native Americans since (and before) the founding of the U.S. If this rambunctious comedy had its tongue any more firmly planted in its cheek, surgery would be required to remove it.

Deliberately styled as a history pageant put on by a troupe of energetic but often hilariously inept amateurs, the title alludes to two historic events: the 1890 massacre of hundreds of Indians of the Lakota people at Wounded Knee in South Dakota, and the "occupation" of the same area that took place in 1973, when a large group of Native Americans, protesting, among other things, their treatment by the government, engaged in a violent standoff with federal agents.

The two events are essentially bookends; in between the show dramatizes the turbulent history of Native Americans through the stories of a man and a woman, Isaiah and Irma, and two generations of their descendants—a tale so rich in dramatic coincidence and shocking revelations that it resembles a Victorian novel, complete with a baby abandoned on a doorstep. It begins with

The show takes an antic, farcical approach to grim episodes in American history.

the birth of a child named Wolf to a dying woman, Ina (Sheila Tousey, a gem in several roles), at Wounded Knee. Before expiring, she passes along a pair of small moccasins that will become a spiritual talisman.

Wolf (Derek Garza) is re-named Isaiah when a Catholic priest brings him to a boarding school. There, years later, he meets Irma (Shyla Lefner) when she is forcibly enrolled in the school, where, as she puts it, "they send Indians to turn them into white people." Ina re-emerges as a ghost (the white sheet is a giveaway), informs Irma that her destiny is linked with Isaiah's and that "home is waiting," and delivers the sacred moccasins.

Isaiah and Irma break out of the boarding school after murdering the priest and the nuns-turned-ninjas—yes, you read that correctly—who help run it, and become a sort of Native American Bonnie and Clyde, freeing kids from similar boarding schools and sending more priests to their heavenly rests. (Although the first was dragged off by Larry-as-Jesus quickly revealed to be Larry-as-Satan, suggesting a noncelestial destination.)

Eventually they have a son, William (Shaun Taylor-Corbett), the first of 10, Irma hopes: "We gotta bring our numbers back up!" He enlists in the Army and goes off to fight in World War II. Among the show's ample arsenal of comic styles is drenching irony, as when William says: "I was handed a rifle and told to point it at the greatest evil this world has seen. People's lands and possessions were stolen, they were being forced into prison camps and exterminated." Ouch.

The entire ensemble—all but one indigenous—is a delight to watch as they scamper between numerous roles. Doing the heaviest lifting, which includes the

show's infrequent serious passages, are Mr. Garza and Ms. Lefner as the young Isaiah and Irma, who revert quickly from moments of sincerity to the standard silliness. Also playing comparatively serious characters are Ms. Tousey and Watko Long as the older versions of Irma and Isaiah. Mr. Taylor-Corbett, who also provided the frisky choreography, also has his share of more earnest moments as William.

The production unspools as a series of vignettes, as befits the company's sketch-comedy roots. Most are delightful, although there are inevitably segments that

▲ The company of 'Between Two Knees,' which was created by the sketch-comedy troupe the 1491s.

outlast their belly-laugh quotient. The loopy history of the "New Age spiritual leader" who officiates at Isaiah and Irma's wedding is elaborated at excessive length, roping in references to ayahuasca and Jerry Garcia. Also wearing out its welcome is Larry's convoluted monologue about a "cousin" of Isaiah and Irma's grandson, after which even the speaker seems confounded: "Why

didn't any of you people stop me?" he grouses. In addition, some of the musical sequences feel like unnecessary filler.

And if ever a show didn't need any padding, it is this deliriously complicated one, which achieves the remarkable feat of lampooning history while simultaneously managing to illuminate it.

Between Two Knees
Perelman Performing Arts Center, 251 Fulton St., New York, \$29-\$79, 212-266-3000, closes Feb. 24

Mr. Isherwood is the Journal's theater critic.



James Ryen and Justin Gauthier, above; Rachel Crowl, Shyla Lefner, Derek Garza and Mr. Ryen, below.



The WSJ Daily Crossword | Edited by Mike Shenk

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- 23 Puts away
- 24 Milan-based fashion label
- 25 Arrange in an orderly way
- 27 Arp's art
- 30 "What a shame!"
- 32 Sedan from Korea
- 33 Burned, in a way
- 34 Sent regrets, say
- 37 Try again
- 40 Leisure spot on the Enterprise
- 41 Ready for customers
- 45 Transistor's forerunners
- 47 Excess supply
- 49 Plow creation
- 52 Critic Roger
- 54 "Cheers" role
- 55 Shells, e.g.
- 56 Attachment on property
- 57 Site of Munch and Ibsen museums
- 59 Tacks on
- 61 Rouen ruler
- 63 Lab circling the Earth, for short
- 64 "Sprechen _____ Deutsch?"
- 65 Spell

KNOWLEDGE BASE | By Mike Shenk

- The answer to this week's contest crossword is a group of people.
- 29 Low USN rank
- 31 Cambodia's ___ Wat
- 35 Ilhan in Congress
- 36 Throng
- 7 Part of a prize-filled arcade machine
- 11 Write hastily
- 14 No longer obsessed by something
- 15 Initiation recital
- 16 Go astray
- 17 Party room fixture
- 18 "Hallelujah!"
- 20 How many Canadians buy milk
- 22 Somewhat lubricated
- 23 State capital founded in 1610
- 26 Idyllic area
- 28 Pecan or peach, e.g.
- 29 Low USN rank
- 31 Cambodia's ___ Wat
- 35 Ilhan in Congress
- 36 Throng
- 38 Useful contacts
- 39 Mob traitor
- 40 Self-promotional newspaper spot
- 42 Adj. modifier
- 43 Suffix for ethyl or methyl
- 44 Barack awarded her the Presidential Medal of Freedom
- 45 Fall lead-in?
- 46 Separated, maybe
- 48 Dict. offering
- 50 Come to the surface
- 51 Unescorted
- 53 Bit of concert merch
- 55 One way to think
- 58 Latin neighborhood
- 60 Four-legged title character of 1960s TV
- 62 Vegetable named for the Latin for "root"
- 66 Brooks from Brooklyn
- 67 Blinds feature
- 68 Baby Gap buy
- 69 Music's Yoko
- 70 Model buys
- 71 "Far From the Madding Crowd" setting
- 1 Column's follower in a pair of x-axis/y-axis coordinates
- 2 Morn's counterpart
- 3 Acquire
- 4 Ruling party?
- 5 Rainforest climber
- 6 Attack from above
- 7 Lola's club
- 8 T option
- 9 Words with loss or profit
- 10 Bleached
- 11 Renegade on the road
- 12 Eyes, to poets
- 13 Deuce topper
- 19 Join the choir
- 21 Winner of 11 Oscars in 1960

Previous Puzzle's Solution

HYPE	ACAI	MAPLE	
ILEX	TOIL	ARRAY	
KETO	HONK	SLOPE	
IVS	BELT	HOOP	
NEDALIS	DAN	OAF	
GLARES	NTH	OSCO	
	CAMEOS	TRAIN	
ASPIR	NCO	ECLAT	
KILNS	DAKETH		
ACOG	MED	PROEST	
SKC	PAR	DEADAIR	
	KROC	VIES	RNA
BASIE	TOKI	ANNI	
ADIOS	ODES	PEEL	
MONTHY	EAST	ERRS	

► Email your answer—in the subject line—to crosswordcontest@wsj.com by 11:59 p.m. Eastern Time Sunday, Feb. 18. A solver selected at random will win a WSJ mug. Last week's winner: Joe Tobin, Arvada, CO. Complete contest rules at WSJ.com/Puzzles. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

SPORTS



Can't (try to) be funny today, sorry. For a sports writer, the safest move is to sit out these moments—to categorize Wednesday's deadly gun violence in Kansas City as the serious business of serious people, and let this horrible incident wash over like so many incidents before. That's the safe play. It's not the right one.

This is not sports—and it is very far from the daffy sports absurdity I live to write about. It is not funny, or escapist, or cause for celebration, like what was supposed to happen on a warm day in downtown K.C. as the NFL Chiefs assembled for another Super Bowl championship parade.

Victory parades are meant to be lighthearted events, full of civic joy, and for the bulk of the day, this one was. There was Patrick Mahomes, quarterback nonpareil and again Super Bowl MVP, reiterating his desire to win three Lombardi trophies in a row. There was Chris Jones, a defensive giant in Sunday's victory over San Francisco and pending free agent, announcing his intention to stay with the team.

There was Travis Kelce...once again doing his brashest Travis Kelce. The burly tight end and No. 1 celebrity boyfriend, clearly not getting singing lessons in his down time, offered a meandering version of Garth Brooks's "Friends in Low Places" to the merry thousands before a helpful Mahomes jumped in with the chorus.

And then, not long after: pandemonium.

Reports of multiple shots fired. Police swarming the area around the Union Station transit hub as some Kansas City players were still departing the stage. Grimly familiar scenes: crushes of scared people fleeing on foot, this time wearing Chiefs red and gold, unsure of which direction to run.

At least 20 wounded, one dead. Multiple gunshot victims are reported to be children. Two people were detained by police, and the motive remains unknown.

Another mass shooting, a ritual sadly now as American as the Super Bowl itself.

This is our shared, societal sickness—and yet we spend too much time bickering through our

JASON GAY

Shooting Horror at a Super Bowl Parade

A Kansas City Chiefs celebration turns tragic as gunfire kills one and wounds more than 20



increased interventions for mental health, better deterrents and security, or, more likely, a combination of it all.

"It's too hard" is not an acceptable answer. No one's claiming there's a single perfect solution. No one step will repair this crisis.

But I'll take any step. Just try.

I'll say it for you, loud: This is not my area of expertise. If you came here looking for a football column, I can appreciate your frustration. No one would rather be writing something else than me. If this feels like an uncomfortable "lecture," I understand.

But it's hard to keep quiet. What we're doing is not working. Instead we dig in, point fingers



Fans flee the scene after shots were fired at the Kansas City Chiefs' Super Bowl parade, above. Left, a deserted Union Station.

and wrap ourselves in the diversionary whataboutisms ("Why didn't you say anything about what happened in _____?") We indulge officials who find glee in useless provocation, and wear their divisiveness as a badge. There's no sense of cooperation, or shared responsibility. Shouting takes over, then inertia, and nothing occurs.

And we wait for it to happen again. Because it always happens again. Chillingly, we're used to it. These scenes of fear and madness on the streets of Kansas City—we've watched them countless times before, at schools, churches, supermarkets, concerts and more. It's a heartbreaking cycle that does not stop.

I keep waiting for a single event to turn the tide, but the tide never turns. There's always a surge of anger, and increasingly, I detect, a twinge of hopelessness. We're calloused to suffering, which is only a short trip to tolerance, and where I fear we live now. Let's stop, for Kansas City and all of us. It's intolerable and agonizing. A Super Bowl parade. Enough.

divisions, declaring who and who isn't qualified to weigh in. Uncomfortable suggestions and emotions get chastised as "lectures." We're a country in which everyone has a right to blather on about a pop star in a skybox, but we shut down rather than openly discuss our epidemic of violence in public spaces.

We know this routine well. Admonishments against "opportunism" begin as soon as a scene is cordoned off. Now is not the moment to say anything remotely "political," we are told—instead we should hold out for an appropriate "time and place." Elected officials offer feeble condolences, and we foolishly await their ac-

Formula 1's Offseason Has Spun Completely Out of Control

By JOSHUA ROBINSON

AS THE CURTAIN FELL ON the Formula One season last year, the sport found itself facing an existential question: Had F1 become too boring?

Max Verstappen, in his unsailable Red Bull car, had won 19 of the 22 races in 2023. The driver lineup was set to stay the same for 2024. And the kind of technical rule changes that can shake up the grid were still three years away.

Three months later, no one is worried about dullness anymore. Without a single race being run, the F1 offseason is now louder than revving a V12 engine.

One of the sport's most popular team principals was fired and another is under investigation by his own bosses. An all-time great driver announced that he was trading in his Mercedes for a Ferrari. A prospective new team led by Mario Andretti and Cadillac was refused entry into the sport. And the series' organizers announced a new circuit in Madrid was coming for 2026.

The most stunning news of all was seven-time world champion Lewis Hamilton's decision to join Scuderia Ferrari in 2025, putting the sport's most successful driver on F1's most storied team. After a dominant run with Mercedes that lasted more than half a decade, the 39-year-old Hamilton had become clearly frustrated by an underperforming car over the past two seasons. So for his next and perhaps final act in F1, he has decided to suit up in Scuderia red. But first, there is the slightly awkward matter of seeing out the last year of his contract with Mercedes, the team where he won six of his seven titles.

"I will always respect the difficulty of the situation that he faced," Mercedes team principal Toto Wolff said. "But I hold no grudge."

Not only did the move end the longest association of Hamilton's career—and create a sudden need

for him to learn Italian in his late 30s—it also touched off a multi-million-dollar round of musical chairs in the sport. Ferrari has already said that Hamilton's teammate will be the Monegasque driver Charles Leclerc, who is signed to a long-term contract, which leaves current Ferrari driver Carlos Sainz on the hunt for a new drive.

Mercedes, meanwhile, must now look for someone to partner George Russell with the promise of producing a competitive car again in 2026, once a fresh set of technical regulations comes into force.

"Let me say if you told me two days ago that Lewis would be going to Ferrari I didn't think it was possible," Wolff said earlier this month. "Situations and things can change quickly... Who knows what's happening in the driver market that could be unexpected

or opportunities for us?"

Even larger questions surround the future of Wolff's greatest rival, Red Bull team principal Christian Horner. He is currently the subject of an internal investigation over alleged "inappropriate, controlling behavior," after his assistant lodged a complaint with the team. Horner, who has run Red Bull Racing since it first entered F1 in 2005 and guided it to seven drivers' world championships, has denied any wrongdoing.

"The company takes these matters extremely seriously and the investigation will be completed as soon as practically possible. It would not be appropriate to comment further at this time," Red Bull said earlier this month.

Horner was interviewed by lawyers on Friday as part of the probe, according to a person familiar with the investigation. And

although Horner is scheduled to appear when the team launches its car for this season on Thursday, it's clear that the allegation has weakened his position in the midst of a wider power struggle between Red Bull headquarters in Austria and the Red Bull racing outfit, based in the U.K.

Should Horner be removed from his post, the sport would be losing its longest-tenured team principal.

That same fate has already befallen one of F1's most prominent team bosses this winter, albeit for very different reasons. For all of his on-screen charisma and charmingly foul-mouthed outbursts, Guenther Steiner was fired as the team principal of Haas in a move that was both deeply surprising and completely logical.

Steiner, an Italian engineer with an Austrian accent, had be-

come a cult hero of the hit Netflix series Drive to Survive for wearing his heart on his sleeve as he battled against richer, quicker teams—and for his liberal use of profanity. He was F1's most lovable loser. Except in a sport where just showing up can cost around \$100 million a season, being a perennial loser constitutes an extremely expensive problem. Haas has finished dead last in the constructors' standings in two of the past three seasons. Team owner Gene Haas felt he had to make a change.

"If you own something you've got the right to do what you want," Steiner said.

For all of the people who tuned into the Drive to Survive era, this offseason of change is the equivalent of a reboot. Favorite characters have been written off the show. Relationships have been turned on their heads. And it feels like the scriptwriters have become a little desperate.

Not that there's any shortage of material to work with. With 24 Grands Prix on the calendar, this season will be the longest in F1 history, with races on five continents. Even the locations of those races are changing all the time. F1 announced that a new race in Madrid would replace the Barcelona Grand Prix of 2026, while speculation that yet another U.S. event could be on the way caught fire when F1 appeared to register a trademark application for a possible Chicago Grand Prix.

All of which has become a little much, even for the sport's defending champion. Not even Max Verstappen has the stomach for anything beyond 24 Grands Prix.

"If there will be even more races," he said in an interview with The Wall Street Journal, "I don't see myself hanging around for too long."



Red Bull's Christian Horner, the longest-serving team principal in F1, is the focus of an investigation into alleged inappropriate behavior.

