

# THE WALL STREET JOURNAL.

## What's News

### Business & Finance

**U.S. inflation eased** in December for the sixth straight month following a mid-2022 peak as the Fed aggressively raised interest rates and the economy showed signs of cooling. **A1**

◆ **Stocks ended higher** after the release of the inflation data, with the S&P 500 gaining 0.3% and the Dow and Nasdaq both adding 0.6%. **B10**

◆ **Activist investor Peltz** doesn't believe Disney's board leadership change will shift the direction of the firm, saying the new chairman is little more than a rubber stamp for Iger, people familiar with the matter said. **A1**

◆ **ConocoPhillips**, which abandoned Venezuela after its assets were nationalized, is open to a deal to sell the country's oil in the U.S. as a way to recover money it is owed by Venezuela, according to people familiar with the matter. **B1**

◆ **The SEC sued** Genesis Global Capital and Gemini Trust over a \$900 million crypto-lending program that allegedly violated investor-protection laws. **B1**

◆ **Volkswagen reported** its lowest sales in more than a decade, but said it was confident business would improve this year. **B1**

◆ **Tesla cut prices** for some vehicles sold in the U.S. by nearly 20%, aiming to lure new buyers at a time Wall Street is concerned appetite for the firm's vehicles is weakening. **B2**

◆ **Southwest Airlines** has hired an outside consulting firm and is working to strengthen a crew scheduling system after a meltdown rolled its holiday operations. **B1**

### World-Wide

◆ **Attorney General Garland** named Robert Hur, a former U.S. attorney during the Trump administration, as special counsel to examine why classified documents were found at Biden's home and office, intensifying scrutiny of Biden's actions after he left the vice presidency in 2017. **A1**

◆ **McCarthy wrapped up** his first week as House speaker by saying that Republicans would keep up a rapid pace as they move to control spending and investigate the Biden administration. **A4**

◆ **South Korea's president** said the country could develop its own nuclear weapons or ask the U.S. to redeploy them on the Korean Peninsula if the threat from North Korea grows. **A7**

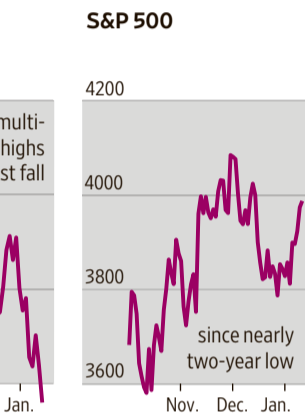
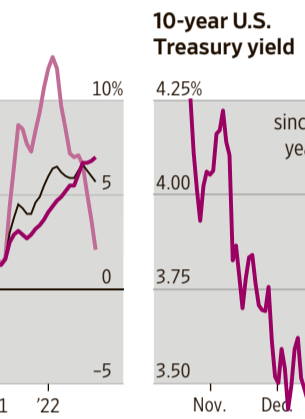
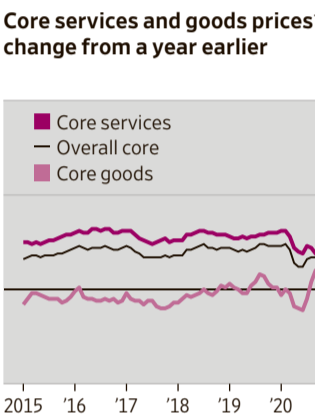
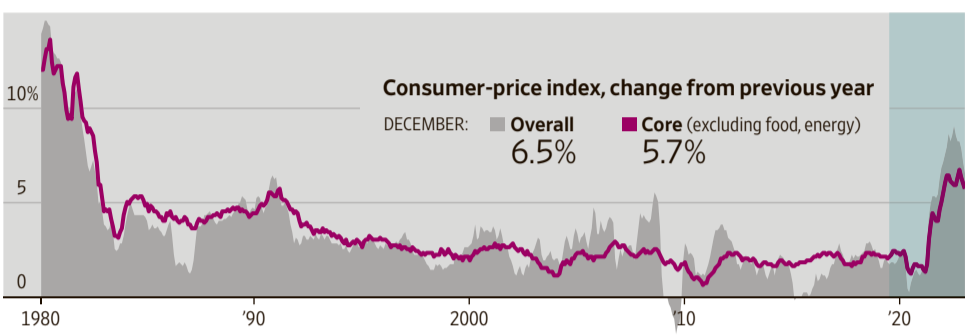
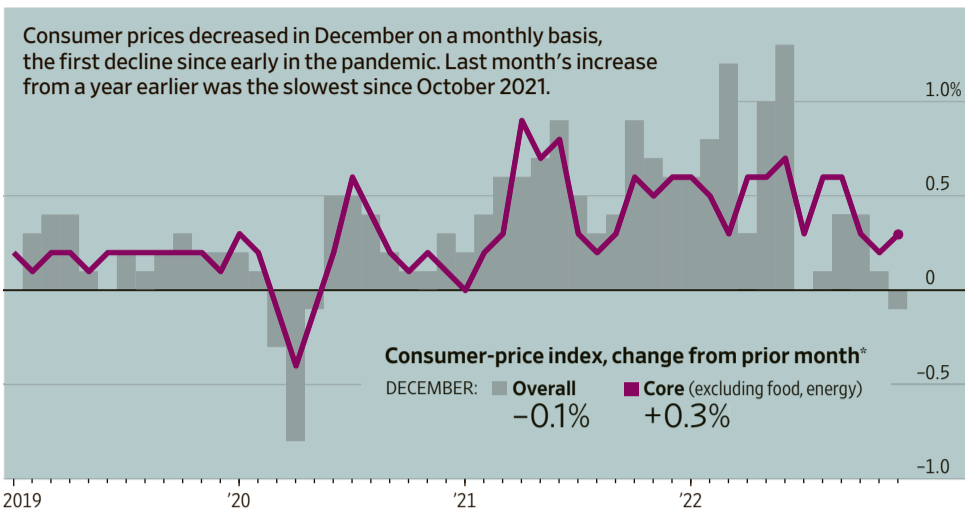
◆ **The Justice Department** outlined its sedition case against Proud Boys leader Tarrío and four members of the far-right group during an opening statement at their trial over the Capitol riot. **A5**