GIUSEPPE CAPOCECCE/AGENCE FRANCE PRESSE/GETTY IMAGES

FROM TOP: DAVID RAINFRET/UTS, DAVE KAUF/SHUTTERSTOCK

OPINION

Down With Special Counsels



POTOMAC WATCH
By Kimberley A. Strassel

The finger-pointing over special counsel Robert Hur's report on Joe Biden's mishandling of classified documents and misplacement of his own memories will continue, though perhaps at some point liberal digits will land on the proper culprit. Complaints can be sent to Janet Reno. Democrats' rage is too frothy for them to think back to 1999, especially with so many immediate targets to lambast. They are mad—hilariously—that Mr. Hur documented the obvious, namely that Mr. Biden is ancient and struggles to remember things. The nearly 400-page report led with the evidence the president had “willfully retained and disclosed classified materials,” even as it concluded it would be dicey to persuade a jury to convict an “elderly man with a poor memory” who couldn't remember “when he was vice president” much less “when his son Beau died.” Mr. Biden is mad at the Hur team for expecting him to answer questions accurately about the date of a family moment at a formal interview. “It wasn't any of their damn business,” the president seethed in a press conference at which he made three false claims about the report and confused Egypt with Mexico. Democrats are livid at Mr. Biden's handlers for allowing that interview, for allowing the press conference, and in general for al-

lowing the commander in chief out of his BarcaLounge. They are cross at House Republicans for demanding Mr. Hur's interview tapes. They are bitter the media won't keep overlooking Mr. Biden's pattern of mistaking current foreign leaders for their long-dead predecessors. And they are incensed at Attorney General Merrick Garland. Politico reports that “Biden and his closest advisers” are angry Mr. Garland didn't require “edits to Hur's report,” and “questioned why Garland felt the need to appoint a special counsel in the first place.” Mr. Biden is likewise angry that Mr. Garland elevated David Weiss to special counsel in the Hunter Biden probe, even as he complains that had Mr. Garland appointed Jack Smith special counsel sooner for “his investigation into former President Donald Trump's election interference, a trial may already be underway or even have concluded,” as Politico puts it. Special counsels everywhere, and not a one to praise. And we are surprised? Most of the criticism of Mr. Garland is absurd. Democrats might recall the cosmic tantrum they threw in 2019 at the mere thought then-Attorney General William Barr might redact or alter so much as a comma in Robert Mueller's report on Trump-Russia collusion and the absence thereof. Any Justice Department demand that Mr. Hur alter his conclusions would have brought the department under furious assault for interfering with an “independent” special counsel. As to the other complaints, once

Mr. Garland made the mistake of naming Mr. Smith a “neutral” investigator of Mr. Trump, the only way to maintain the appearance of impartiality was by (reluctantly) naming Biden equivalents. Mr. Garland might even be forgiven for exercising a dodge built for that purpose. The defenders of special counsel regulations laud them as necessary to handle conflicts of interest. They were in fact designed by politicians for the express purpose of

Efforts to insulate prosecutions from politics always do more harm than good.

skirting accountability. When the independent counsel statute lapsed in 1999, Attorney General Reno rushed to promulgate the Justice Department equivalent to maintain a fiction that honest probes would continue into Clinton corruption, and to provide cover for her multitudinous failures to police that administration's misdeeds. To that end, the Smith appointment served a treat to Mr. Garland. Democrats desperately wanted a Trump prosecution without the ugly responsibility of a Biden-appointed attorney general and prosecutors leading the charge. That would mean they'd own the prosecution, have to justify it, and bear the consequences. The Smith appointment let Mr. Garland wash his hands of the stench of politicized justice, even if he felt confident of achieving

the same results. What he didn't count on was a boss who'd park sensitive documents in his garage, or a botched Hunter probe, necessitating more counsels for appearance' sake. Congress let the independent counsel law die after decades of investigations left a weary public aware that there was nothing pure or impartial about these prosecutors. When do we admit the same failings for special counsels, or at least—more cynically—acknowledge they rarely produce their hoped-for political purpose? Democrats cheered the Smith appointment, but the Hur report may well prove more damaging to its target. And it isn't as if these appointments have spared Mr. Garland's Justice Department a reputation as a political retribution machine.

At best special counsels are decent men pummeled for exercising truth and restraint. At worst, they are arrogant zealots on missions to write themselves into history, working outside basic oversight, seeking to imprison innocents (see Scooter Libby), and operating with little care for the damage they wreak to the body politic. What precisely have the Patrick Fitzgeralds or Robert Muellers accomplished, beyond wasting taxpayer dollars to sow discord?

Is it really too much to expect an honorable attorney general who is dedicated to the law and committed enough to take responsibility for his department's actions? If so, this country has bigger problems than any special counsel could solve. Write to kim@wsj.com.

BOOKSHELF | By Barbara Spindel

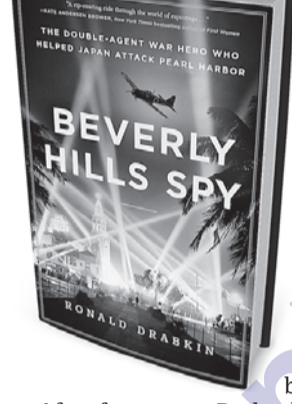
Under the Palms, Spying for Japan

Beverly Hills Spy

By Ronald Drabkin
Morrow, 272 pages, \$29.99

The biggest naval confrontation of World War I, the Battle of Jutland in 1916, also has the distinction of being the first battle during which a plane was launched from an aircraft carrier. The pilot of a British seaplane flew toward the German warships off the coast of Denmark, and his observer radioed the enemy's coordinates back to the British fleet. When the plane's engine failed on the return leg, the pilot, Frederick Rutland, landed on the water, repaired the engine and safely returned to his ship. To top it off, he later jumped into the sea to rescue a wounded sailor. He was decorated for his bravery, had two audiences with King George V, and became a national hero, “Rutland of Jutland.”

By the end of the next war, Rutland was disgraced. Ronald Drabkin chronicles his dramatic rise and fall in “Beverly Hills Spy.” This compelling but somewhat puzzling book, written with the help of recently declassified intelligence files, traces Rutland's years spying for Japan in the lead up to the surprise strike on America in 1941.



Rutland was a school dropout born into poverty in 1886 in Weymouth, England, but his brains and ambition propelled him up the military ranks. A few years after his celebrated World War I service, he retired from the navy and accepted a job in Japan, then a British ally, advising its navy on aircraft-carrier design. It was understood, Mr. Drabkin notes, that “the next war would not be fought by battleships, but by aircraft flying from ships.”

After four years, Rutland returned to England, where he took a job in sales and eventually grew restless. “Presumably, once you've flown a rickety eighty-horsepower plane off of a large board placed on a battle cruiser turret, a quiet life as a salesman doesn't give you the same rush,” the author reasons. In 1932 a Japanese naval officer offered to pay Rutland to gather intelligence on U.S. naval preparations on the American West Coast. Rutland agreed, relocating his family to Beverly Hills.

According to Mr. Drabkin, Rutland believed that a war between the two countries was unlikely. In seemingly invented dialogue—an author's note explains that conversations “are not meant to be a word-for-word transcript”—Rutland tells his wife: “My old friends in the Japanese Navy simply desire some legally obtainable information.”

Charming and affable, Rutland proved well-suited to socializing with American officers over drinks. A British war hero could ask probing questions about military preparations and capabilities without setting off alarms. Rutland, given the code name Agent Shinkawa, passed to Japanese intelligence details of America's aviation technology; he scouted naval bases, including Pearl Harbor's. He regularly demanded more money from his Japanese handlers, the better to fund his lavish lifestyle, which allowed for hobnobbing with stars such as Boris Karloff and Charlie Chaplin while making the circuit of the Hollywood party scene.

“Beverly Hills Spy,” Mr. Drabkin writes, is “a story of missed chances.” The British counterintelligence agency MI5 was aware of Rutland's espionage but withheld the information from its American counterparts to avoid an embarrassing scandal. When the FBI was closing in on Rutland in the years before the war, Ellis Zacharias of the U.S. Office of Naval Intelligence told the agency to halt its investigation: He believed he'd turned Rutland into an asset reporting to him, but Rutland seems to have continued to give information to Japan.

Mr. Drabkin, a first-time author, expresses a strong personal connection to the material. He writes that his family history of counterintelligence work puts him “one degree of separation from most of the characters in the story.” Such strong feelings don't necessarily serve the narrative. In a head-scratcher of an epilogue, Mr. Drabkin first insists

A British war hero turned informer for the Japanese navy delivered his reports while making friends with Hollywood's elite.

upon Rutland's importance to the Pearl Harbor attack, noting that he helped design two of the six aircraft carriers used in the strike: “He did—undoubtedly and substantially—contribute to the naval aviation capabilities of the Japanese Navy, without which the Pearl Harbor attack might not have been possible.” Yet he believes Rutland tried to switch allegiances as the war approached, making attempts to warn both the British and American services that Japanese attacks would come soon. Mr. Drabkin adds: “I won't minimize his negative impact, but I am particularly happy to be able to share the positive parts: his idealism, his love for his family, and his late-breaking attempt to make up for his sins.” Evidence of Rutland's idealism is scant; on the contrary, he comes off in these pages as more interested in saving than redeeming himself.

While Rutland's story is intriguing, he remains a distant figure, despite the author's disconcerting tendency to presume to know his thoughts—and those of other characters. This is most striking in the case of Takuya Torii, a Japanese spy also working in California, who died in a 1932 car accident in Los Angeles. Mr. Drabkin relates his final thoughts in detail: “First thing in the morning, he would reach out to his mentor and handler, Mr. Furusawa. . . . Rehearsing what he would say, he took his eyes off the road and, just like that, let destiny slip through his fingers.”

The author speculates that Rutland, who committed suicide in 1949 after being expelled from the U.S. and imprisoned in England, might in fact have been murdered. This taste for the dramatic, along with the passages of imagined dialogue, makes one wonder whether Mr. Drabkin might have been better off turning this material into a novel or a screenplay—this is a Hollywood tale, after all.

Ms. Spindel's book reviews appear in the Christian Science Monitor and elsewhere.

Coming in BOOKS this weekend
The Founders and the ancients • Taming the American corporation • The monk who met Genghis Khan
• Lord Byron's life in letters • A Sendak counting book for children • An eye on the art world • & much more

If a Parish Isn't Crying, It's Dying

HOUSES OF WORSHIP
By Mark Naida

My son George began his preaching career at St. Elizabeth Catholic Church in Grove, Okla. The only problem? A priest was delivering his homily at the same time.

As the Rev. Valerian Gonzales offered his thoughts on the Gospel, my son, then 8 months old, shouted and smacked his hands on the back of the pew in front of him. It wasn't long before congregants turned around to find him flashing a mostly toothless smile.

During such moments, all parents ponder the same question: At what point does my child become so disruptive that I need to escort him out? Thankfully, Oklahomans are kind and generous, and I felt no hostility to the ruckus. People approached my wife and me after Mass and, rather than offer veiled remarks about how “spirited” our kids are, told us that our son is destined for the priesthood.

It isn't this way everywhere. Though Jesus said, “Let the little children come to me,” the preponderance of “cry rooms” sealed off from the rest of the parish with piped-in sound and spare chairs sends the message that some churches prefer quiet, solemn services. Silence has its place, and

most parents try to keep their kids quiet, a task that often requires ingenuity. I never thought I would spend most Sundays feeding my kids Cheerios and crackers from my sweaty palms or urging them to keep quiet while helping them flip through the Dr. Seuss corpus, but that's what works for now. It doesn't always go according to plan, and many parents are tempted to rush out at the first squawk.

I think the noise threshold should be pretty high, maybe like a revving motorcycle. Pope Francis, who famously loves babies and has encouraged mothers to feel comfortable breastfeeding during Mass, seems to agree. In 2014 he said, “It really irritates me when I see a child crying in church and someone says they must go out. God's voice is in a child's tears.”

If that's so, then St. Anthony of Padua Catholic Church in Hillsdale, Mich., is full of God's voice. It is blessed to have many large families attending regularly. I was a member of the parish during college, and my wife became Catholic there. The cooing and shouting—often from newborns—serves as a backing track to each service, and few seem to mind. It's no surprise: A stack of bookmark-size cards at the end of each pew informs visitors what the parish thinks about its informal children's choir.

First, to the parents of young kids: “Relax!! God put the wiggle in children; don't feel you have to suppress it in God's house.” Something about that second, mislaid exclamation point tells me the writer really means it.

But surely families with little ones should sit in the back—say, in case of a meltdown in the middle of the second reading? Some counterintuitive advice: “Sit toward the

Silence has its place in church, but don't forget that ‘God put the wiggle in children.’

front where it is easier for your little ones to see and hear what's going on at the altar. They tire of seeing the backs of others' heads.” Parents might worry about distracting the priest by putting wily rug rats close by, but most priests are comfortable with public speaking and have dealt with noisy interruptions during their ministry.

Some Catholic churches follow the Protestant model of offering child care, though usually only for the homily, during which kids are taught popular biblical stories and basic theology. But St. Anthony's suggests children don't need to leave the pews

to learn about the faith. It urges that parents “quietly explain the parts of the Mass and actions of the priest, altar servers, choir.”

To anyone who may bristle at being shown to a seat next to a crying infant by an usher, it offers a stern reminder: “The presence of children is a gift to the Church and they are a reminder that our parish is growing. Please welcome our children and give a smile of encouragement to their parents.”

Unlike Mass at other parishes, which is often so quiet that any unexpected sound is likely to distract parishioners, attending St. Anthony's is like living next to railroad tracks: After a few weeks you hardly notice the rumbling.

Parents don't want to be exiled to a room designated for the wailing and gnashing of teeth while they prepare to receive the Eucharist, and at St. Anthony's they won't be. “If you leave Mass with your child, feel free to do so, but please come back.”

If the tips don't work, and a fussy little one really needs something to focus on other than Mass, the card serves another purpose. At the bottom, it reads: “Please let your child use the reverse side of this card to draw and doodle.”

Mr. Naida is an assistant editorial features editor at the Journal.

A Year Later, East Palestine Still Suffers

By Salena Zito

East Palestine, Ohio resident Biden plans to make his first visit here Friday, but Sen. J.D. Vance came on Feb. 3. That was exactly a year after a train derailed and spilled vinyl chloride, causing a massive fire and a billowing cloud of toxic smoke that rolled over this city of some 4,700. Days after the derailment, residents were evacuated again as emergency crews conducted a “controlled burn” to prevent an even larger explosion.

Mr. Vance came to the Senate in January 2023 as a MAGA bomb-thrower, and he often lives up to that reputation. On Feb. 4 he told ABC News that if he had been vice president in 2021, “I would have told the states . . . that we needed to have multiple slates of electors, and I think the U.S. Congress should have fought over it from there.” On Feb. 6 he rejected the Senate

immigration compromise and called the expectation that Republicans should support it “pure, unadulterated bulls—.”

But a more conciliatory side of Mr. Vance is on display in East Palestine. In a meeting at a local church, he sits with constituents for more than an hour, takes questions, listens,

J.D. Vance urges a proactive approach to discovering health effects of the disaster.

presses for details, and talks about how sick he felt after his first visits here. He takes no swipes at Mr. Biden as he encourages residents to press the White House for a comprehensive “baseline” testing program that would aim at early detection of health problems caused by the disaster. But he does criticize the pres-

ident in an interview after the meeting with constituents.

He tells me he doesn't want people who live here to have to fight the government for years to prove their injuries. He cites the litigation over the Camp Lejeune Marine base, where the Department of Health and Human Services found in 2007 that the water was contaminated with toxic chemicals from 1953 through 1987. The Camp Lejeune Justice Act of 2022 established a process for adjudicating claims, and the first ones were settled in November 2023.

Mr. Vance wants the government to be proactive about the health risks. He envisions a program in which epidemiologists, toxicologists, cancer researchers and other experts would regularly test residents for abnormal health conditions. “If you talk to people—this is people who want to move on from this disaster . . . they want to know with confi-

dence that 10 years down the road, if something happens to their kids, God forbid, or themselves, they can trace it to this accident or not.” He has asked the administration to allocate \$5 million to develop such a program, which hasn't been tried before.

Mr. Vance says his pitches have left the administration “completely unmoved”: “I cannot get the White House to give a crap about these people,” he says. “They gave my deputy chief of staff a lecture about what the National Institutes of Health does” when he asked for an NIH grant.

Mr. Vance adds, with his characteristic populist bluntness: “I'm going to hope that they get off their asses to do something.”

Ms. Zito is a reporter for the Washington Examiner and a co-author of “The Great Revolt: Inside the Populist Coalition Reshaping American Politics.”

OPINION

REVIEW & OUTLOOK

America's Space War Vulnerability

House Intelligence Committee Chairman Mike Turner created a stir in Washington this week when he warned of a new security threat, and credit the Ohio Republican for doing a public service. America is sleepwalking into a new age of military and homeland vulnerability, and political leaders need to tell the public the uncomfortable truth.

Maybe Mike Turner's warning will awaken a complacent Beltway.

Biden Administration leaks to the press say the threat concerns a Russian program that would target U.S. satellites, perhaps with a nuclear explosion. Satellites are vital to nearly every aspect of modern American life and commerce, as well as national defense. Destroying those would send the U.S. into a communications blackout with untold damage.

Other leaders were quick to downplay or dismiss the threat, saying it's not imminent and there's no need to start building a shelter or laying in the canned goods. House Speaker Mike Johnson said "we just want to assure everyone: Steady hands are at the wheel, we're working on it, and there's no need for alarm."

Some GOP critics say Mr. Turner is sounding an alarm about Russia to drum up more support in Congress to pass the weapons package for Ukraine. But the Russian threat Mr. Turner cites either exists or it doesn't. He asked President Biden to declassify information on the threat so the public can judge for itself, and that's a good idea.

All the more so because the military threat in space is real and growing. Russia and China are working hard to develop space weapons. A Pentagon official told Congress last year that "Russia has fielded several ground-based lasers that can blind satellite sensors and has a wide range of ground-based electronic warfare systems that can counter the Global Positioning System," satellite communications, radars, and space-enabled weapons guidance.

China "has already fielded ground-based counterspace weapons, including electronic warfare systems, directed energy weapons, and direct-ascent (DA) anti-satellite (ASAT) missiles designed to disrupt, damage, and destroy U.S. satellites," the same Pentagon official told Congress last year.

Nina Armagno, a U.S. Space Force official, told a Sydney conference in 2022 that "the progress they've made has been stunning, stunningly fast."

That sounds as if an alarm is justified, yet the Biden Administration thinks this can all be handled with U.S. restraint and arms control. In 2022 Vice President Kamala Harris announced a unilateral U.S. anti-satellite test ban, if you can believe it.

"The United States seeks to establish this as a new international norm for responsible behavior in space," the White House said in a fact sheet. This seems to have worked as well as President Biden's effort to deter Vladimir Putin from invading Ukraine.

The unhappy reality is that U.S. satellites are large and vulnerable to attack. Military officials have known this for some time, and their strategy is dispersal and hardening. Details are classified, but in general terms this means relying on more and smaller satellites and making each one better able to withstand an enemy's anti-satellite lasers or blast weapons.

This takes money, and the Senate's fiscal 2024 defense spending bill increases space investments by 9%. The bill funds 15 national-security space launches this year, five more than in 2023, plus money for a variety of space monitoring and satellite protection purposes. If Congress fails to pass the bill and instead lapses into a continuing resolution, the Space Force would lose \$2.8 billion in spending. That's nearly a tenth of its budget.

Space has already become the next theater for military competition—the new battlefield "high ground," as strategists have long predicted. The only question is whether the U.S. is going to cede dominance in space to our adversaries, or treat it like we would any other military theater. The risks of space vulnerability are worse than losing a land battle because the U.S. homeland is threatened.

Political complacency about space war is part of a larger refusal by American elites to educate the public about U.S. vulnerability to new military technologies. The liberal internationalists in the Biden Administration don't want to highlight growing threats on their watch—and in any case think they can be meliorated with treaties. The GOP's isolationist wing wants to spend less on defense and cede global spheres of influence to Russia, China and Iran.

Thanks to Mike Turner for trying to wake up the sleepwalkers.

Fani Willis, Alvin Bragg and Donald Trump

Donald Trump is often lucky in his opponents, and on Thursday so it was again. In New York, a state judge set a March 25 trial date for the hush-money case he faces, meaning the weakest charges against Mr. Trump will go to a jury first. In Georgia, meantime, Fulton County District Attorney Fani Willis took the stand to testify about having dated one of her prosecutors.

The weakest case gets a trial date, as the Georgia DA takes the stand.

As the 2016 election loomed, Mr. Trump's fixer Michael Cohen paid \$130,000 to Stormy Daniels. Manhattan District Attorney Alvin Bragg indicted Mr. Trump for falsifying business records, saying Mr. Cohen's reimbursement was "disguised as a payment for legal services." Sordid behavior. But because Mr. Bragg jacked the charges up to felonies, he must also prove Mr. Trump kept dirty books intending to commit or conceal a second crime.

Even legal minds who don't like Mr. Trump have said this case is a stretch. What's the other crime? One theory is that Mr. Bragg will argue that Mr. Trump violated campaign-finance laws. But it's far from clear that hush money like this is a campaign contribution, and that

question could spend years on appeal.

That the New York indictment arrived first was a huge gift to Mr. Trump, whose standing jumped afterward in the 2024 polls. Mr. Bragg's willingness to stretch to get Mr. Trump convinced Republican voters to be more skeptical of the later cases. Will history repeat itself now, as Mr. Bragg takes his case first to trial?

Fulton County DA Fani Willis, on the other hand, could get disqualified. She acknowledged in testimony Thursday that she'd had a relationship with Nathan Wade, the prosecutor she chose to lead the state's case against Mr. Trump for his efforts to overturn the 2020 election. To pick one of many embarrassing details, Ms. Willis said she went on a cruise with Mr. Wade and his mother. He booked the tickets. She said she repaid him in cash.

Whether this is a conflict of interest that requires Ms. Willis's disqualification is a question for the judge, but what a disservice to the American public, the people of Fulton County, and the cause of credible justice. If the DA is on the stand discussing a getaway to Aruba, something has gone terribly awry.

An ESG Asset Manager Exodus

As the tide turned on environmental, social and governance (ESG) investing? It appears so. JPMorgan Asset Management, BlackRock and State Street Global Advisors on Thursday retreated from the Climate Action 100+ investor compact because they don't want the political and legal liability.

Climate Action 100+ describes itself as the "largest ever global investor engagement initiative on climate change." Its 700 or so institutional investor members manage more than \$68 trillion in assets (before Thursday's exits). Their goal is to force companies to zero out CO2 emissions by 2050.

Members are supposed to "engage" 170 "focus companies" such as Boeing, Home Depot and American Airlines—that is, threaten to vote against non-compliant corporate directors and back shareholder resolutions that pressure management. Their campaign has had great success with 75% of targeted companies committing to "net zero."

But the climate left is never content. Last June the alliance impelled its members to publish information on their "engagements" and to explain how and why they voted on shareholder resolutions flagged by the outfit. The point was to embarrass asset managers that climate scolds accuse of being insufficiently committed to the cause.

Asset managers have been walking a fine legal line. GOP Attorneys General in 2022 warned

that they might be violating their fiduciary obligations and antitrust laws. House Judiciary Committee Chairman Jim Jordan in December subpoenaed BlackRock and State Street Global Advisors for documents and communications related to their involvement in "collusive" agreements.

The climate alliance's new rules would compound the legal and political jeopardy. In its withdrawal announcement, State Street said its rules "are not consistent with our independent approach to proxy voting and portfolio company engagement." BlackRock said the rules "would raise legal considerations."

All true. But perhaps their customers have also begun to realize that ESG and net-zero mandates are political crusades that accomplish little except politicizing investment. BlackRock CEO Larry Fink noted correctly last year that ESG has been "entirely weaponised." But asset managers should have known that bowing to the left would invite pushback from the right.

New York City Comptroller Brad Lander lambasted the trio on Thursday for "caving to climate deniers." "We are in the process of reviewing how well our managers are aligned in that approach and will consider our options for the management of our public market investments," he warned.

What does it say when the climate left believes it can achieve its goals only by intimidation and coercion?

LETTERS TO THE EDITOR

Strip Nondefense Spending From Ukraine Aid

Your editorial "The Senate Rejects American Retreat" (Feb. 14) asserts that I opposed the supplemental spending bill because it spends \$7.9 billion on budget assistance to Ukraine, which is true but omits other grounds I cited in my Senate speech.

The bill also spends \$9.2 billion in humanitarian aid for Ukraine, Gaza and "other vulnerable populations and communities," whatever that means. We don't know how the administration will allocate that money, nor are there effective guardrails to ensure that the money won't benefit Hamas. And how could there be? Hamas is the governing authority in Gaza. It doesn't steal or commandeer aid, it accepts aid. The bill directs another \$1.6 billion to post-Soviet states in part for liberal priorities like climate-change resiliency and green energy.

All told, the bill spends more than \$19 billion on nondefense aid, 20% of its total cost. That might seem like spare change in an era of trillion-dollar deficits, but it could pay for three Virginia-class submarines, 173 F-35 stealth fighters or 5,400 precision-strike missiles.

I agree with the editorial board that Republicans should "continue trimming this account" and focus on military aid for our friends abroad. And I commend my colleague Sen. Susan Collins for the bill's necessary defense provisions.

I hope the House of Representatives will strip out this nondefense spending, add genuine border security to the bill, and return it to the Senate. I would happily support such legislation.

SEN. TOM COTTON (R., ARK.) Little Rock, Ark.

The Real Experience of E-Filing With ID.me

Jay Starkman's "Beware of E-Filing Your Tax Return" (op-ed, Feb. 6) mischaracterizes the experience of e-filing tax returns with the IRS and the process for identity verification.

Many people experience frustration when navigating government websites, juggling passwords and gathering documents. Recognizing this challenge, ID.me has developed a platform that gives priority to both user experience and security. A user verifying his identity once on ID.me gets access anywhere ID.me is accepted, accessing a range of services with one login and password. This pre-verification process puts users into a digital fast lane, with a greater than 99.5% pass rate and a verification period of less than a minute at new sites.

ID.me also offers flexible identity-verification options to ensure an inclusive and accessible experience. While submitting a photo of a Social Security card is an option, most taxpayers verify their identity with a driver's license, state ID, passport or passport card photo. Additionally, users are empowered to choose how they want to verify: in-person, self-

service or video chat. These options cater to varying levels of technological comfort and access, extending identity verification to millions of Americans who don't have established credit profiles.

Importantly, convenience doesn't come at the expense of security. Unlike the credit bureaus and data brokers, ID.me never sells user data and only provides data to agencies seeking to verify an individual's identity with explicit user consent. Safeguarding user data is of the utmost importance, which is why ID.me has multiple layers of protection, including phishing-resistant multifactor authentication and encrypted traffic. We are also compliant with the highest federal security regulations.

As an American-owned, veteran-founded company, ID.me is shaping the future of digital identity verification. We collaborate with state and federal agencies to ensure that online experiences are smoother, safer and more accessible.

MICHAEL CASSEL VP of government affairs, ID.me Chicago

Boeing's Failures Happen Further Up the Line

I can't think of any instance in which a private company has been fixed by a government regulator ("The FAA Keeps Trying—and Failing—to Fix Boeing," Page One, Feb. 7). Fixing Boeing will require greater accountability throughout the company, not more factory-floor oversight. Real accountability within Boeing with real consequences would be much more effective than more regulators from the Federal Aviation Administration, who also aren't held accountable.

WILLIAM D. PHILLIMORE Tacoma, Wash.

Product recalls, warranty work and waste, rework and loss of reputation are but a few of the costs incurred because of noncompliant output and, in Boeing's case, the potential for significant loss of life

is a paramount consideration. Corporate quality must begin in the boardroom and be incorporated into every aspect of the enterprise to be effective. It can't be fixed simply through inspection.

JOE PAYNE Sharonville, Ohio

The FAA is a regulator, not a manufacturer. It is responsible for oversight, not quality control. If the agency wants to take strong action as a regulator, then it should rescind Boeing's manufacturing license to build the 737 MAX and allow the investors and stockholders of Boeing to address the matter by replacing the board of directors and changing the company's management culture.

TOM LINTNER Ashburn, Va.

Finding Private Amusement Through Cryptic Wordplay

Joseph Epstein's entertaining "If You Don't Have Anything Nice to Say, Try a Dysphemism" (op-ed, Feb. 10) highlights the differences between euphemism and its opposite. When I was in Congress (1989-2005), I occasionally had fun combining euphemism with dysphemism.

Asked what I thought of a distasteful political opponent, I would say cheerfully: "I actually find him a very rebarbative fellow." Perfectly precise, yet (except for a few logophiles) vexingly vague. "Did he just say he likes his opponent?" most would wonder. Used sparingly, this can be an excellent source of private amusement.

CHRISTOPHER COX Coto de Caza, Calif.

Mr. Epstein neglects to mention the current silly penchant to refer to blatant lies as "untruths." I tend to think of those inclined to do so as unsmart.

HERB ZIMMERMAN Charlotte, N.C.

Lent Can Improve the World

Regarding Nicholas Tomaino's "I May Give Up Scrolling for Lent" (op-ed, Feb. 13): Everyone under 30 should give up TikTok for Lent, and they and their parents should give up Facebook and X. The world would be better off.

O. ROBERT BOEHM Charlotte, N.C.

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.

Whether inspections are done by the FAA or Boeing, they are done only after the product has been built. Manufacturers want to have procedures in place throughout the production process that ensure an error-free product.

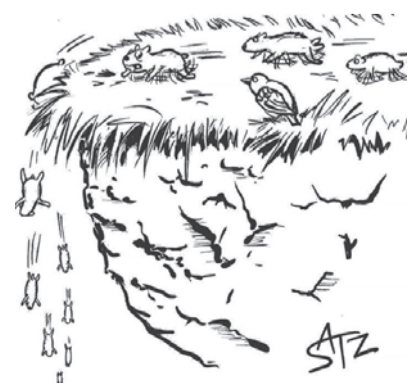
There is an old aerospace axiom that says a large part of the answer to reducing quality errors in the production process is to increase the training of production personnel on assembly procedures, not the number of inspectors.

Quality-control inspectors are critical to the production process, especially in a complex product such as the 737 MAX. However, the men and women on the assembly line are the ones who will build in the quality long before it reaches the inspector. Inspection is meant to catch and correct those rare errors that sometimes find their way into the final product.

HUDSON B. DRAKE Del Mar, Calif.

Pepper ... And Salt

THE WALL STREET JOURNAL



"Never underestimate the power of peer pressure."

OPINION

Western Weapons Are Ukraine's Only Hope

By Jillian Kay Melchior

M y interview with Petro Poroshenko this week began with a discussion of the importance of U.S. military support. It ended with the former Ukrainian president wiping away tears as he named friends who have died in the war.

Ukraine is outmanned. It needs U.S. assistance to make sure that it isn't outgunned as well.

was "killed saving a friend." Serhii Ikonnikov, "killed on his birthday, 25." Glib Babich, 53, a musician and "one of the greatest poets I ever met," dead. His list goes on.

toe with Russia, population 144.7 million. Western weapons free up Ukrainian manpower that would otherwise be devoted to defense production. This support "is a factor that can reduce Russia's quantitative advantage," says Mykhailo Podolyak, an adviser to President Volodymyr Zelensky.

The arms shortage is dire. "Without U.S. support, the situation is desperate," says Rostyslav Pavlenko, a lawmaker from Ukraine's European Solidarity party. "The Europeans are doing what they can, we are doing what we can, but given the mismatch in numbers . . ." He trails off.

Ivanna Klymush-Tsintsadze, a Ukrainian lawmaker from the European Solidarity party, says that "if we will fight Russia through a normal, symmetrical approach, they mobilize more, we mobilize more, they win. We can win only through an asymmetrical approach."

Ukraine is looking for ways to increase its fighting force. In December the military suggested mobilizing as many as 500,000 more to fight. Lawmakers are considering legislation that would create a more comprehensive list of those eligible for military service and impose new consequences on those who fail to register, among other provisions.



A soldier speaks to a recruit at a Kyiv recruiting center.

choices accompany efforts to expand the military, and any political mistake could undermine national unity. Some soldiers have been fighting since day one. They've gained valuable experience but need rest.

Superior training is another force equalizer, but preparing new soldiers for battle requires money. If too many prime-age workers are away at war, the Ukrainian economy will struggle to produce tax revenue.

Drafting an additional 400,000 to 500,000 soldiers would cost more than \$8.4 billion, estimates Rokso-

lana Pidlasa, a Servant of the People lawmaker who is head of the parliament's budget committee. Russia is mobilizing about 1,000 new recruits a day, according to Serhii Kuzan, head of the Ukrainian Security and Cooperation Center, a Kyiv think tank.

Without U.S. weapons, Ukraine is becoming outgunned and outmanned. "We can choose to allow this to happen, but this is only a problem because of our own self-limitation," says Fred Kagan of the American Enterprise Institute.

plus North Korea plus Russia." Ukrainians are frantically trying to explain their dilemma to the U.S. They warn that Mr. Putin's ambitions don't stop in Ukraine, and that the risks to Americans range from economic havoc to an attack on a North Atlantic Treaty Organization ally.

Several sources say they feel Ukraine has become a hostage to America's internal politics. Maryan Zablotskyi, a Servant of the People lawmaker, returned Monday from Washington. "Once they meet you, they promise you the world," he says of U.S. lawmakers.

Mr. Poroshenko says he remains optimistic Washington will come through. But as Ukraine waits for weapons, "the price for every single day, or the price for every single hour, is rising dramatically. . . . Those who will read your article cannot imagine what does it mean, every single week, to be at the funeral of your friends."

Ms. Melchior is a London-based member of the Journal editorial board.

Antisemitism Rises Again in the British Labour Party



POLITICAL ECONOMICS By Joseph C. Sternberg

Barring some impressive political accident, Keir Starmer of the Labour Party is on track to become the U.K.'s next prime minister after an election later this year. This week, such an accident may have arrived.

Graham Jones, Labour's candidate for a seat in Hyndburn in the next general election, was taped at the same event referring to "Israel." Mr. Starmer has also stripped Mr. Jones of his eligibility to represent the party.

It's an electoral nightmare for Labour and Mr. Starmer, and for more reasons than the obvious.

The obvious is that Mr. Starmer was supposed to have purged antisemitism from the party already. Mr. Starmer's predecessor, Jeremy Corbyn, embraced the far-left fringe's fantasies about Jewish control of the capitalist markets and loathing of Israel as a "settler-colonialist" project of Jews and Americans.

Voters noticed, and Mr. Corbyn led Labour to a historic defeat against Boris Johnson's Tories in 2019. Voters didn't trust Mr. Corbyn on economics, but they really didn't trust him on culture: Labour's serial antisemitism scandals helped drive off working-class voters, who flocked to the Tories.

Keir Starmer seemed to have solved the problem but turned out to have merely suppressed it.

Mr. Starmer's clean-up job since replacing Mr. Corbyn in 2020 has been impressive. He apologized to Britain's Jewish community for his predecessor's failings, and purged Corbynistas—including Mr. Corbyn.

This week's antisemitism scandals put all that work at risk. But the

greater danger to Mr. Starmer's electoral prospects isn't his politicians, it's his voters.

Post-Oct. 7, Labour's antisemitism problem has been the tendency of anti-Zionism and outright antisemitism to bleed into each other. That's especially true within Britain's Muslim population—which has become an important part of Labour's base.