◆ **Brazil's da Silva vowed** to reduce the influence of military forces in his government after blaming security officials for aiding protesters who stormed the presidential palace on Sunday. **A8**

◆ **The FAA said** its preliminary investigation into a nationwide flight disruption this week found that it was the result of actions by "personnel who failed to follow procedures." **A3**

◆ **Died: Paul Johnson**, 94, journalist and historian. **A16**  
◆ **Lisa Marie Presley**, 54, daughter of Elvis Presley. **A5**

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\*Seasonally adjusted. †Core CPI refers to consumer-price index less food and energy. Core services refers to services less energy services. Core goods excludes food and energy items. Sources: Labor Dept. (CPI); Tullett Prebon (Treasury); FactSet (S&P 500) Erik Brynildsen and Angela Calderon/THE WALL STREET JOURNAL

## Inflation Pace Slows for Sixth Straight Month

By GWYNN GUILFORD

U.S. inflation eased in December for the sixth straight month following a mid-2022 peak as the Federal Reserve aggressively raised interest rates and the economy showed signs of cooling.

The consumer-price index, a measurement of what consumers pay for goods and services, rose 6.5% last month from a year earlier, down from 7.1% in November and well below a 9.1% peak in June.

Thursday's data added to signs that inflation is turning

a corner following last year's surge. They also likely keep the Fed on track to reduce the size of interest-rate increases to a quarter-percentage-point at their meeting that concludes on Feb. 1, down from a half-percentage point increase in December.

Core CPI, which excludes volatile energy and food prices, climbed 5.7% in December. *Please turn to page A2*

◆ **Capital Account: Why inflation is slowing down...** A2  
◆ **Many CEOs are expecting a recession, but a mild one...** B1

## Markets, Fed Split On Rate Forecasts

By AKANE OTANI AND NICK TIMIRAO

The Federal Reserve says it is too early to think about cutting interest rates this year. Investors are growing more convinced that is exactly what the central bank is going to do.

The clash between investors' hopes and Fed policy, and how it ultimately resolves, is shaping up to be one of the biggest question marks for financial

markets in 2023. Many money managers think inflation has peaked, and that price pressures will fall so fast that the Fed takes back some of its interest-rate rises by the end of the year, as it did in 2019 just seven months after its last increase. *Please turn to page A6*

◆ **Stocks advance as inflation cools off...** B10  
◆ **Heard on the Street: Investors fight the Fed...** B11

## Special Counsel to Probe Biden Over Files

WASHINGTON—Attorney General Merrick Garland named Robert Hur, a former U.S. attorney during the Trump administration, as special

By *Sadie Gurman, Aruna Viswanatha and Tarini Parti*

cial counsel to examine why classified documents were found at President Biden's home and office, intensifying scrutiny of Mr. Biden's actions after he left the vice presi-

dency in 2017.

The appointment on Thursday came after Mr. Biden's lawyer said aides found classified records, likely dating from Mr. Biden's time as vice president, at his Wilmington, Del., garage and at an office he used at a Washington-based think tank that bears his name. It heightens political pressure on the White House and sets up the unusual prospect of three concurrent Justice Department special counsels, two of whom are

investigating the actions of the president or his chief rival for office. Lawmakers from both parties in Congress have also demanded details on the discovery of the documents.

"I strongly believe that the normal processes of this department can handle all investigations with integrity. But under the regulations, the extraordinary circumstances here require the appointment of a special counsel for this matter," Mr. Garland said, adding that he would ensure Mr.

Hur got the resources he needed to conduct the probe.

Mr. Hur is a longtime federal prosecutor who was the U.S. attorney in Maryland in the Trump administration and a senior aide to the deputy attorney general. He clerked for the late U.S. Supreme Court Chief Justice William Rehnquist and prosecuted dozens of financial fraud, public corruption and other cases. He most recently was a defense lawyer in private practice. In a brief order, Mr. Garland

said Mr. Hur would examine the possible unauthorized removal and retention of classified documents found at Mr. Biden's home and the think tank. "The Special Counsel is authorized to prosecute federal crimes arising from the investigation of these matters," the order said.

"I will conduct the assigned investigation with fair, impartial and dispassionate judgment," Mr. Hur said in a statement, adding that he intended *Please turn to page A4*

## Disney's Board Shift Doesn't Sway Peltz

By ROBBIE WHELAN AND LAUREN THOMAS

Activist investor Nelson Peltz doesn't believe the Walt Disney Co.'s board leadership change will shift the direction of the company, saying the new chairman is little more than a rubber stamp for newly returned CEO Bob Iger, people familiar with the matter said.

On Thursday, Mr. Peltz and his hedge fund, Trian Fund Management LP, turned up the heat in their proxy battle, despite board changes Disney made Wednesday in an effort to counter his push. The com-

pany named Nike Inc. chairman Mark Parker as its new board chair, succeeding Susan Arnold, and assured investors that he would lead the search for the next chief executive.

Mr. Peltz thinks Mr. Parker and Mr. Iger are too friendly for Mr. Parker to be truly objective, people familiar with Mr. Peltz's thinking said. He also believes Mr. Parker has too many demands on his time and attention, given that he still serves as Nike's executive *Please turn to page A8*

◆ **Heard on the Street: Battle in the Magic Kingdom...** B11

## Ukraine Braces for Attack as Russia Regroups



A local resident walks past damaged buildings in Bakhmut, Ukraine, on Thursday. In Moscow, a change in military leadership in the war efforts could signal a fresh Russian offensive. **A16**

## 'Yellowstone' Has Suburbanites Dressing Like Cattle Ranchers

City slickers are wearing the cowboy hats and snap-button shirts seen on the hit show

By JACOB GALLAGHER

Ryan Capalbo's life is nothing like that of a rough and tumble cowboy.

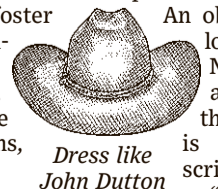
The 34-year-old spends his days toiling over foster care cases, not tending to cattle. And he lives in Dobbs Ferry, N.Y., where people ride commuter trains, not horses.

Yet, on any given day, this suburbanite dresses like a hardened rancher in Tecovas cowboy boots and a

snap-button shirt. "I've definitely adopted a very western style to my wardrobe," said Mr. Capalbo.

The catalyst for Mr. Capalbo's rustic fashion sense? An obsession with "Yellowstone," Paramount Network's horses-and-handguns drama that in its fifth season is the most-watched scripted show on TV.

"Once the show came out I got really into cowboy boots," said Mr. Capalbo. *Please turn to page A9*



Dress like John Dutton

## China's Precarious Moment: Pervasive Covid, Few Controls

Parts of economy bounce back, but infections soar, hospitals strain

CHONGQING, China—A month after scrapping most of its zero-Covid restrictions, China is experiencing all at once what many other nations have been navigating for three years.

By *Brian Spegele, Cao Li and Karen Hao*

Infections have skyrocketed, medical facilities are stretched to their limits and the elderly and infirm are dying, although official government numbers are seen by public-health experts as vastly underestimating Covid-related deaths.

At the same time, parts of the economy are bouncing back as commuters pack subways and restaurants, workers resume normal rou-

tines and domestic tourists are once again on the move.

It is a combustible mix and the outcome is particularly difficult to predict. No other country instituted zero-tolerance measures as widely for as long—and few shed controls as abruptly.

Recent interviews with doctors, business owners and other urban and rural residents reveal both optimism and trepidation, as well as resentment among those with family members who have died, who blame the government for acting recklessly.

There are a wide range of possibilities for *Please turn to page A9*

◆ **China overseas flights face slow rebound...** A7



# U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

## Why Inflation Has Been Cooling Down



December's consumer price data add to a picture of inflation, across a broad range of definitions, coming down.

In fact, just as the U.S. got used to thinking high inflation could be here to stay, signs are emerging that most of the surge through 2021 and the first half of 2022 was actually transitory—as Federal Reserve officials first thought.

This doesn't mean the inflation battle is over. Even the most favorable interpretation still leaves current, underlying inflation above the Fed's 2% target. Nor does it mean the Fed's initially sanguine diagnosis was right. After all, it is because the Fed discarded that diagnosis and raised interest rates sharply last year to fight inflation that some prices are starting to drop, especially of houses.

When Fed officials first used the word transitory, it was widely interpreted as "brief." A more nuanced interpretation was that many prices were rising because of idiosyncratic supply-demand imbalances that would wash away as the economy normalized.

Normalization took far longer than almost anyone expected, but is clearly under way in several key product markets. Most intriguing, it may also be happening in the labor market.

Overall U.S. inflation hit a 41-year high of 9.1% in June in part because energy

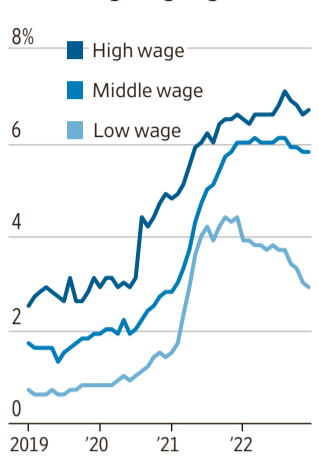
prices—which began rising as the world reopened from pandemic lockdowns in 2020—jumped with Russia's invasion of Ukraine last February. But gasoline, which hit an average of \$5 a gallon in June, is now down to \$3.27, according to AAA. That is an important reason inflation is now down to 6.5%.