This is an ethno-religious community whose members didn't bat an eye as Messrs. Ali and Jones said things that repulsed most British voters once they hit the pages of a newspaper. The kindest explanation for Mr. Starmer's delay in ousting Mr. Ali wasn't fear that to do so would hand that parliamentary seat to the Conservatives.

It's bad enough that Mr. Ali is the sort of politician Labour was pre-

pared to nominate for that seat. It's far worse that Mr. Galloway is the sort of politician a core Labour voting bloc might elect instead.

This suggests that what's happening here is more than a party fumble. This episode feeds into a much larger controversy developing in Britain around immigration and cultural integration. The question raised by these Labour ructions, and by controversies last year over anti-Israel protests on important civic occasions such as Armistice Day, is whether the U.K. is properly assimilating migrants.

What would a Prime Minister Starmer do about that? Labour in recent decades has struggled to answer that question, not least because its urban left wing tars as racism any attempt to bolster assimilation. The Tories by now may be too politically exhausted to press the question effectively. But if they do, Mr. Starmer could find himself in trouble despite his big lead today in opinion polls.

The Vindication of Biden's American Rescue Plan

By Gene Sperling

The criticism has been cast so often that it's become a cliché: President Biden's American Rescue Plan overlearned the lessons of the steep downturn in 2008 following the bursting of the housing bubble.

This argument never deserved the credibility it initially received. Inflation—while painful for families here at home—soared globally due to pandemic shifts, supply-chain snarls and Russia's war, regardless of the individual fiscal policies of major economies.

this resilient recovery was possible because the president and Democratic congressional leaders incorporated four important lessons from past downturns into the Rescue Plan.

The first lesson, which we drew from the aftermath of the 2008 and 1982 recessions, is the need to supercharge a labor-market recovery to avoid lasting harm to millions of workers. Unemployment took six years to recover from the 2008 recession.

The Rescue Plan led to very different outcomes. Unemployment recovered to pre-pandemic averages a year after the Rescue Plan's passage. Black unemployment fell dramatically, hitting a record low in 2023, and Hispanic unemployment reached

a record two-year low for 2022-23. Long-term unemployment had its fastest decline ever, while youth unemployment fell to 70-year lows. New policies helped millions of families avoid painful poverty and displacement.

Critics assumed that a tight labor market's gains for the bottom half of workers would lead to wage-price inflation that could be crushed only with a recession. The president never believed that. He bet that keeping record numbers of Americans employed while providing cushions such as the child tax credit would lead to a different R word: resilience.

Second, state and local economies can help strengthen, rather than weaken, a recovery. After the 2008 recession, state and local layoffs and budget cuts significantly hampered our recovery, lowering GDP growth

by 0.4 percentage point for 14 quarters in a row and leading to 650,000 state and local jobs lost in the first three years of the recovery. While critics saw only excess in the Rescue Plan's state and local relief, it led to 1.2 million state and local jobs added

He learned the lessons of past downturns. The claim that he 'overlearned' them has proved to be specious.

while the past three years, with all the lost jobs recovered in one third the time it took after the 2008 recession. This added an average of 0.6 point to economic growth each of the past six quarters.

Third, beyond temporary revenue loss, state and local governments need resources to deal with harms arising from the downturn. After the 2008 recession, communities faced commercial blight, devastated small suppliers, foreclosure and long-term joblessness,

yet the cupboard was bare because of congressional resistance to President Obama's requests for more recovery funding. The Cares Act in 2020 provided relief to only 154 cities and counties, and it prevented spending on longer-term pandemic challenges.

Finally, the Rescue Plan had the depth and breadth needed to provide "insurance" against unforeseen economic bumps in the road. As national economic adviser back then, I watched projections of 3.7% growth for 2011 get flattened by supply shocks from Fukushima, Arab Spring-driven energy price spikes and debt-default gamesmanship. When recovery was threatened this time by unexpected hits from Covid variants and an unthinkable war, the Rescue Plan provided the cushion to power through. The result: 2.5% growth in 2023, an average of 3.4% growth for President Biden's first three years, and consumer expectations about the economy up by 36% over the past two months.

We must examine what did and didn't work in the Rescue Plan and not assume that bigger is always better. But let's also not "underlearn" the lessons Mr. Biden got right, and recognize that his agenda has led to a remarkably resilient and equitable recovery.

Mr. Sperling is senior adviser to the president and coordinator for the American Rescue Plan. He served as director of the White House's National Economic Council, 1996-2001 and 2011-14.

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Notable & Quotable: Biden

MSNBC columnist Michael A. Cohen writing on Feb. 14:

Since special counsel Robert Hur questioned Biden's memory, media outlets have churned out stories about the president's advanced age. . . . The boldest pundits will suggest that [Kamala] Harris drop out too, even though she absolutely wouldn't. That would leave Democrats anointing a presidential candidate in August—weeks before early voting begins in many states—who is untested, unvetted, and unknown by most of the country. [Writer Damon] Linker argues for choosing the candidate

who "seems best positioned to beat Trump" as if such an answer is easily discernible. One can assume that those supporting Newsom, Whitmer and Harris would all think their candidate is most likely to defeat Trump.

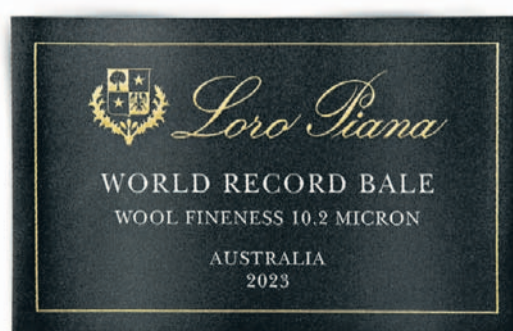
Yes, Biden is unpopular. But he's also an incumbent president. . . . And if you look at the head-to-head polls between Trump and Biden . . . the race is within the margin of error, which means it's basically a coin flip.

Why would you take a 50/50 race—before Trump's criminal trials and before the Biden campaign ramps up—and inject so much uncertainty into it with an untested candidate?

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in Australia and New Zealand, who are as passionate as we are. Year on year, Loro Piana seeks out the finest Merino wool in the world with the Record Bale Award. This latest achievement, reached in 2023 by Pamela and Robert Sandlant of Pyrenees Park, surpasses the 2014 world record by a fraction of a micron (a tenth to be precise), proof that in the never-ending quest for quality, every micron matters.

BUSINESS & FINANCE

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Mounting geopolitical tensions, China's authoritarian drift and local rivals have dented China's appeal for German companies.

Volkswagen Faces Pressure to Exit China Venture, U.S. Impounds Cars

By WILLIAM BOSTON AND BERTRAND BENOIT

BERLIN—Pressure is mounting on Volkswagen to pull out of a joint venture in the Xinjiang region of China in the latest example of geopolitical tensions colliding with business priorities for Germany's largest manufacturers.

After new evidence emerged linking the German carmaker with China's alleged persecution of Uyghur minorities in Xinjiang, VW said on Wednesday that it had entered talks with its

joint-venture partner there regarding the business's future.

Then, later that day, VW said the U.S. had impounded thousands of its Bentley, Porsche and Audi vehicles at U.S. ports because the cars contained a part made by a Chinese supplier on a sanctions list for using forced labor in Xinjiang. VW said it had notified the U.S. after learning from a supplier that its products included parts made by the banned company.

"One tiny part," a VW spokesman said, adding that it was in the process of refitting

the vehicles and delivering them to dealers. "We really try but this shows how challenging it is to really know everything that is happening in complex supply chains."

VW said it is vigilant about investigating every suspicion of human-rights abuses in its supply chains.

The twin incidents underline the dilemmas large German manufacturers are facing as they seek to protect—and in some cases expand—China operations they have become reliant on for their growth and

profits, while fighting the liabilities in the West that increasingly come attached with such a large Chinese presence.

This dilemma is most acute for companies that operate in or have ties to Xinjiang, a region home to millions of Uyghur Muslims where the U.S. says China has conducted genocide and used forced labor. In a report released in August 2022, the United Nations human-rights agency also concluded Beijing may have committed crimes against humanity in Xin-

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Meta Pushes Workaround For Apple Fee

Plan would help advertisers avoid a 30% service charge for 'boosted posts'

By SALVADOR RODRIGUEZ

Meta Platforms on Thursday fired the latest shot in its longstanding feud with Apple.

The Facebook parent published instructions encouraging advertisers to use a workaround to avoid paying a 30% service charge to Apple.

The workaround applies specifically to "boosted posts," a type of advertisement Meta has long offered for both Facebook and Instagram that users can purchase directly on their smartphones to amplify the reach of their content. Boosted posts account for billions of dollars annually for Meta and are a critical part of the company's ad revenue from small businesses, according to people familiar with the matter.

Later this month, Meta will begin charging U.S. advertisers who continue to purchase boosted posts from apps on iPhones and iPads an added 30% surcharge that will be paid to Apple. The increase in pricing comes as a result of a

change announced in late 2022 by the iPhone maker.

"We are required to either comply with Apple's guidelines, or remove boosted posts from our apps," Meta said in a blog post on Thursday. "We do not want to remove the ability to boost posts, as this would hurt small businesses by making the feature less discoverable and potentially deprive them of a valuable way to promote their business."

To get around paying this service charge, Meta is encouraging its advertisers who rely on boosted posts to now head to the websites of Facebook and Instagram from their computers or web browsers on mobile devices.

Apple has clear, consistent guidelines for developers on the app store that apply to everyone, a company spokesman said in a statement. The company worked with Meta for more than a year to give the social-media company the opportunity to comply with the rule change, according to Apple.

As part of the pricing changes, Meta said it would also require advertisers that decide to keep buying boosted posts from their Apple mobile

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Airbus Extends Lead as Rival Boeing Falter

By BENJAMIN KATZ

As Boeing labors through its latest crisis, Airbus is extending its lead over its U.S. rival and threatening to topple the duopoly that has long ruled the industry.

Airbus last year shattered the industry record for new orders. Its order backlog, spanning more than a decade, is the longest in history. On Thursday, the European plane

maker set out plans for another jump in deliveries and said it is on track to reach its highest-ever production rates in 2026.

It also posted annual revenue of €65.4 billion, equivalent to \$70.2 billion, up 11% from a year earlier.

At the same time, Boeing is battling through its second major crisis in five years. The American titan has pared back production, refrained

from giving financial guidance and is warning customers of new delays as it manages the fallout from last month's blowout of a panel on board an Alaska Airlines 737 MAX.

The contrast suggests a sober reality for Boeing, both as the latest MAX crisis plays out, and the knock-on impact that has industry experts questioning whether the U.S. company will be able to re-

cover its competitive position even in the longer term.

"It's no longer a duopoly," Sash Tusa, a London aerospace analyst at Agency Partners, declared in a note to clients last week outlining how the market share between the two aerospace giants has shifted.

"Airbus' leading industry position is now clear," he wrote. "It is really hard to see this reversing this decade."

The discrepancy also shows in the respective share prices, where Airbus is up 5% this year, while Boeing is down almost 20%.

At the end of January, Airbus's unfilled order backlog had reached 8,599 aircraft, with Boeing's sitting at 5,599 after adjustments.

Airbus is seeking to deliver on that order advantage, and said Thursday it would in-

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Delinquent Payments Mount for Apartment Lender

By KONRAD PUTZIER

Arbor Realty Trust rose from its roots on Long Island, N.Y., to become a property-finance powerhouse. As a major lender to Sunbelt apartment buyers, it helped fuel a speculative real-estate frenzy in 2021 and early 2022.

That boom ended when interest rates shot up, imperiling borrowers' ability to make payments on Arbor's loans that were often repackaged into bonds and sold to investors. Now, the company is contending with a wave of property owners struggling to pay interest on their floating-rate debt.

Borrowers of one-quarter of Arbor's securitized debt were late on debt payments as of mid-January, according to the data company CRED IQ, which analyzed figures from the bonds' trustee. Borrowers of around 9% of the debt were 30 or more days late.

Most borrowers who were late on January payments eventually paid, an Arbor spokesman said, and he said 5.8% of Arbor's securitized debt payments are still not current on January payments.

Often, borrowers are able to catch up on payments or cut deals with lenders to lower in-

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Uber, Lyft Find Way To Elusive Goal of Ride-Share Profits

By PREETIKA RANA

Longtime money-losing ride-share companies Uber Technologies and Lyft have surprised naysayers by doing what many thought was impossible: racing toward steady profits.

2023 marked Uber's first year of being profitable as a public company. Uber put more gas in its tank Wednesday after it outlined better long-term financial goals during its investor day. Its stock jumped 15%.

"Many people question whether Uber could ever make money," Uber Chief Executive Dara Khosrowshahi said at Wednesday's event as he took a victory lap and bragged about the company's future.

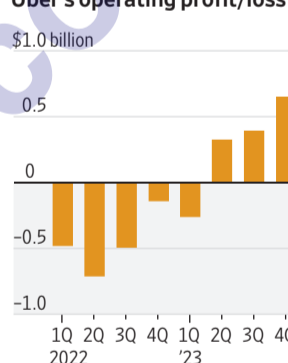
On Tuesday, its smaller rival, Lyft, projected it would become cash-flow positive for the first time this year. That means it will generate more cash than it spends this year. While that isn't a profit, investors see it as an important signal as Uber swerved to profitability a year after reaching that turning point.

"It is a huge milestone for us," said Lyft Chief Executive David Risher, who was hired last year to help turn the company around.

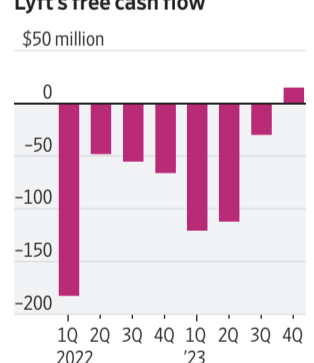
Lyft's stock surged 35% Wednesday and another 16% on Thursday. The stock rose on the back of the rosy outlook despite initial confusion from an embarrassing earn-

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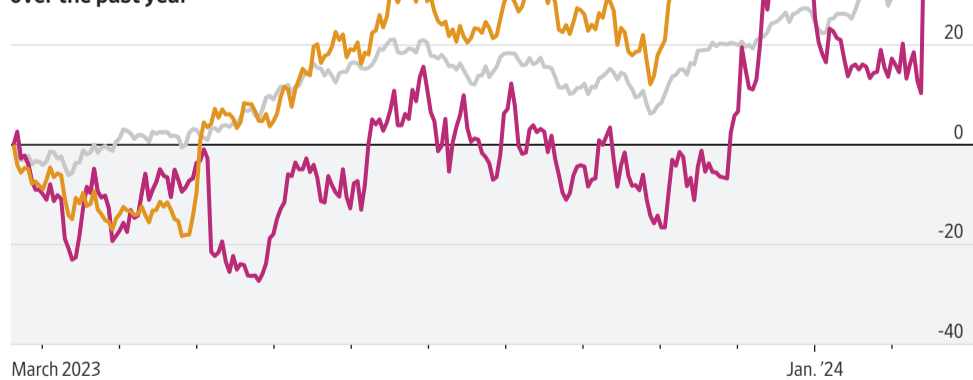
Uber's operating profit/loss



Lyft's free cash flow



Share-price and index performance over the past year



Sources: S&P Capital IQ, the companies (operating profit, free cash flow); FactSet (performance)

INSIDE



MUSIC

Rod Stewart sells the rights to his song catalog for nearly \$100 million. **B3**



FINANCE

A BlackRock alum's new fund focuses on 'weird and wonderful' assets. **B11**

Professor Takes On Racism in Muni-Bond Market

By HEATHER GILLERS

The municipal-bond market is a sleepy corner of Wall Street that finances America's roads and sewers. It also features in the nation's history of racial inequality, and Destin Jenkins wants to show you how.

People tend to think of muni—if they think of them at all—as the boring part of their investment portfolio, or the funding for the new school being built down the street. The bankers and bureaucrats involved in the day-to-day opera-

tions of the \$4 trillion market for state and local debt tend to be more focused on yield curves than historical transgressions.

But the market has also, many argue, helped some Americans a lot more than others. Studies show that Black communities often pay more to borrow in the muni market. Jenkins's own research has found that white residents have benefited the most from some projects funded by citywide taxes.

Jenkins, an assistant history professor at Stanford Univer-

sity, has spent a decade studying these sorts of topics. And after George Floyd was murdered in 2020 and racial-justice protests followed, more people wanted to hear what Jenkins had to say. Underwriters, traders, investors and analysts started listening.

"The book he wrote created a buzz within the industry," said Heather Willis, vice president of sales with Siemens Financial Services. She was referring to Jenkins's 307-page tome, "The Bonds of Inequality: Debt and the Making of the American City."

"There's a lot of this stuff that's like 'Oh, slavery is really bad.' His scholarship was the first thing that really focused on our industry," said Willis.

The head of the muni market's self-regulatory organization hosted a "fireside chat" with Jenkins. A virtual conversation with him organized by two finance trade publications attracted more than 100 money managers, bankers, analysts, government-finance officials and others. In video recordings, he has a laid-back demeanor and warm smile even as he re-

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BUSINESS & FINANCE



The multinational maker of Jeep, Dodge and other vehicle brands said its full-year revenue increased 6% from 2022.