Prices of long-lasting goods, especially automobiles, shot up as locked-down consumers splurged. But demand for such goods has softened as the pandemic recedes and the parts shortage improves. Used-car prices have been falling since July, and new car prices dropped in December. That has helped push core inflation, which excludes food and energy, down to 5.7% from 6.6% in September.

The pandemic and ultra-low interest rates fueled a boom in purchases of larger houses or houses in different parts of the country. Meanwhile, builders struggled with shortages of land, materials and workers. All those factors have receded, and home prices are now falling and new rents rising much more slowly.

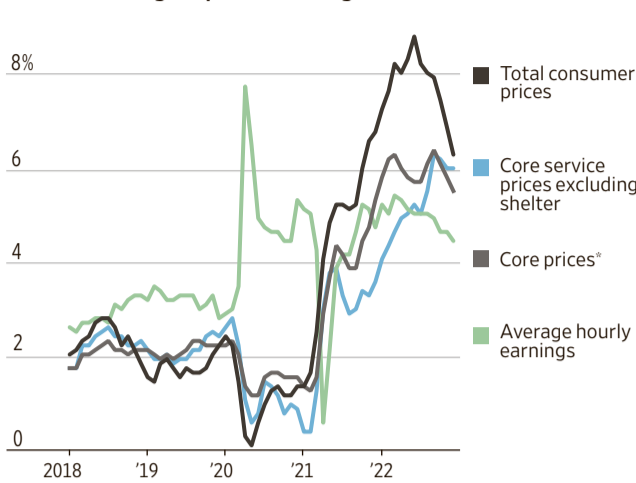
What energy, cars and housing all have in common were a combination of concentrated demand and restricted supply. When some buyers will pay almost anything, prices can rise vertically. European governments paying to procure enough natural gas, rental companies paying for used cars to rebuild their fleets, and migrants from U.S. coasts paying for houses in interior markets. Much of the econ-

Share of job postings on Indeed advertising a 'signing bonus'\*



\*High, middle and low wage refers to top, middle and lowest third of occupations by hourly wage. Sources: Indeed Hiring Lab (job postings); Labor Department (total and core prices, earnings); Omair Sharif (core services excluding shelter)

12-month change in prices and wages



omy seemed to have adopted the "surge" pricing used by ride-sharing services, Minneapolis Fed President Neel Kashkari has written.

Such dynamics aren't sustainable. Either demand self-destructs, or supply responds, or both, which happened to varying degrees in all of these markets. Once transitory influences are gone, what is left is underlying inflation, which in theory can stay high only if the demand for goods and services persistently exceeds the supply, or if the public begins to expect higher inflation and sets prices and wages accordingly.

There are two ways of teasing out underlying inflation. The first, which the Fed prefers, is to exclude food, energy, goods and shelter, a proxy for all the inflation that isn't transitory. In December, those prices were up 6.2% from a year earlier, ac-

ording to calculations by independent inflation analyst Omair Sharif, way too high for the Fed's comfort. (They were up only 2.9% at an annual rate in the past three months, though that figure is quite volatile.)

So at first blush, that is worrisome. But the second way is to look at wages, which provide more comfort.

Wages, in the Fed's view, are the main determinant of these service prices. The Fed worries about wages now because the labor market is exceptionally tight. The unemployment rate ended 2022 at a 53-year low of 3.5%, well below the Fed's long-run estimate of 4%. There were 1.7 vacancies for every unemployed worker in November, compared with the prepandemic high of 1.2.

But what if that tight labor market isn't actually having the expected effect? If it were, we would expect wage

growth to accelerate—or at least, stay strong—as long as unemployment persists below its long-run level. That didn't happen. December data and revisions to prior months clearly show hourly wage growth slowed over the course of the year. The 12-month change dropped from 5.6% in March to 4.6% in December. Wages grew at 4.1% annual rate in the last three months of the year—a bit above the rate compatible with 2% inflation, but not by much.

Perhaps employers in late 2021 and the first half of 2022 were like buyers of cars, houses and natural gas: willing to pay almost any price. Think of a restaurant unable to open until it finds a dishwasher: It will clearly pay more than if it were already fully staffed. Many employers have turned to signing bonuses and one-off pay bumps to attract or retain

employees, which may explain why wages accelerated so much, especially for lower-skilled, lower-paid occupations.

That need may be less pressing. In 2019, less than 2% of job postings on job site Indeed mentioned "signing bonus," according to Nick Bunker, director of North American research at Indeed Hiring Lab. By last August, that had climbed to 5.6%. It has since slipped to 5.1%. The drop is more pronounced for lower-paid occupations: The proportion has fallen to 2.9% at the end of 2022 from 4.4% a year earlier.

Even if a lot of wage and price growth does prove transitory, that won't necessarily comfort the Fed. When officials began using the term "transitory" in March 2021, the unemployment rate was 6% and consumers expected about 3% inflation in the coming year. In other words, the main determinants of underlying inflation—aggregate supply and demand and expectations—justified a sanguine outlook. Not anymore. Unemployment is now 3.5% and consumers expect 4.6% inflation in the coming year, according to the University of Michigan. This is why the Fed can't signal an end to interest-rate increases yet and the risk of a recession can't be dismissed.

Still, compared with a few months ago, the case for Fed stringency is a little less compelling and the odds of a soft landing somewhat better. Thank the improbable comeback of "transitory."

## Pace of Price Rises Moderates

Continued from Page One  
ber from a year earlier, easing from a 6% gain in November. Many economists see increases in core CPI as a better signal of future inflation than the overall CPI.

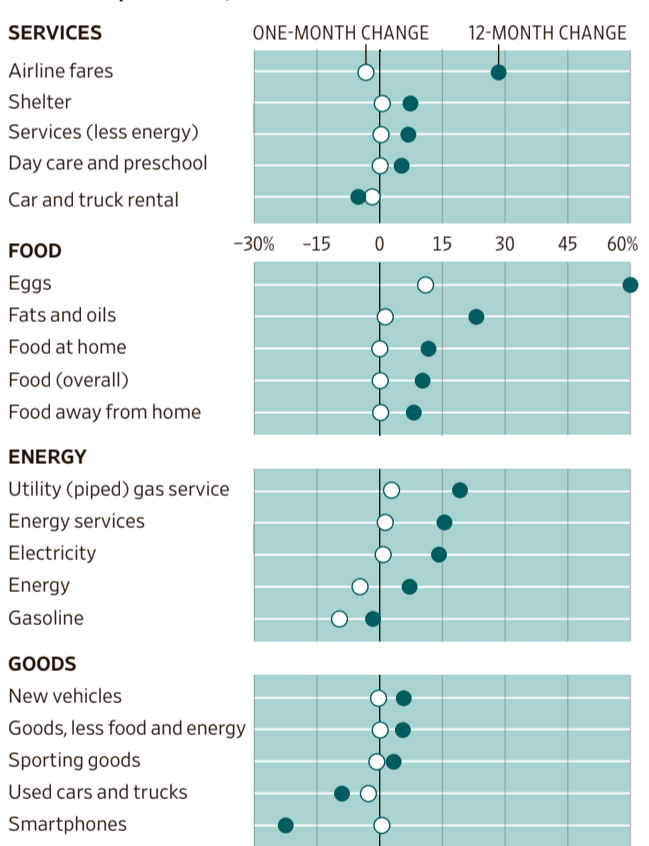
Core prices increased at a 3.1% annualized rate in the three months ended in December, the slowest pace in more than a year and down from 7.9% in June.

U.S. stocks climbed Thursday and investors bought U.S. Treasuries, lifting bond prices and weighing on yields. The S&P 500 added 0.3%, while the Dow Jones Industrial Average gained 0.6%, or 216.96 points. The technology-heavy Nasdaq Composite rose 0.6%.

"The December CPI report was welcome good news after a very bad patch for inflation," said Bill Adams, chief economist at Comerica Bank. He said consumers are getting relief from lower gasoline prices and moderating food prices, as well as declining prices for other goods.

On a monthly basis, the CPI fell 0.1% in December, due to sharply falling energy prices. That compared with a gain of 0.1% in November and 0.4% in October. Food-price increases also slowed last month. Core CPI rose 0.3% in December, up

Consumer-price index, select items



Note: One-month change is seasonally adjusted, 12-month change is unadjusted. Source: Labor Department

from November's 0.2% rise but down from 0.6% increases in August and September.

Goods prices, a key driver of inflation over the past year and a half, fell for the third straight month in December as prices fell for products such as autos, computers and sporting goods.

Easing inflation follows several signs that U.S. economic activity cooled in late 2022. U.S. imports and exports fell in

November from October, while retail sales, manufacturing output and home sales all declined. Job and wage growth slowed in December, though the labor market remained tight with historically low claims for unemployment insurance at the start of the year.

Improving supply chains and reduced demand have relieved price pressures on goods, but services prices con-

tinued to climb in part because of wage gains in a tight labor market.

Some economists worry that still-high wage growth could keep consumers flush with cash and companies eager to raise prices to compensate, holding inflation above the Fed's 2% target.

"Taming services inflation will be the Fed's biggest challenge this year," said Ryan Sweet, chief U.S. economist at Oxford Economics.

Shelter prices rose 7.5% in December from a year earlier, the Labor Department said, and a broader measure of services prices that excludes utilities rose 7% during the period. Both increases were the biggest since 1982.

Daycare and preschool prices rose 5.4% in December from a year earlier, the biggest increase since 2006, while those for home-health care increased 6.1% in the period. Hospital services prices, meanwhile, jumped 1.5% in December from the prior month, the sharpest monthly increase since 2015.

Inflation remained high across the globe in November, though it abated during the month, the Organization for Economic Cooperation and Development said Tuesday. Consumer prices across the Group of 20 largest economies—which contribute four-fifths of economic output worldwide—rose 9% from a year earlier in November, down from October's 9.5% increase, the first drop in the G-20 inflation rate since August 2021.

Prices rose sharply in 2021 as the U.S. economy re-

bounded from the Covid-19 pandemic, powered by pent-up consumer spending that got a boost from low interest rates and government stimulus. Snarled supply chains fueled higher prices for many goods. Russia's invasion of Ukraine in early 2022 also tightened supplies of energy and other commodities, further stoking inflation worldwide.