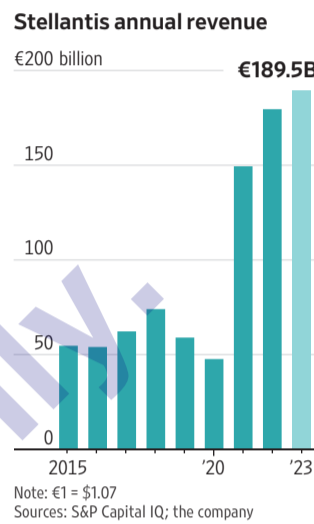
Stellantis Plans \$3.2 Billion Buyback

By DAVID SACHS

Stellantis said it will launch a buyback of €3 billion, or about \$3.22 billion, after posting record sales and after-tax profit in 2023 despite a slower second half. The multinational carmaker said Thursday that full-year net revenue reached €189.54 billion, up 6% from 2022. Analysts estimated sales of €189.92 billion, according to a FactSet poll. Adjusted operating income, a closely watched metric for the company, came in at €24.34 billion for the year, up 1% and slightly above expectations of €23.75 billion, according to

FactSet. Its adjusted operating income margin was 12.8%, compared with 13.4% in 2022. The carmaker committed to a share-buyback program of €3 billion. The company proposed a dividend of €1.55 a common share, an increase of about 16% from the previous year. After-tax profit for the year stood at €18.625 billion, compared with €16.78 billion in 2022. Analysts expected after-tax profit of €18.18 billion. Industrial free cash flow rose 19% to €12.86 billion. The Netherlands-based maker of Jeep, Dodge and a dozen other brands said it broke annual records for net revenue, in-

dustrial free cash flow, and after-tax profit in 2023. The second half was slower compared with the same period in 2022, aligning with industry trends. Net revenue was flat at €91.18 billion, but adjusted operating income fell 10% to €10.22 billion for an adjusted margin of 11.2% compared with 12.3%. Stellantis said it expects an adjusted operating margin in at least the double digits and positive industrial free cash flow in 2024. It says the revenue backdrop is positive. **◆ Heard on the Street: Giving out market value..... B12**



Renault Dividend Raise, Profit Beat Lift Stock

Renault stock jumped following higher-than-expected earnings and a raised dividend for 2023. Paris-listed shares of the French carmaker finished Thursday's trading with an increase of 6.5% to €40.15. Late Wednesday, Renault proposed a dividend of €1.85 a share, up from €0.25 in 2022. The company also swung to a 2023 net profit of €2.2 billion, or about \$2.36 billion. The carmaker's full-year guidance for earnings before interest and taxes margin of 7.5% is conservative following a strong year that beat expectations, Citi analysts said in a note. In a separate note, Jefferies analysts said a sharp slowdown in fourth-quarter price and mix revenue and a foreign-exchange line item could garner questions from investors.



KRESZIAN BOCSI/BLOOMBERG NEWS

—David Sachs

VW Faces Pressure On China

Continued from page B1
jiang, an accusation China has rejected. Last week, German chemical giant BASF said it would accelerate plans to divest two joint ventures in Xinjiang, citing the market environment, the carbon footprint for the products produced there and news reports that alleged its joint-venture partner was involved in human-rights violations. This doesn't mean BASF is exiting China. On the contrary: It plans to invest up to €10 billion, equivalent to around \$10.7 billion, in the country by 2030. VW, which made 35% of its sales in China last year, has no plan to reduce its presence in the market. Mounting geopolitical tensions, China's authoritarian drift, increased competition from local rivals and flagging postpandemic growth have dented China's appeal for German companies. In its first China strategy paper, Berlin last year urged German companies to cut their exposure to the country. The government has capped the guarantees it gives businesses for their investments abroad and intensified its scrutiny of Chinese investments in Germany. Yet while economists say there is evidence that some small- and midsize German companies have heeded the call, many larger manufacturers are doubling down on China. Some 44% of German companies polled by the German Chamber of Commerce in China last month said they had moved to insulate their Chinese businesses from outside risks, including by integrating their supply chains or bringing research and development activities into the country. Efforts to produce more in China for China are partly aimed at avoiding the kind of supply chain chaos caused by the Covid-19 pandemic. But they are also a reaction to the geopolitical tensions that have flared up since former President Donald Trump imposed new tariffs on Chinese imports. This explains why new German direct investments in China have rocketed, reaching a record €11.9 billion last year, according to the German Economic Institute. By contrast, German ex-

ports to China dropped 9% in 2023. This trend threatens to scuttle Berlin's goal of reducing Germany's exposure to China. China accounted for 10.3% of total German foreign direct investments last year against 3% on average between 2018 and 2020, and the first time it reached the 10% mark since 2014, according to the German Economic Institute. VW has been under scrutiny for years because of its factory in Xinjiang, which is operated by SAIC Volkswagen Automotive, the joint venture VW runs with China's SAIC Motor. Originally built with the capacity to produce 50,000 vehicles a year, operations at the plant have been winding down. VW said the factory no longer produces vehicles but only performs quality control and technical services. Under pressure from investors and the German and U.S. governments, VW in December concluded an audit of the plant, and said it found no evidence of human-rights abuses. Then this week, Adrian Zenz, director of China studies at the Washington-based Victims of Communism Memorial Foundation, said "new evidence directly implicates Volkswagen in forced labor" in connection with a test track that is separate from the plant. Zenz said documents and photographs about the construction showed that a subcontractor that worked on the track "employed transferred Uyghur surplus laborers during the peak of the mass interments in 2017 and 2018." VW didn't dispute the allegations but said it had no evidence of abuse, adding that it was pressing SAIC-Volkswagen for answers and that it was negotiating with the company "regarding the future direction of the JV's business activities in Xinjiang Province. Various scenarios are currently being examined intensively." In a sign of how toxic VW's Xinjiang exposure was becoming for the carmaker, Janne Werning, head of ESG capital markets and stewardship for Union Investment, one of Germany's largest public investment funds, said the "new dimension" of allegations against VW "means that Volkswagen is now no longer investable for our sustainable public funds." This week's impounding of U.S.-bound VW vehicles, meanwhile, shows VW's reliance on China both as a market and as a manufacturing base could still come back to haunt it even if it exits Xinjiang.

€11.9B
German direct investments in China have reached this much last year

Airbus Grows Lead Over Boeing

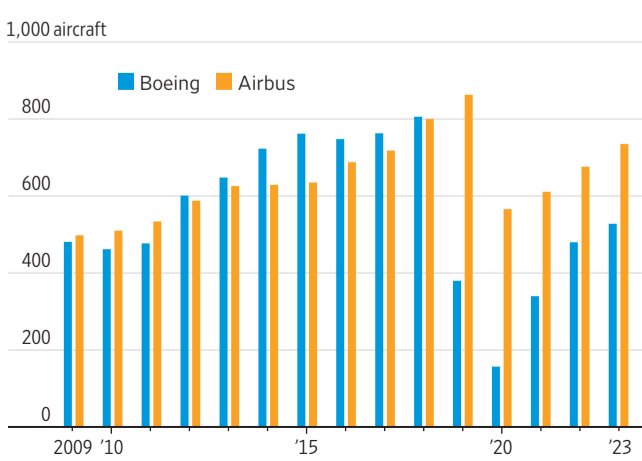
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crease deliveries by about 8.8% this year to around 800—even that, a slightly lower rise than the market had been expecting. On its A320neo program, the direct competitor to Boeing's MAX, Airbus said it is on track to reach a new monthly production rate high of 75 in 2026. Boeing Chief Financial Officer Brian West said this week that the American manufacturer has, conversely, lowered production of its 737 MAX amid quality concerns surrounding the Alaska Airlines incident and a subsequent cap placed on it by the Federal Aviation Administration. Boeing has said it is working to assure officials of the safety of every Boeing aircraft. The company, which had reached a production rate of 38 MAX jets a month toward the end of last year, said it would only start working back toward that level in the second half of this year. "Over the last several years, we've taken close care not to push the system too fast, and we have never hesitated to slow down, to halt production, or to stop deliveries to take the time we need to get things right," Boeing Chief Executive Officer Dave Calhoun said last

month. "We will go slow to go fast." Airbus's higher production levels and pricing power have helped it build a cash pile that is giving it more flexibility to spend on research and development and, ultimately, to cover the cost of bringing a new model to market, a move that analysts expect could be announced in the next few years. Airbus's net cash position climbed 14% to €10.7 billion last year compared with a net debt of \$52.3 billion at Boeing. Still, it is far from plain sailing for Airbus, even as it surges ahead of its rival. As with Boeing, customers have complained about delays, while others have noted quality issues with some new deliveries. "They are really having a hard time getting back to standard," Wizz Air CEO Jozsef Varadi, one of Airbus's biggest customers, said of both

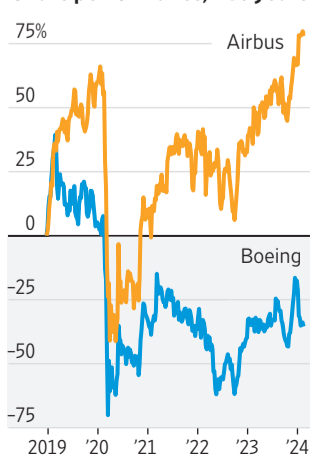
aircraft manufacturers. "They lost a lot of experience and expertise." Varadi said there had been some quality lapses with his airline's latest deliveries from Airbus, but that there were no safety concerns. Airbus didn't return a request for comment regarding quality complaints. "All manufacturers, whether it's an engine manufacturer, seats manufacturer, landing gears, airframes—they are all struggling with the production ramp," said Andy Cronin, the CEO of leasing company Avolon, a major buyer of both Boeing and Airbus commercial aircraft. "It's not simply flick a switch and we're back at pre-Covid production." Pratt & Whitney, one of two engine suppliers for the A320neo, is also in the midst of a major recall that is pulling hundreds of the aircraft from operation for repairs this year.

"Over the last few years, our supply chain has been a limiting factor and we expect that it will still pace our production ramp-up going forward," Airbus CEO Guillaume Faury said on Thursday. In its latest update, Airbus said its newest narrow-body variant was delayed again, slipping to the third quarter of this year, and that its full-year net income fell 11% to €3.8 billion, in part due to a €600 million charge booked at its struggling space division. Still, the company's longer-term plans were untouched. "We carefully assess and target what I call the sweet spot, which is the best balance between demand and the ability of our supply chain to deliver, while of course—and that's very important—maintaining the highest safety standard in our industry," Faury said.

Annual commercial aircraft deliveries



Share performance, five years



ports to China dropped 9% in 2023. This trend threatens to scuttle Berlin's goal of reducing Germany's exposure to China. China accounted for 10.3% of total German foreign direct investments last year against 3% on average between 2018 and 2020, and the first time it reached the 10% mark since 2014, according to the German Economic Institute. VW has been under scrutiny for years because of its factory in Xinjiang, which is operated by SAIC Volkswagen Automotive, the joint venture VW runs with China's SAIC Motor. Originally built with the capacity to produce 50,000 vehicles a year, operations at the plant have been winding down. VW said the factory no longer produces vehicles but only performs quality control and technical services. Under pressure from investors and the German and U.S. governments, VW in December concluded an audit of the plant, and said it found no evidence of human-rights abuses. Then this week, Adrian Zenz, director of China studies at the Washington-based Victims of Communism Memorial Foundation, said "new evidence directly implicates Volkswagen in forced labor" in connection with a test track that is separate from the plant. Zenz said documents and photographs about the construction showed that a subcontractor that worked on the track "employed transferred Uyghur surplus laborers during the peak of the mass interments in 2017 and 2018." VW didn't dispute the allegations but said it had no evidence of abuse, adding that it was pressing SAIC-Volkswagen for answers and that it was negotiating with the company "regarding the future direction of the JV's business activities in Xinjiang Province. Various scenarios are currently being examined intensively." In a sign of how toxic VW's Xinjiang exposure was becoming for the carmaker, Janne Werning, head of ESG capital markets and stewardship for Union Investment, one of Germany's largest public investment funds, said the "new dimension" of allegations against VW "means that Volkswagen is now no longer investable for our sustainable public funds." This week's impounding of U.S.-bound VW vehicles, meanwhile, shows VW's reliance on China both as a market and as a manufacturing base could still come back to haunt it even if it exits Xinjiang.

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—Liza Lin contributed to this article.

BUSINESS & FINANCE

Rod Stewart Sells Catalog for \$100 Million

Deal comes as investors pour money into companies pursuing music rights

By ANNE STEELE

Rod Stewart, the star behind such hits as “Maggie May” and “Da Ya Think I’m Sexy,” sold his song catalog as the music-rights market draws a flurry of fresh capital.

Stewart sold his interests in his publishing catalog and recorded music, as well as some name and likeness rights, to music-industry executive Irving Azoff’s **Iconic Artists Group** for nearly \$100 million, according to people familiar with the matter. Iconic on Thursday said it raised more than \$1 billion in new capital for future catalog investments led by the private markets investment firm HPS Investment Partners.

Stewart, who was on vocal rest this week in preparation for four concerts in five days, said in an email, “Irving and I are a couple of old-timers and I believe we have a mutual respect and admiration for each other. My life’s work is in safe hands with him.”

Stewart, 79 years old, boasts a catalog that includes 10 No. 1 albums, and he has charted six consecutive decades with studio albums that sold more than one million copies each. The rights he sold span his solo career as well as his time as a member of Faces and the Jeff Beck Group.

This month, he will release his 32nd studio album and big-



The rights Rod Stewart sold span his solo career as well as his time as a member of Faces and the Jeff Beck Group.

band salute, “Swing Fever.” Stewart is on a world tour and is slated this summer to wrap his 13-year Las Vegas residency at the Colosseum at Caesars Palace with its 200th show.

The sale and Iconic’s fundraising are signs of a continued appetite for music rights and show how the once white-hot market has matured.

Music catalogs, which generate relatively predictable,

steady returns, became an attractive investment amid the low-interest-rate environment of the pandemic. A rush of financial players pouring capital into the market helped solidify music royalties as an asset class. The market reached a frenzy in 2021 and 2022, with many catalogs commanding multiples of 20 times their annual earnings.

Major stars from Bob Dylan

and Bruce Springsteen to Stevie Nicks and Neil Young cashed in. The market cooled over the past year, but many strategic players, including Iconic, are still actively pursuing deals.

“Interest rates are always going to come up and down,” said Azoff. “Music is forever.”

At Iconic, Stewart joins a roster that includes the Beach Boys, Cher, Joe Cocker, Nat King Cole, David Crosby, Dean

Martin, Linda Ronstadt, Graham Nash and Stephen Stills.

Iconic was a somewhat late arrival to a crowded market for music investment in 2021. Its executives say it has distinguished itself as an operating company—as opposed to a fund. They say it builds value by better managing catalogs’ income streams and making documentaries and other projects focused on their artists

and music.

Azoff’s firm leaned into the moment when Ronstadt’s 1970 single “Long, Long Time” was featured prominently in an episode of HBO’s hit series “The Last of Us” last year. Executives treated the song, which is more than 50 years old, like a new release, marketing it on streaming services and social media to a new, young audience. After an initial surge—streams of her music increased over 50%—fans continue to spend more time listening to her entire catalog than they did previously.

In addition to Iconic’s new raising of capital, the music publisher Primary Wave recently received a \$1 billion shot in the arm from Brookfield Asset Management, according to people familiar with the matter. The new investment from Brookfield came less than a year and a half after the asset manager struck a \$2 billion deal to invest in music copyrights.

Duetti, which invests in the music of independent artists, on Thursday announced \$90 million in new funding led by venture-capital firm Nyca Partners. Cinq Music, an indie label focused on Latin music and hip-hop, on Monday said it raised an additional \$250 million from its parent, GoDigital Media Group, to fund acquisitions of music rights. The music executive Larry Jackson’s Gamma, which works with Usher and bought a stake in the hip-hop stalwart Death Row Records, recently raised \$100 million in funding led by New York investment group Alpha Wave Global.

EV Makers Are Cutting Prices Again

By SEAN MCLAIN

Some electric-vehicle startups are making another round of price cuts to get more buyers interested amid softer-than-expected sales.

Lucid Group on Thursday cut the starting price of its Air sedan by 10%, to \$69,900, the second reduction for the vehicle in two months. Last week, electric-truck maker **Rivian Automotive** cut the starting price of its vehicles by \$3,100, or about 4%.

The auto industry’s overestimation of EV demand during the past year contributed to a wave of price reductions and discounts designed to jumpstart sales. **Tesla**—the top-selling EV company in the U.S.—as well as **General Motors**, **Ford Motor**, **Hyundai Motor** and **Kia** all cut prices as the pace of EV sales slowed.

For Lucid, Rivian and other startups, which are losing money, the pricing pressure is hitting especially hard. While companies such as Ford and Tesla have profitable businesses to help absorb the im-

pact of reduced prices, startups face the dual dilemma of needing to sell more vehicles while also delivering them at a profit.

The price reductions come at a critical time for these young companies, which need cash to both expand sales and roll out new lower-priced models to compete with larger rivals.

EV startups have said lower prices are meant to increase the pool of people who could potentially purchase their vehicles.