Inflation pressures on goods dissipated last summer as supply chains improved and energy prices fell. Shipping costs from China to the West Coast are near prepandemic levels.

Gasoline prices have declined, with the national average price of regular unleaded gasoline at \$3.27 a gallon on Thursday, down about 50 cents a gallon from mid-November, according to OPIS, an energy-data and analytics provider. Gasoline prices peaked in mid-June at a record \$5.02 a gallon.

"Logistics prices have also slowed materially, shipping costs are back to where they were pre-Covid," said Jake Oubina, senior economist at Piper Sandler. "The alleviation on the cost side is creating the wherewithal to discount more aggressively as we head into 2023."

The clearest impact of Fed tightening so far is in the housing market. Existing-home sales fell in November for a 10th straight month as high mortgage rates boosted buyers' costs.

Ian Snowden, a 33-year-old tech salesman, said the shift to remote work after the pandemic hit allowed him to move to Asheville, N.C., where he has easy access to hiking, fishing and other outdoor activities.

The move proved more expensive than expected, though. After losing out to cash buyers in bids for existing homes, Mr. Snowden signed a contract in September 2021 to buy a newly constructed property. By the time his home was completed the following June, mortgage rates had doubled. On top of that, the construction company told him that he was on the hook for an extra \$25,000 to offset unexpectedly high costs for concrete, labor and other items—or he could back out of the contract.

At that point, Mr. Snowden said, he was already selling his old house and had made plans to move, so he wasn't going to back out. "So much was already in motion," he said. Between the higher mortgage rates and the additional costs, the monthly mortgage payment increased \$200, he said.

—Austen Hufford contributed to this article.

## Federal Deficit Widened in December

By Andrew Duehren

WASHINGTON—The federal government ran an \$85 billion deficit in December, a wider shortfall than in the same month a year earlier, as the government's debt burden nears its legal limit.

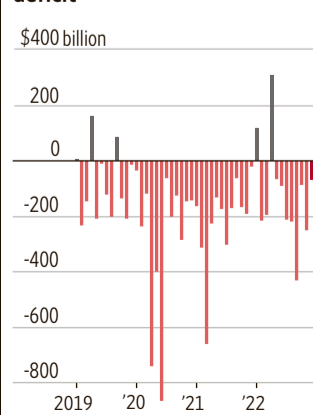
Compared with December 2021, the government brought in \$32 billion less in revenue last month, for a total of \$455 billion, and spent \$32 billion more, for a total of \$540 billion. Without adjusting for calendar differences, the overall gap between spending and revenue in December was \$64 billion more than the \$21 billion deficit in the same month in 2021, according to the Treasury Department.

The federal deficit dropped last fiscal year as the government wound down huge spending programs responding to the Covid-19 pandemic. But it widened by 12% in the first few months of the fiscal year that began in October as rising interest rates increase borrowing costs for the government. The government posted a record deficit for the month of November in 2022.

The Treasury has spent \$57 billion more, a 37% increase, on paying for the government's debt so far this fiscal year than it did in the same period a year earlier.

The federal government is approaching the roughly \$31.4 trillion limit on borrowing set by Congress. As of Tuesday, the government has borrowed roughly \$31.3 trillion.

Monthly federal surplus/deficit



Source: Department of the Treasury via the Federal Reserve Bank of St. Louis

## CORRECTIONS & AMPLIFICATIONS

**Bob Chapek** became chief executive of **Walt Disney Co.** in 2020 and was fired by the board in 2022. In some editions Thursday, a Page One article about Disney and activist investor Nelson Peltz incorrectly said Mr. Chapek became CEO in 2021 and was fired after less than a year.

**Japan is establishing** a new joint military headquarters for its armed services. In some editions Thursday, a Page One article about U.S.-Japan security cooperation incorrectly said that Japan's headquarters would be established with the U.S.

**Millions of people** in California on Tuesday were un-

der a flood watch, warning or advisory, according to the National Weather Service. A U.S. News article on Wednesday about storms in the state incorrectly said 44 million people were under one of the flood notices, and the figure may have accounted for some California residents twice.

**A Personal Journal** article on Tuesday about Melissa Wood Health, a fitness brand that includes workout videos, didn't fully convey the perspective from an interview with James Davis. The online article has been updated to include additional comments from the interview with Mr. Davis, a Pilates instructor and physical thera-

pist in the U.K. who isn't an MWH subscriber. Mr. Davis said he doesn't think Melissa Wood-Tepperberg teaches enough fundamentals, such as spine safety or modifications, and is too liberal in using the term "Pilates" in marketing materials. "I would advise anyone interested in starting Pilates to avoid MWH," said Mr. Davis, who moderates Reddit's Pilates forum, adding that "there are far better online resources to choose from." An MWH spokesperson said that for safety, Melissa Wood Health organizes videos by beginner, intermediate and advanced and that the brand's workouts have always been a blended combination of Pilates and yoga with sculpting movements.