“We want to introduce more options at more affordable price points that will help drive EV adoption and open the Rivian brand to new customers,” said a Rivian spokesperson in reference to the most recent price changes.

A Lucid spokesman declined to comment on its most recent cuts.

Another startup, **Fisker**, reduced prices late last year, citing “competitive realities,” and has ditched a direct-to-consumer sales model in favor of using dealerships to speed customer deliveries.

Vietnamese startup **VinFast Auto** is offering lease deals for its VF8 SUV that start at \$249 a month. By comparison, a lease deal for the Ford Mustang Mach-E was advertised recently at around \$450 a month.

U.S. EV sales continue to rise, but the pace has slowed over the past year. Auto executives have said demand hasn’t evolved as quickly as expected, prompting some to delay factory expansions and other investment plans.

High prices are commonly cited in consumer surveys and by dealers as a major factor deterring potential EV customers. Electric models can run several thousand dollars more than comparable gas-powered cars, primarily because of the high cost of the battery.

Rivian plans to reveal its next set of more affordable vehicles, broadly dubbed R2, next month. In November, Lucid unveiled an SUV called Gravity, which it said would triple its potential pool of buyers. Fisker is currently negotiating with contract manufacturers and traditional

carmakers to produce a low-cost crossover called PEAR.

Cutting prices can stoke demand, but also comes with potential downsides. It tends to hurt used-car prices, which can make it harder for companies to offer attractive lease deals, because lease terms are tied to future resale values.

Price reductions also risk alienating current owners, who could see the resale values of their vehicles hit as a result. Owners have complained that vehicles they bought only a year ago have lost one-third of their value because of declining new-vehicle prices, dealers say.

Rivian has pointed to strong resale values for its R1T pickup and R1S SUV as a sign of solid demand for the company’s vehicles.

Several analysts have downgraded their outlooks for EV startups in recent months amid concerns that price cuts combined with weak customer demand will make it harder for them to compete.

Rivian and Lucid are scheduled to report their fourth-quarter results next week.

Pernod Ricard Rises On Affirmed Outlook

By ANDREA FIGUERAS



The maker of Absolut vodka posted solid first-half results.

Shares of **Pernod Ricard** jumped after the company confirmed its midterm outlook and posted first-half sales that met expectations.

Paris-listed shares finished Thursday’s trading 1.8% higher. The French distiller booked sales of €6.59 billion, or about \$7.07 billion, for the six months to Dec. 31, an organic decline of 3% compared with the year-ago period, but in line with Visible Alpha consensus.

Net profit slipped to €1.57 billion from €1.79 billion, ahead of analysts’ projections of €1.45 billion, according to a Visible Alpha poll of estimates. First-half results were solid and in line with expectations, despite investor fears to the contrary, Citi analysts wrote in a research note.

The company backed its midterm financial targets, including reaching the upper end of between 4% and 7% of net sales growth and organic operating leverage of 0.5 to 0.6 50 percentage points.

The encouraging outlook, coupled with a robust first-half performance, should drive a re-rating of the stock, the analysts said.

However, the maker of Absolut vodka and Martell cognac cut its expectations for 2024 and said that it now expects broadly stable organic net sales in 2024, while it previously anticipated broad-based and diversified organic net sales growth.

Pernod Ricard share price, past three months



Source: FactSet

Nike to Reduce Its Workforce by 2%

By INTI PACHECO

Nike on Thursday said that it will reduce its workforce by about 2%, or more than 1,600 people, to cut costs.

Nike Chief Executive John Donahoe said the company is using its resources to increase investment in categories like running, women’s apparel and the Jordan brand, according to an employee memo reviewed by The Wall Street Journal. The cuts aren’t expected to affect employees in stores and distribution centers or those in its innovation team.

The Beaverton, Ore., sneaker company had about 83,700 employees as of May 31.

“This is a painful reality and not one that I take lightly. We are not currently performing at our best, and I ultimately hold myself and my leadership team accountable,” Donahoe said in the memo.

The job cuts are expected to start Friday, and a second phase will be complete by the end of the quarter, the memo said.

Nike in December said it was cutting its revenue outlook for the year amid concerns that consumers are becoming more cautious with their spending. At the time, it



The sneaker maker in December said it was cutting its revenue outlook for the year.

said it would look to shave up to \$2 billion in costs over the next three years through actions including job cuts and organizational streamlining.

“To compete, we must edit, shift and divest less critical work to create greater focus and capacity for what matters most,” Donahoe said in the memo.

The announcement came as U.S. retail sales declined in January from the prior month, which showed robust consumer spending activity during the holiday season.

The company has been dealing with higher levels of competition from rival brands and concerns from customers about its ability to deliver in-

novative products. In recent years it also dealt with inflated inventories, which has resulted in deep discounts on items like apparel and footwear that have hurt profit.

Nike in the last few months has announced leadership changes in the areas of innovation, design, marketing and technology.

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TECHNOLOGY

Altium Agrees to \$5.9 Billion Takeover

Company's shares jumped as much as 31% after pact with Japan's Renesas

By Stuart Condie

SYDNEY—Altium agreed to a US\$5.91 billion takeover by Japanese chip maker Renesas Electronics...

much as 31% on Thursday, hitting a record high, after the company said it entered into a binding agreement with Renesas...

If the deal completes, the printed-circuitboard design specialist, which operates a parts search engine...

In 2021, ASX-listed Afterpay agreed to be acquired by Nasdaq-listed Block in a deal that

valued the buy-now-pay-later operator at US\$29 billion. As a result, Block has a secondary listing on the ASX...

Altium expects the deal to close in the second half of 2024, subject to approval by shareholders and regulators.

Shares in Altium, which is scheduled to report its fiscal first-half results Feb. 27, hit a record A\$67.00 in early trading on Thursday...

Renesas said it plans to fund the purchase of Altium

with bank loans and cash on hand. Renesas said the integration of Altium would help simplify complex electronics-system design processes for engineers.

"The acquisition brings together Altium's sophisticated cloud platform capabilities with Renesas's strong portfolio of embedded solutions," Renesas said.

Altium reported US\$263.3

million in revenue for its last fiscal year, which ended June 30. Recurring revenue accounted for 77% of income...

Renesas said the acquisition would be immediately earnings-accrutive even without synergies.

Altium Chief Executive Aram Mirkazemi will continue to lead the business as a subsidiary of Renesas.

"I strongly believe that electronics is the single most critical industry to building a

smart and sustainable world. Renesas's visionary leadership and commitment to making electronics accessible to all resonates strongly with Altium," Mirkazemi said.

Renesas's proposal came almost three years after Altium rejected an approach from Nasdaq-listed Autodesk.

Altium said then that Autodesk's A\$38.50-a-share proposal significantly undervalued its prospects...

Altium's shares have almost doubled in value since then.

Meta Pushes Fee Workaround

Continued from page B1 devices to prepay for the advertising campaigns they choose to run. Meta won't require advertisers who buy boosted posts from its websites to prepay...

Meta and Apple bickered for years over the treatment of boosted posts, according to a 2022 report by The Wall Street Journal. Meta contended that boosted posts should be considered a form of advertisement in part because they are often used by small businesses to reach bigger audiences.



A customer is given a tutorial on the Apple Vision Pro in Los Angeles earlier this month.

Store. Apple changed its App Store rules in October 2022 to treat boosted posts as in-app purchases, entitling the company to a 30% cut of Meta's revenue from boosted posts.

The two companies have been in conflict for more than

a decade. Most notably, Apple in 2021 introduced privacy changes to its mobile devices that Meta later said would cost it \$10 billion in lost revenue in 2022.

of fronts. Meta CEO Mark Zuckerberg in February criticized the plan Apple announced in January to allow third-party app stores on its mobile devices to comply with a new European law.

years to introduce its own app store for Apple mobile devices, according to a report in January by the Journal, but after seeing what the iPhone maker announced, Zuckerberg said Apple's offering was so onerous and at odds with the in-

tent of the European law that he thought it would be very difficult for any company to seriously entertain it.

"I don't think that the Apple thing is going to have any difference for us because I think that the way that they've implemented it, I would be very surprised if any developer chose to go into the alternative app stores that they have," Zuckerberg said.

Zuckerberg kept the hits coming on Tuesday, when he uploaded his review of Apple's new Vision Pro headset to his Instagram page. The social-media baron said he thought his own company's Quest 3 device was the better product.

"There are a lot of people that just assumed that Vision Pro would be higher quality because it's Apple and costs \$3,000 more, but honestly, I'm pretty surprised that Quest is so much better for the vast majority of things that people use these headsets for, with that price differential," Zuckerberg said in the video.

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Uber, Lyft Find a Way To Profits. Continued from page B1. Includes text about Uber and Lyft's market share and pricing strategies.

65% Rise in Lyft's share price over the past 12 months, while Uber's has doubled. Includes text about market performance and analyst commentary.

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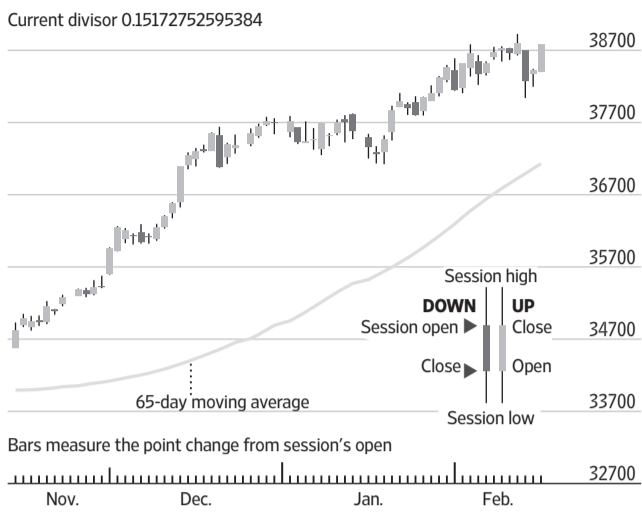


MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

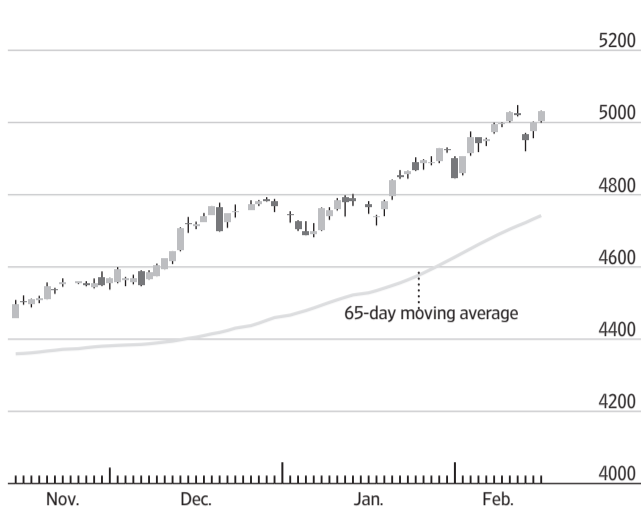
38773.12 ▲348.85, or 0.91%
 High, low, open and close for each trading day of the past three months.
 Last: 38773.12, Year ago: 38397.94
 Trailing P/E ratio: 25.75, P/E estimate: 18.44, Dividend yield: 1.87, All-time high: 38797.38, 02/12/24



Current divisor 0.15172752595384
 *Weekly P/E data based on as-reported earnings from Birlinyi Associates Inc.; †Based on Nasdaq-100 Index

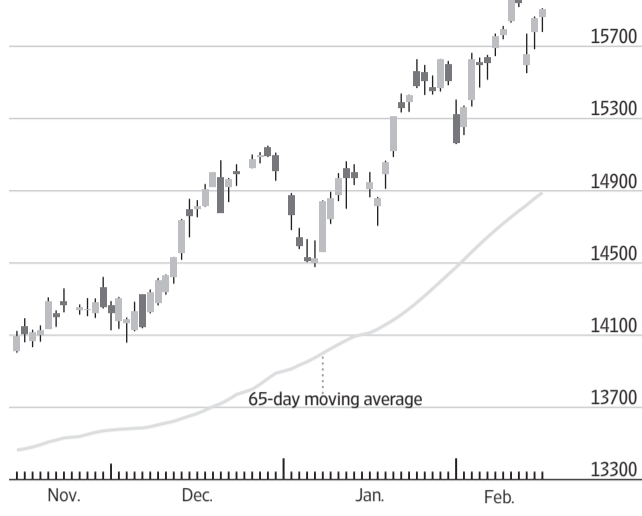
S&P 500 Index

5029.73 ▲29.11, or 0.58%
 High, low, open and close for each trading day of the past three months.
 Last: 5029.73, Year ago: 4989.11
 Trailing P/E ratio: 22.85, P/E estimate: 22.51, Dividend yield: 1.49, All-time high: 5029.73, 02/15/24



Nasdaq Composite Index

15906.17 ▲47.03, or 0.30%
 High, low, open and close for each trading day of the past three months.
 Last: 15906.17, Year ago: 15789.11
 Trailing P/E ratio: 31.72, P/E estimate: 30.02, Dividend yield: 0.84, All-time high: 16057.44, 11/19/21



Major U.S. Stock-Market Indexes

Index	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg YTD	% chg 3-yr. ann.
Dow Jones									
Industrial Average	38781.89	38397.94	38773.12	348.85	0.91	38797.38	31819.14	15.1	2.9
Transportation Avg	15944.96	15789.11	15906.53	82.25	0.52	16695.32	13444.01	4.6	0.05
Utility Average	847.24	835.66	847.03	13.63	1.64	975.39	783.08	-10.2	-3.9
Total Stock Market	50255.03	49891.27	50224.06	355.61	0.71	50224.06	38697.55	21.4	5.1
Barron's 400	1106.92	1085.65	1105.83	20.18	1.86	1105.83	881.58	9.7	3.1
Nasdaq Stock Market									
Nasdaq Composite	15911.22	15779.72	15906.17	47.03	0.30	15990.66	11138.89	34.2	6.0
Nasdaq-100	17864.58	17722.31	17845.72	38.09	0.21	17962.41	11830.28	43.4	6.1
S&P									
500 Index	5032.72	4999.44	5029.73	29.11	0.58	5029.73	3855.76	23.0	5.4
MidCap 400	2857.94	2820.84	2854.81	49.89	1.78	2854.81	2326.82	6.9	2.6
SmallCap 600	1321.68	1295.80	1320.14	30.99	2.40	1339.63	1068.80	3.1	0.1
Other Indexes									
Russell 2000	2062.80	2027.06	2061.48	49.38	2.45	2066.21	1636.94	6.1	1.7
NYSE Composite	17450.78	17240.19	17434.93	194.74	1.13	17434.93	14599.05	9.8	3.5
Value Line	595.71	586.43	595.32	8.89	1.52	598.74	498.09	0.7	0.2
NYSE Arca Biotech	5150.21	5068.14	5146.45	78.31	1.55	5526.35	4544.40	-6.0	-5.0
NYSE Arca Pharma	1004.41	994.71	1001.22	6.51	0.65	1001.22	791.91	21.9	10.0
KBW Bank	96.16	93.96	95.72	2.19	2.35	111.86	71.71	-14.4	-0.3
PHLX [§] Gold/Silver	108.50	105.54	107.49	3.22	3.09	144.37	103.31	-9.9	-14.5
PHLX [§] Oil Service	81.35	78.59	81.08	2.67	3.40	98.76	69.29	-11.7	-3.3
PHLX [§] Semiconductor	4599.91	4540.09	4558.10	-7.31	-0.16	4567.30	2892.39	49.2	9.2
Cboe Volatility	14.64	13.94	14.01	-0.37	-2.57	26.52	12.07	-30.5	12.5

§Nasdaq PHLX Sources: FactSet; Dow Jones Market Data

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After-Hours % chg	High	Low
SoundHound AI	SOUN	7,011.6	3.50	-0.26	-6.91	3.90	3.30
Apple	AAPL	5,881.3	184.43	0.57	0.31	185.94	174.47
SPDR S&P 500 ETF Trust	SPY	5,740.1	502.25	0.24	0.05	502.50	501.75
Coinbase Global	COIN	4,499.6	186.01	20.34	12.28	193.00	153.01
iShiBoxx \$IG Corp Bd	LQD	4,485.9	107.90	0.03	0.03	107.90	106.45
CVS Health	CVS	4,475.7	76.67	0.07	0.09	76.83	76.59
Intel	INTC	4,279.3	44.17	0.12	0.27	44.20	44.00
Comcast CIA	CMCSA	3,927.5	41.80	...	unch.	41.97	41.75

Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
GrShr 2x Long COIN Daily	CONL	292.8	41.81	8.24	24.55	44.74	29.09
Amplify U.S. Alt Harvest	MJUS	3,000.8	2.57	0.49	23.58	2.57	2.08
Trade Desk CIA	TTD	2,553.9	90.14	14.43	19.06	93.88	75.01
Applied Materials	AMAT	1,649.2	211.20	23.54	12.54	217.39	139.07
Coinbase Global	COIN	4,499.6	186.01	20.34	12.28	193.00	153.01

...And losers

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
Bloom Energy	BE	729.7	10.30	-1.67	-13.95	12.37	9.76
Roku CIA	ROKU	3,898.8	81.33	-13.17	-13.94	95.50	76.05
DoorDash	DASH	1,246.4	115.50	-10.77	-8.53	129.90	111.40
Yelp	YELP	119.1	40.80	-3.59	-8.09	45.00	36.96
Iris Energy	IREN	1,567.9	7.20	-0.54	-6.98	7.88	5.24

Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE Amer.
Total volume*	969,704,354	14,324,414
Adv. volume*	803,614,186	11,215,204
Decl. volume*	160,935,879	2,977,574
Issues traded	2,907	309
Advances	2,359	196
Declines	497	102
Unchanged	51	11
New highs	218	4
New lows	14	7
Closing Arms [†]	0.99	0.48
Block trades [†]	4,273	150

*Primary market NYSE, NYSE American, NYSE Arca only. †(TRN) A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

International Stock Indexes

Region/Country	Index	Close	Net chg	Latest % chg	YTD % chg
World	MSCI ACWI	750.55	5.60	0.75	3.2
	MSCI ACWI ex-USA	315.21	3.26	1.05	-0.4
	MSCI World	3289.74	24.07	0.74	3.8
	MSCI Emerging Markets	1007.70	8.84	0.89	-1.6
Americas	MSCI AC Americas	1904.75	12.19	0.64	5.0
Canada	S&P/TSX Comp	21222.69	333.29	1.60	1.3
Latin Amer.	MSCI EM Latin America	2538.43	13.83	0.55	-4.7
Brazil	Ibovespa	127804.13	785.84	0.62	-4.8
Chile	S&P IPSA	3453.73	58.62	1.73	-0.4
Mexico	S&P/BMV IPC	57251.89	3.42	0.01	-0.2
EMEA	STOXX Europe 600	488.54	3.30	0.68	2.0
Eurozone	Euro STOXX	488.39	3.45	0.71	3.0
Belgium	Bel-20	3694.38	29.08	0.79	-0.4
Denmark	OMX Copenhagen 20	2593.81	12.73	0.49	13.6
France	CAC 40	7743.42	66.07	0.86	2.7
Germany	DAX	17046.69	101.21	0.60	1.8
Israel	Tel Aviv	1862.12	9.52	0.51	-0.2
Italy	FTSE MIB	31694.44	365.07	1.17	4.4
Netherlands	AEX	847.59	3.92	0.47	7.7
Norway	Oslo Bors All-Share	1451.28	-2.63	-0.18	-4.5
South Africa	FTSE/JSE All-Share	73218.44	208.70	0.29	-4.8
Spain	IBEX 35	9927.30	10.70	0.11	-1.7
Sweden	OMX Stockholm	903.15	8.97	1.00	0.03
Switzerland	Swiss Market	11284.18	70.54	0.63	1.3
Turkey	BIST 100	9242.15	170.08	1.87	23.7
U.K.	FTSE 100	7597.53	29.13	0.38	-1.8
U.K.	FTSE 250	19099.62	95.73	0.50	-3.0
Asia-Pacific	MSCI AC Asia Pacific	169.15	1.58	0.95	-0.1
Australia	S&P/ASX 200	7605.70	57.96	0.77	0.2
China	Shanghai Composite	2865.90	...	Closed	-3.7
Hong Kong	Hang Seng	15944.63	65.25	0.41	-6.5
India	S&P BSE Sensex	72050.38	227.55	0.32	-0.3
Japan	NIKKEI 225	38157.94	454.62	1.21	14.0
Singapore	Straits Times	3176.69	37.62	1.20	-2.0
South Korea	KOSPI	2613.80	-6.62	-0.25	-1.6
Taiwan	TAIEX	18644.57	548.50	3.03	4.0
Thailand	SET	1387.27	2.16	0.16	-2.0

Sources: FactSet; Dow Jones Market Data

Percentage Gainers...

Company	Symbol	Close	Net chg	% chg	High	52-Week Low	% chg
Tevogen Bio Holdings	TVGN	10.00	5.49	121.73	21.09	4.08	-7.2
Children's Place	PLCE	26.29	11.78	81.12	47.05	8.30	-42.4
SoundHound AI	SOUN	3.76	1.51	66.74	5.11	1.49	2.7
MultiSensor AI Holdings	MSAI	3.51	1.39	65.57	14.00	1.89	-66.0
Nano-X Imaging	NNOX	9.50	3.14	49.37	22.69	4.89	18.9
Jumia Technologies ADR	JMIA	4.56	1.33	41.18	4.92	2.23	23.6
Applied Therapeutics	APLT	3.75	1.07	39.93	4.42	0.76	220.5
Cheer Holding	CHR	3.18	0.88	38.26	12.50	2.18	-63.4
MicroCloud Hologram	HOLO	31.00	8.47	37.59	113.00	1.50	25.0
Pegasystems	PEGA	68.80	18.09	35.67	69.26	37.66	36.4
Express	EXPR	2.76	0.72	35.29	23.90	1.90	-87.8
Intuitive Machines CIA	LUNR	6.70	1.72	34.54	136.00	2.09	-85.0
JFrog	FROG	47.64	10.55	28.44	48.81	17.11	101.9
DarioHealth	DRIO	2.55	0.53	26.24	5.46	0.68	-51.5
Synchronoss Technologies	SNCR	9.20	1.91	26.20	10.53	2.70	-11.1

Most Active Stocks

Company	Symbol	Volume (000)	% chg from 65-day avg	Latest Session Close	% chg	52-Week High	Low
SoundHound AI	SOUN	291,548	2834.2	3.76	66.74	5.11	1.49
Faraday Future	FFIE	170,749	999.6	0.11	70.47	57.60	0.06
Sientra	SIEN	121,759	52360.4	0.34	89.95	4.94	0.16
Tesla	TSLA	119,801	4.6	200.45	6.22	299.29	152.37
ProSh UltraPro Shrt QQQ	SQQQ	97,916	-18.7	11.33	-0.70	42.57	10.97
Dirxion Dly Semi 3 Bear	SOXS	97,512	3.3	4.30	...	24.09	4.09
Nikola	NKLA	95,919	-0.1	0.75	5.83	3.71	0.52
Marathon Digital	MARA	95,834	25.2	27.02	-8.13	31.30	5.13
Lyft	LYFT						

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Precision Neuroscience



Heather O'Sullivan
President, Healthcare at Home
Mass General Brigham

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COMMODITIES

wsj.com/market-data/commodities

Futures Contracts

Table of Metal & Petroleum Futures including Copper-High (CMX), Gold (CMX), Platinum (NYM), Crude Oil, Light Sweet (NYM), and NY Harbor ULSD (NYM).

Table of Agriculture Futures including Corn (CBT), Oats (CBT), Soybeans (CBT), and various other agricultural products.

Table of Currency Futures including Japanese Yen (CME), Canadian Dollar (CME), British Pound (CME), and Swiss Franc (CME).

Table of Index Futures including Mini DJ Industrial Average (CBT), Australian Dollar (CME), Mexican Peso (CME), Euro (CME), and various other indices.

Table of Interest Rate Futures including Ultra Treasury Bonds (CBT) and various other interest rate instruments.

Table of Food and Fats and Oils including Beef, Pork, Chicken, and various other food products.

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

Tracking Bond Benchmarks

Return on investment and spreads over Treasuries and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Table showing bond benchmarks including Broad Market Bloomberg Fixed Income Indices, U.S. Corporate Indexes, U.S. Agency, and Global Government bonds.

Global Government Bonds: Mapping Yields

Yields and spreads over 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 mapping yields for various countries including Australia, France, Germany, Italy, Japan, Spain, and U.K.

Cash Prices | wsj.com/market-data/commodities

Thursday, February 15, 2024

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Table of Cash Prices for various commodities including Energy, Metals, Gold, Silver, and various other metals.

Exchange-Traded Portfolios | WSJ.com/ETFresearch

Table of Exchange-Traded Portfolios (ETFs) including largest 100 exchange-traded funds and various other ETFs.

Borrowing Benchmarks | wsj.com/market-data/bonds/benchmarks

February 15, 2024

Key annual interest rates paid to borrow or lend money in U.S. and international markets. Rates below are a guide to general levels but don't always represent actual transactions.

Table of Borrowing Benchmarks including Inflation, U.S. consumer price index, International rates, Prime rates, Policy Rates, Overnight repurchase, U.S. government rates, and Discount.

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 spreads for various issuers including Mitsubishi UFJ Financial, Citigroup, Ares Capital, Bank of New York Mellon, etc.

...And spreads that widened the most

Table showing widened spreads for Toyota Motor Credit, Athene Global Funding, Morgan Stanley, ArcelorMittal, etc.

...And with the biggest price increases...

Table showing biggest price increases for Teva Pharmaceutical Finance Netherlands III, Telecom Italia Capital S.A., Occidental Petroleum, etc.

...And with the biggest price decreases

Table showing biggest price decreases for QVC, Hughes Satellite Systems, Genworth Financial, etc.

Secured Overnight Financing Rate

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; Discount rate is effective July 27, 2023. Secured Overnight Financing Rate is as of February 14, 2024.

Table of Secured Overnight Financing Rate (SOFR) and other rates.

DTCC GCF Repo Index

DTCC GCF Repo Index is Depository Trust & Clearing Corp.'s weighted average for overnight trades in applicable CUSIPs. Value traded is in billions of U.S. dollars. Federal-funds rates are Tullett Prebon rates as of 5:30 p.m. ET.

Table of DTCC GCF Repo Index.

Weekly survey

Freddie Mac 30-year fixed 6.77 6.64 6.32 10-year fixed 6.12 5.90 5.51

Table of Weekly survey data.

Call money

Call money 7.25 7.25 7.25 6.50

Table of Call money data.

Commercial paper (AA financial)

Commercial paper (AA financial) 90 days n.a. n.a. 5.54 4.70

Table of Commercial paper (AA financial) data.

Source: FactSet

Source: FactSet

Source: FactSet

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Source: FactSet

BIGGEST 1,000 STOCKS

Table with columns: Stock, Sym, Close, Chg, Net Chg. Lists top 1,000 stocks by market cap, including AECOM, AEF, Aes, AGCO, Ansys, etc.

Wall Street journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Table with columns: Stock, Sym, Close, Chg, Net Chg. Lists various stocks including AXL, AXL, AXL, AXL, AXL, etc.

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Dividend Changes

Table with columns: Company, Symbol, Yld%, Amount, Payable/Record. Lists dividend changes for companies like RBC Bearings, RB Global, RELX, etc.

Stocks

Table with columns: Company, Symbol, Yld%, Amount, Payable/Record. Lists various stock entries.

Special

Table with columns: Company, Symbol, Yld%, Amount, Payable/Record. Lists special dividend entries.

New Highs and Lows

Table with columns: Stock, Sym, Hi/Low, Chg. Lists new high and low stocks.

Table with columns: Stock, Sym, Hi/Low, Chg. Lists new high and low stocks.

Table with columns: Stock, Sym, Hi/Low, Chg. Lists new high and low stocks.

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Table with columns: Stock, Sym, Hi/Low, Chg. Lists new high and low stocks.

Mutual Funds

Table with columns: Fund, NAV, YTD, Chg, Net YTD, Chg. Lists various mutual funds like LpGpGld InstPr, SAUSJGPlndFds, etc.

BANKING & FINANCE

Wells Fargo Resolves 2016 Consent Order Over Fake Accounts

Regulator cites progress in bank's effort to revamp risk management

By DAVID BENOIT

Wells Fargo's key regulator said it had closed the 2016 consent order placed on the bank for opening fake accounts, the subject of a years-long scandal.

The Office of the Comptroller of the Currency said Thursday the bank had made sufficient progress revamping its systems that guard against customer harm.

Wells Fargo shares rose on the news, closing up more than 7%.

The bank remains under regulatory scrutiny, including, most pressingly, an order from the Federal Reserve that restricts its growth until the regulator is convinced it is being run safely. When Chief Executive Charlie Scharf arrived at Wells Fargo in 2019, the bank was under 12 consent orders. It has now closed six of them, though also added two more during his tenure.

"We feel really good about the plans we put in place," Scott Powell, Wells Fargo's chief operating officer, told The Wall Street Journal. "It's not a matter of if, it's a matter of when we resolve the remaining issues."

Until the sales-account scandal erupted in September

2016, Wells Fargo enjoyed a sterling reputation. The first complaint and fine came from the Consumer Financial Protection Bureau, which found "widespread illegal" sales practices including the opening of millions of accounts without customers' knowledge.

The Office of the Comptroller of the Currency order, targeting the bank's incentive programs and lack of oversight, was made public later that month and the shares have languished since then.

Soon, problems mounted in other areas of the bank and regulators determined that it lacked basic risk management and effective leadership and cracked down harder. The Fed issued a con-



The lender opened millions of accounts on behalf of customers without their knowledge.

sent order and an asset cap in 2018. Later that year, the Office of the Comptroller of the Currency and Consumer Financial Protection Bureau issued another \$1 billion in fines and fresh orders to improve risk management.

Scharf took over with a focus on fixing those problems. The board and senior leadership have had significant turnover, and Wells Fargo has painstakingly sought to build systems and teams to protect customers.

The Fed's growth cap has limited the bank's business opportunities. Powell, who oversees much of the regulatory work, said the bank has changed, though it will be up to regulators to decide when the work has been completed.

Deutsche Bank Faces New Threat of Fines in Germany

By PATRICIA KOWSMANN

Germany's top financial watchdog threatened to fine Deutsche Bank if it doesn't improve controls against money laundering by a set

deadline, the second time it has done so in less than two years.

BaFin, as the regulator is known, said on Thursday that it ordered the bank to take specific measures to improve

data-processing systems for monitoring transactions meant to prevent money laundering and terrorism financing.

The regulator said it would impose financial penalties if

the bank doesn't comply.

It also extended the mandate of a monitor it appointed in 2018 through October to follow the company's progress.

In 2022, BaFin separately

threatened Deutsche Bank with fines if it didn't take measures also meant to control dirty-money flows.

Deutsche Bank said in a statement on Thursday that those requirements have been

fulfilled.

The bank said it continues to cooperate with BaFin and invest the necessary resources to implement the latest requirements within the deadline.

Muni-Bond Inequality Challenged

Continued from page B1 views decades of difficult history.

Among the uncomfortable truths Jenkins's research has unearthed: Jackson, Miss., refused to desegregate hiring at its airport in 1963 even though it meant turning down federal aid for the facility. Muni investors provided financing instead. A few years later, the winning entry in a 1966 Investment Bankers Association of America essay contest argued that the racial composition of a city should be factored into its bond rating.

"The Bonds of Inequality" focuses mainly on mid-20th century San Francisco, using it to make a detailed case that the muni market has exacerbated disparities. With the encouragement of public officials, investors, banks, ratings firms and often a majority of voters, San Francisco borrowed to finance parks and cultural offerings that disproportionately benefited white residents—and then paid the money back with everyone's tax dollars.

"Black neighborhoods," Jenkins writes, "were continuously deemed unworthy of debt."

Jenkins, 36 years old, saw early the difference money can make in communities. He grew up in a working-class neighborhood in Jamaica, Queens, but attended a private school in Manhattan on a scholarship. His father was a subway conductor and later a graphic artist for the city's transit system. His mother supervised hospital lab tests.

Jenkins lived next door to a foster home. He felt like the richest kid on the block. At school, he played basketball in a state-of-the-art gym nothing like his neighborhood parks. His classmates were the children of executives and power brokers.

"That daily juxtaposition was the way I first encountered inequality," Jenkins said.

Over time, elite spaces grew less intimidating. At freshman orientation at Columbia University in 2006, he introduced himself to several classmates as the future first Black president of the U.S. ("Oh, my God," he says now, cringing in recollection.) He eventually decided to major in U.S. history.

By the time Detroit went bankrupt in summer 2013, Jenkins was pursuing a doctorate in history at Stanford. He happened to be at an intro course on bonds the day the news broke. That Detroit's bankruptcy filing came after years of white flight struck Jenkins



San Francisco's Palace of Fine Arts was reconstructed with muni-bond proceeds in the mid-20th century. Below, Destin Jenkins.

as part of a larger story about race. He eventually settled on the role of race in the muni market as the topic for his dissertation.

Back in New York City a couple of years later, Jenkins was putting the finishing touches on the dissertation when he joined an activist group called Black Youth Project 100, or BYP100.

The group had been galvanized in part by the death of Michael Brown, an unarmed Black teen who was shot by a police officer in Ferguson, Mo., in 2014. A Justice Department report found problems with the city's finances—namely, that Ferguson depended heavily on fines.

"Many officers appear to see some residents, especially those who live in Ferguson's predominantly African-American neighborhoods, less as constituents to be protected than as potential offenders and sources of revenue," the report said.

Jenkins and other BYP100 members pored over New York City's budget, studying where the city got its money and where it went. In one education campaign, they passed out factsheets on the subway that detailed how much of city revenue came from fines and how much went to policing. "He was always able to break things down just in a really helpful way," said Karl Kumodzi, who at the time was the New York City chapter's organizing co-chair.

A busy few years followed.



After postings at Harvard and the University of Chicago, Jenkins joined Stanford's faculty in 2021, the same year "The Bonds of Inequality" was published. During that period, two more events brought public finance and race into a larger national conversation. When Covid-19 hit in 2020, the Federal Reserve created its first-ever rescue package for the muni-bond market, backstopping bonds to keep prices stable. That same year, the murder of George Floyd prompted many big companies to rethink how they do business.