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

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## U.S. NEWS

# Cancer Death Rate Has Dropped By a Third

By BRIANNA ABBOTT

The cancer mortality rate in the U.S. has dropped by a third in the past three decades, a report showed, but an increase in advanced prostate cancer diagnoses threatens to reverse some hard-won gains.

The American Cancer Society said Thursday that changes in preventive measures and screening in the past decade drove important trends in U.S. cancer incidence and outcomes. Cervical cancer rates dropped 65% from 2012 to 2019 among women in their early 20s after a generation of young women were vaccinated against human papillomavirus, or HPV, for the first time.

But a decline in the use of a controversial test for prostate cancer likely led to more men getting diagnosed at later stages, the report found, with the highest incidence and mortality among Black men. The ACS said it would invest in research on prostate cancer and programs to boost access to quality screening and treatment.

The report was published in the journal CA: A Cancer Journal for Clinicians. The authors at ACS analyzed federal and state cancer registries for data on cancer rates through 2019 and federal mortality data through 2020, the report said.

Cancer is the second-leading cause of death in the U.S., behind heart disease, with nearly two million cases and some 610,000 deaths estimated to occur in 2023, the ACS said. The decline in smoking rates, better early detection and innovative treatments have driven a drop in death rates since 1991, the report said, averting an estimated 3.8 million cancer deaths in that time.

The vaccine for HPV, a sexually transmitted virus that can cause cervical and other types of cancer, is one success story, ACS said. The Food and Drug Administration approved the first HPV vaccine in 2006 for girls and women ages 9 to 26. The youngest in that group are now adults, and cervical cancer rates for women in their early 20s have dropped more than expected from screening alone.

For prostate cancer, rates of advanced diagnoses have risen about 4.5% annually since 2011, the report found. The proportion of men diagnosed with later-stage disease has doubled. Declines in mortality rates have leveled off.

# California Gets Short Reprieve From Storms



SWAMPED: Salinas River floodwaters surrounded a home Thursday in Monterey County. Precipitation was forecast to return to the state Friday and last through the weekend.

PHOTO COURTESY/ARISTIDE ECONOMIDIS/REUTERS

# FAA Pilot-Alert System Faces Scrutiny

Federal aviation regulators, lawmakers and air safety advocates have for years warned about outdated technology

By Andrew Tangel,  
Micah Maidenberger  
and Alison Sider

and other problems with the pilot-alert system that brought U.S. air travel to a halt this week.

Technology that supports the Federal Aviation Administration's Notice to Air Missions, or Notam, alert system is "failing vintage hardware" that needs to be quickly replaced, according to the Transportation Department's most recent budget request for the FAA. Pilots and industry officials said that the format and distribution system for the notices, which can contain extraneous information, can make them difficult for pilots to digest.

"This is critical infrastructure," said Michael Huerta, a former FAA administrator during the Obama and Trump administrations who now serves on the board of Delta Air Lines Inc. "It may not be as glamorous as new airports or new bridges but without it, the system cannot function. The administration and Congress need to make this a priority."

A breakdown of the Notam system led the FAA to halt all domestic departures for nearly two hours early Wednesday, snarling thousands of flights and contributing to around 1,300 cancellations. Transportation Secretary Pete Buttigieg has said the FAA tried un-

successfully to switch to a backup system and the agency then ordered a nationwide "ground stop" shortly after 7 a.m. ET.

The FAA said Thursday its preliminary investigation into the cause of the problem with its Notam system found that it was the result of actions taken by "personnel who failed to follow procedures." The agency hasn't determined whether the actions of the workers, who were contractors, were inadvertent or intentional, people familiar with the matter said.

The system has undergone updates but is largely based on legacy technology that is

about 30 years old, current and former government officials said.

The sprawling agency, which oversees everything from drones and jet manufacturing to air-traffic control, has faced challenges revamping the software and hardware its staffers rely on to keep the country's increasingly busy airspace operating smoothly.

Technology systems that allow the FAA to manage significant amounts of aviation information haven't always been prioritized by elected officials in recent years, former agency officials said.

FAA efforts over the years to

upgrade air-traffic control technology have "struggled in some respects and one cause that has been pointed to has been the lack of stable, consistent funding," said Arjun Garg, former chief counsel at the FAA.

When the Transportation Department made its annual budget request to Congress last year for the FAA, it sought \$29.4 million to accelerate development of a program that would let the agency eliminate what it called "failing vintage hardware" that currently supports the Notam alert system. The system has failed at least two other times since early 2021, industry officials said,

though in those cases the FAA was able to avoid widespread impacts to flights.

Pilots receive Notam alerts in all-caps, a format dating back to the era of teletype machines, according to former FAA officials. The messages are laden with acronyms, abbreviations and numbers conveying information about runways, approaches and obstacles.

Some carriers, including Delta and JetBlue Airways Corp., had said in discussions with the FAA on Wednesday that they had systems in place to be able to keep flying safely before the ground stop, according to industry officials.

JetBlue said that after a previous breakdown of the system, it developed its own "accepted backup process" to update Notam information manually.

Several technology programs have a role in the Notam system, according to Transportation Department budget documents. The agency has been working to overhaul the Notam system, but those efforts aren't expected to be complete for some years, according to current and former government officials.