News outlets wanted Jen-

kins's take. Bond firms invited him to speak. City finance officials passed around his book. The question on their minds was one Jenkins had thought a lot about: If the muni market reinforced racial injustice in the last century, could its power be harnessed to mitigate those injustices in this one?

One suggestion came in 2021. Congress held what was likely its first-ever hearing on race in the muni market. Lawmakers were presented with an academic study about historically Black colleges and universities. Organizations like col-

leges are eligible to borrow alongside states and cities in the muni market.

HBCUs paid disproportionately higher underwriting fees, especially the HBCUs in Alabama, Mississippi and Louisiana, according to the study. The higher fees suggest that trading desks found it more difficult to find buyers.

The study's authors thought they knew why. Because of a tax quirk, borrowers in the muni market generally sell bonds largely to residents of the state where they are located. The study found that states where HBCUs paid the highest fees also had the highest levels of "anti-Black racial animus," as measured by surveys, internet searches and social-media posts. The study examined college-bond issuances over 23 years and was conducted by scholars from Florida State University, the University of Notre Dame, Duke University and the University of Southern California. It was published in the Journal of Financial Economics.

The study's authors recommended Congress make HBCU bonds tax-exempt in all states, not just the state in which they are issued, a privilege some muni borrowers already have. That would give HBCUs a greater potential audience for their bonds. Powerful trade groups like the Securities Industry and Financial Markets Association and the Bond Dealers of America voiced their support. It still hasn't happened.

Another study looked at about half of all bonds outstanding as of April 2022. It found that places with more Black residents pay a combined total of roughly \$900 million a year in extra interest unexplained by other factors—a phenomenon sometimes called "the Black tax."

The study was published last year in the peer-reviewed journal PLOS One. It was led by a researcher at Duke University with help from analysts with \$47 billion asset manager Breckinridge Capital Advisors.

Muni investors are typically high-earning U.S. households who like munis because the interest is tax-exempt and cities seldom default. Jenkins has come to believe that a market that shortchanges minority communities isn't entirely good for them either.

When Moody's Investors Service sought public input on an updated methodology for rating cities' creditworthiness in 2022, Jenkins wrote in. He suggested that along with the risk of natural disasters, pandemics and cybercrimes, Moody's should evaluate "democracy risk." He argued that investors might want to steer clear of places where, for example, restrictions on voting rights could lead courts to eventually invalidate bond deals approved by voters.

Elsewhere, he and others have suggested that police misconduct is bad for bondholders. Cities spend millions of dollars a year on legal payouts in cases involving alleged brutality, wrongful detention or other misconduct.

But Jenkins is less interested in scaring investors into doing good than in reminding them that they want to and giving them the opportunity. He envisions a muni market where bondholders seek out projects planned by and for Black communities.

Others are catching on. Before completing plans to extend Chicago's Red Line subway deep into the majority-Black South Side, city transit officials held dozens of meetings with nearby residents to gather their suggestions. Bonds for that project could go on sale later this year.

To really make a difference, Jenkins said, investors will have to sacrifice some yield.

Already, on some parts of Wall Street, values-based funds seem to be losing popularity amid rising rates and conservative backlash. But Jenkins remains hopeful that at least in the muni market, investor dollars will follow the vocal outpouring of support in 2020.

"Some would even say I was naive and gave too much of the benefit of the doubt that actually, you know, people would act on it," he said. "But I don't think that. This is an opportunity. You give people a chance to show you who they are."

MARKETS

Stocks Advance Broadly in Sign Of Confidence in U.S. Economy

Weakness in large tech stocks is offset by gains across other sectors

By SAM GOLDFARB

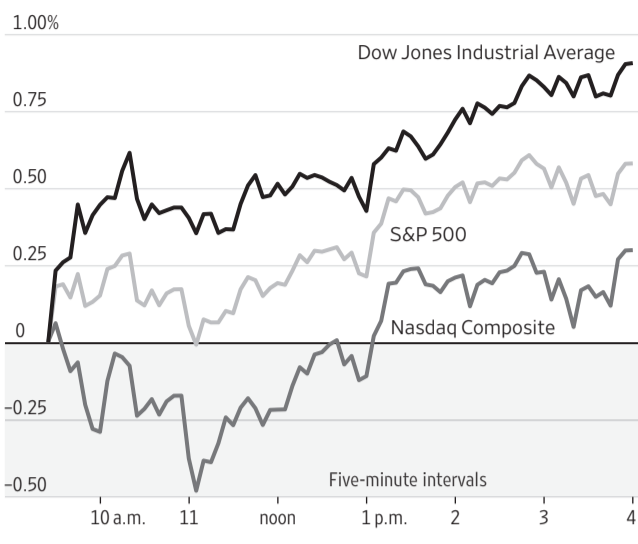
Renewed optimism about the economic outlook helped lift stocks, extending a rebound following losses sparked by a hotter-than-expected inflation report earlier in the week.

Stocks rose across most sectors and among large and small businesses, with indexes held back from bigger gains primarily by weakness in a handful of large technology stocks.

The Dow Jones Industrial Average rose roughly 349 points, or 0.9%, to its second-highest close ever. The S&P 500 added 0.6%, narrowly reaching its 11th record of the year, while the tech-heavy Nasdaq Composite gained 0.3%. The Russell 2000 index of small and midsize companies surged 2.5%.

A batch of economic data appeared to have little impact on markets. Yields on Treasury initially fell after new data showed that retail sales fell in January and that sales in previous months were lower than previously reported. The decline suggested that the

Index performance on Thursday



Source: FactSet

weak report was causing investors to bet that the Federal Reserve would cut interest rates more than previously expected.

Yields, however, quickly rebounded. The yield on the 10-year Treasury note settled at 4.239%, slightly below its closing level Wednesday but above where it stood just before the retail-sales report was released.

Other data were mixed. Weekly unemployment claims were lower than anticipated, a sign of labor-market strength. A survey of home-builder confidence rose for a third straight

month, while industrial production missed estimates. Analysts said that both retail sales and industrial production were likely weighed down by unusually harsh winter weather last month.

Analysts have similarly argued that Tuesday's consumer-price index report may have come in surprisingly hot due to one-time factors related to businesses resetting prices at the start of the year. That argument has helped buoy stocks again.

Before Tuesday, market gains had just been starting to broaden out—extending beyond

the large tech stocks that have powered indexes higher over much of the past year.

Such nontech stocks were hard hit on Tuesday, with investors worried that a rebound in inflation could cause the Federal Reserve to delay interest-rate cuts, increasing the chances of a recession. But they were back in favor Thursday.

"I'm actually encouraged," said Keith Lerner, co-chief investment officer at Truist Advisory Services. "The rotation that we're seeing beneath the surface is a sign that there's some confidence in the economy."

Aided by rising oil prices, energy companies were among Thursday's best performing stocks. **Chevron** rose 3.4%, while **Exxon Mobil** gained 2.9%. **Diamondback Energy** reached its first record fresh close since October.

Meanwhile, **Cisco Systems** fell 2.4% after the networking-equipment company gave a cautious sales outlook. Among the market-dominating tech stocks, **Alphabet** lost 2.2%, **Nvidia** slid 1.7% and **Microsoft** dropped 0.7%. Facebook parent **Meta Platforms** was an exception, rising 2.3%.

Overseas, the Stoxx Europe 600 rose 0.7%. At midday Friday, Japan's Nikkei 225 was up 0.9% to 38505.91, shy of the record 38915 set in 1989.



Pam Chan is opening the New York office of Lingotto, a new asset manager backed by Italy's billionaire Agnelli family.

BlackRock Alum Launches Fund For Novel Assets

By JACK PITCHER

Pam Chan had a coveted job as global head of direct private opportunities at **BlackRock**, the world's largest asset manager. She is leaving so she can focus solely on what she loves most: investing in obscure private markets.

The 38-year-old Harvard graduate is opening the New York office of **Lingotto**, a new asset manager backed by Italy's billionaire Agnelli family, which owns significant stakes in automakers Ferrari and Stellantis.

Lingotto had \$4.6 billion in assets across three strategies at the end of 2023, the year it was launched. Those include a public-equities hedge fund, an opportunity fund focused on private companies, and a long-only innovation fund run by James Anderson, who rose to fame as

income from a royalty stream. Chan now sees better opportunities in establishing partnerships with firms that market music rights from newer artists, looking for ways to expand their reach across sports, entertainment and social media.

"The thing that gets me excited is finding an asset with risk that is orthogonal or not otherwise related to market risk," Chan said. "Risk like how often someone decides to listen to a song, or the different ways it can be applied and the prowess of the marketing behind it—versus equity beta or duration or other things we can't control."

Chan is looking at how private capital can intersect with fiscal policy. From federal subsidies for infrastructure projects to state tax credits to en-

courage film production, government money is flowing to companies. Private capital can help it get there faster.

"The government is not always the most efficient body, and the mechanism through which that capital flows is not the smoothest," Chan said. "So there's a bridge financing opportunity to make those things run better."

As banks have tightened lending standards, opportunities for creative private financing have increased, Chan says. She wants to focus her fund on situations that are complex and novel and require creativity, as well as opportunities for aggregation—such as packaging film-studio tax credits.

The Mosaic Fund has a "significant" anchor investment and meaningful dry powder to invest for the next few years and plans to add other limited partners over time, a spokesman said. All of Lingotto's managing partners have their own money invested.

Chan, a native Canadian, started her career as a Goldman Sachs banker before joining hedge fund Bridgewater Associates. She spent 12 years at BlackRock.

Lingotto has attracted big names since its launch, appointing a former British finance minister, George Osborne, as chairman last year.

Lingotto had \$4.6 billion in assets across three strategies at the end of 2023.

Delinquent Payments Hit Lender

Continued from page B1

Interest payments for a while. Still, the large number of late payments in January shows the strain on borrowers and the growing risk of losses for lenders. As of January 2023, borrowers of 0.4% of Arbor's mortgage bonds, so-called collateralized loan obligations, were delinquent 30 days or more, according to CRED IQ. That share was up more than 20-fold in January of this year.

The spokesman said the share of Arbor loans that were delinquent on January payments and delinquent for 30 days or longer was 4.6% as of Feb. 13.

Arbor mortgages backing apartment properties in Columbia, S.C.; Gainesville, Fla.; and San Antonio are among those that went delinquent over the past year. Arbor's spokesman declined to address specific loans, but said "collections and performance have continued to improve." The company sits at the center of what a growing number of analysts say is one of commercial real estate's biggest trouble spots: floating-rate apartment loans.

"Multifamily could be the next shoe to drop," said Jade Rahmani, a real-estate stock analyst at KBW.

Investors raced to cash in on surging population and economic growth in Sunbelt cities, buying aging apartment buildings at high prices with floating-rate loans that were cheap. Many of these loans were issued by nonbank lenders like Arbor and repackaged into bonds called collateralized loan obligations, or CLOs. Then, interest rates surged and rent growth slowed. Now, many borrowers are struggling to pay their debt or renew the hedges they purchased to protect

Arbor Realty Trust share price



*Chart shows the share of property collateralized loan obligation debt issued by Arbor that is delinquent for 30 days or longer.

†Chart shows the cost of a three-year hedge capping interest payments once the benchmark short-term rate hits 2%.

Sources: FactSet (share price); CRED IQ (delinquent CLOs); Chatham Financial (cost)

against rising rates. Many of these hedges are now expiring. Renewing them at much higher rates is tightening the financial pressure on Arbor's clients.

Arbor isn't the only property CLO lender facing challenges. These CLOs are often made up of so-called bridge loans that typically fund renovation or construction projects. Others have also seen a rise in delinquencies, and California-based Money360 recently laid off loan originators and is considering selling loans to raise cash.

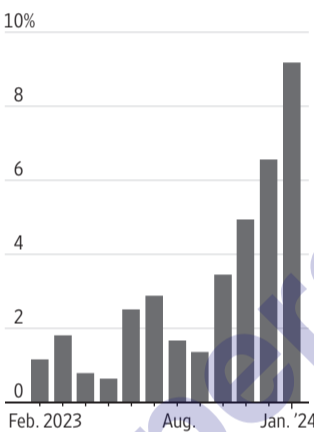
"Commercial bridge loans have been especially vulnerable because these properties are going through transition and repositioning by design," said Brett Koelliker, Money360's cofounder.

The vast majority of late payments on CLO loans haven't led to foreclosure. Still, the large number of late payments shows the strain on borrowers and the growing risk of losses for lenders.

Arbor sells most of the mortgage bonds it creates to investors, but generally keeps the riskiest 20% on its books. That means it is on the hook for losses before other bondholders if a borrower defaults.

Arbor also allows owners to put up less equity than many other lenders. The company generally lends around 80% of a

Arbor Realty Trust's CLO delinquency rate*



Cost of a typical interest-rate cap for a \$100 million mortgage†



building's purchase price, renovation costs and other expenses, its lawyers said. That means the lender has less of a buffer than many banks, which often lend a much lower share to real-estate investors.

Arbor is scheduled to report fourth-quarter earnings on Friday. During a previous earnings call in October, Arbor's chief executive, Ivan Kaufman, said that "the next two or three quarters will be the most challenging part of this cycle." He added that the company has been preparing for this for two years and has around \$1 billion in cash. "Given the value of our collateral and the recourse provisions in our lending documents, Arbor is well positioned, if necessary, to take back assets and optimize shareholder value," Kaufman said in a recent statement to The Wall Street Journal.

Brokers and landlords say Arbor stands out because of its size. It is one of the largest publicly traded companies focused on floating-rate multifamily lending. The real-estate investment trust is one of the country's most-shorted companies, according to MarketWatch.

Arbor also has attracted attention because it frequently issued high-leverage loans for risky projects and to borrowers who have owned properties before but in some cases have lit-

tle experience running vast portfolios of rental apartments. Lawyers for Arbor said that "sponsors of Arbor's loans are typically experienced real-estate developers."

Last year one of Arbor's borrowers, Jay Gajavelli, defaulted on loans backed by more than 3,000 Houston-area apartments. Gajavelli, a former IT worker with only a few years of real-estate experience, had raised millions from small investors and relied on floating-rate loans.

Gajavelli didn't respond to a request for comment.

Arbor sold the properties in a foreclosure sale. The company recorded no loss on the sale, according to its lawyers.

AUCTION RESULTS

Here are the results of Thursday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

FOUR-WEEK BILLS

Applications	\$261,699,724,600
Accepted bids	\$95,470,417,700
* noncompetitively	\$5,555,773,500
* foreign noncompetitively	\$0
Auction price (rate)	99.589333 (5.280%)
Coupon equivalent	5.290%
Bids at clearing yield accepted	51.07%
Cusip number	912797J17

The bills, dated Feb. 20, 2024, mature on March 19, 2024.

EIGHT-WEEK BILLS

Applications	\$239,929,154,900
Accepted bids	\$90,446,287,300
* noncompetitively	\$1,710,307,600
* foreign noncompetitively	\$0
Auction price (rate)	99.180222 (5.270%)
Coupon equivalent	5.402%
Bids at clearing yield accepted	86.22%
Cusip number	912797J18

The bills, dated Feb. 20, 2024, mature on April 16, 2024.

Coinbase Records First Profit in Two Years

By VICKY GE HUANG

Coinbase Global turned a quarterly profit for the first time in two years, lifted by rising crypto prices and higher interest income earned on its stablecoin.

The biggest cryptocurrency exchange in the U.S. earned \$273 million, or \$1.04 a share, in the fourth quarter, versus a year-earlier loss of \$557 million. For the entirety of 2023, the company generated \$95 million in net income on \$3.1 billion in total revenue.

Coinbase stock soared 12% in after-hours trading to

\$185. It is still well below the \$381 at which it opened trading after making its market debut in 2021.

Total trading volume, a crucial revenue driver for Coinbase, rose to \$154 billion in the fourth quarter from \$145 billion a year earlier.

Coinbase has historically relied heavily on the transaction fees it earns from individual investors, but it is increasingly earning money from its custody services, interest-earning assets and staking.

In the fourth quarter, Coinbase earned \$375 million from subscriptions and ser-

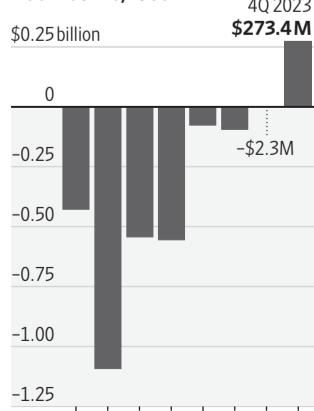
vices, up from \$283 million a year earlier.

The company said stablecoin revenue increased to \$172 million from \$146 million. Coinbase shares revenue with Circle Internet Financial's USD Coin stablecoin on interest earned from the reserves of USD Coin.

Quarterly revenue rose 51% to \$954 million, beating analysts' expectations of \$826 million, according to FactSet.

Total transaction revenue climbed to \$529 million from \$322 million a year earlier, driven by an increase in trading volume.

Coinbase Global quarterly net income/loss



Source: the company

Listen to a Podcast: BlackRock's Rick Rieder On Bitcoin, the Fed and His Big Worry in 2024



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