This week's breakdown of the FAA's Notam system followed months of jousting between federal officials and airlines over staffing and technology issues. Mr. Buttigieg has said that airlines have been ill-prepared to serve travelers as they flocked back to airports following the Covid-19 pandemic, and he has pledged to strictly enforce customer protection measures.

## Flight Operations Are Back to Normal

The Federal Aviation Administration said operations were back to normal Thursday, a day after its national pilot-alert system shut down and the agency grounded all domestic flights for nearly two hours.

Thousands of passengers were stranded across the U.S. on Wednesday in one of the air travel industry's biggest meltdowns in years. The FAA said its Notice to Air Missions system, which provides safety information to pilots, sustained an outage that it later blamed on a damaged database file.

As a result, 10,689 flights to, from or within the U.S. were canceled on Wednesday and 1,353 were canceled, according to FlightAware. On Thursday, more



Travelers at Newark Liberty International Airport on Thursday.

than 2,300 U.S. flights had been delayed and more than 120 canceled by the afternoon, the flight-data company said.

Airlines including American Airlines Group Inc., Delta Air Lines Inc., Southwest Airlines Co. and United Airlines Hold-

ings Inc. said they expected operations to normalize by Thursday. Some airlines have offered to waive fare differences. American Airlines said a few cancellations would linger from Wednesday.

—Alyssa Lukpat

# Vaccinations Among Kindergartners Fall

By SARAH TOY

Rates of routine immunization have declined among young children, federal researchers said, in part because of disruptions in healthcare access during the pandemic.

The Centers for Disease Control and Prevention said in a report on Thursday that uptake of state-mandated vaccines fell slightly during the 2021-22 school year among kindergartners. Another study showed a decline in vaccination coverage by age 2 among children who lived in rural areas or below the federal poverty line.

Georgina Peacock, director of the CDC's Immunization Services Division, said that children missed routine pediatric visits, and people might still be trying to catch up. An increase in vaccine hesitancy might have contributed to the decline, she said.

CDC researchers looked at data from federally funded immunization programs that work with education departments and schools across the country to estimate vaccination rates. They examined uptake of the measles, mumps and rubella vaccine; the diphtheria, tetanus and acellular pertussis vaccine; the poliovirus vaccine; and the varicella, or chickenpox, vaccine.

Researchers found that

overall vaccination rates fell to 93% in the 2021-22 school year from 94% during the 2020-21 school year. In 2019-20, when children were vaccinated before the Covid-19 pandemic, vaccination coverage was 95%, the researchers said.

Measles, mumps and rubella coverage was 93.5%, the researchers said, meaning nearly 250,000 kindergarten students might not be protected against measles.

During a measles outbreak in Ohio last month that infected more than 80 children, all the infections were among unvaccinated or partially vaccinated children. Drops in vaccination coverage can also clear the way for once-defeated viruses to re-emerge.

Another CDC study showed that while national vaccine coverage by age 2 remained strong and even increased for some vaccines, routine vaccination fell by 4 to 5 percentage points among children living below the federal poverty line or in rural areas who were born during 2018 and 2019.

"That is a staggering number," said Arthur Lavin, a pediatrician at Akron Children's Hospital in Ohio. "It goes back to the whole reality of American medical care, which is that if you're insured, you're much more likely to get medical care."



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THE MOST FABULOUS JEWELS IN THE WORLD



U.S. NEWS

# Google Argues for Web Liability Shield

### Tech giant files brief in YouTube case brought by family of woman killed in terror attack

By JOHN D. MCKINNON

WASHINGTON—A case before the Supreme Court challenging the liability shield protecting websites such as YouTube and Facebook could “upend the internet,” resulting in both widespread censorship and a proliferation of offensive content, Google said in a court filing Thursday.

In a new brief filed with the high court, Google said that scaling back liability protections could lead internet giants to block more potentially offensive content—including controversial political speech—while also leading smaller websites to drop their filters to avoid liability that can arise from efforts to screen content.

“This Court should decline to adopt novel and untested

theories that risk transforming today’s internet into a forced choice between overly curated mainstream sites or fringe sites flooded with objectionable content,” Google said in its brief.

Google, a unit of Alphabet Inc., owns YouTube—which is at the center of the case set for oral arguments before the Supreme Court Feb. 21.

The case was brought by the family of Nohemi Gonzalez, who was killed in the 2015 Islamic State terrorist attack in Paris. The plaintiffs claim that YouTube aided ISIS by recommending the terrorist group’s videos to users.

The Gonzalez family contends that the liability shield—enacted by Congress as Section 230 of the Communications Decency Act of 1996—has been stretched to cover actions and circumstances never envisioned by lawmakers. The plaintiffs say certain actions by platforms, such as recommending harmful content, shouldn’t be protected.



The funeral for Nohemi Gonzalez, killed in 2015 terrorist attack.

The immunity law “is not available for material that the website itself created,” the petitioners wrote in their brief filed in November. “If YouTube were to write on its home page, or on the home page of a user, ‘YouTube strongly recommends that you watch this

video,’ that obviously would not be ‘information provided by another information content provider.’ ”

Section 230 generally protects internet platforms such as YouTube, Meta Platforms Inc.’s Facebook and Yelp Inc. from being sued for harmful

content posted by third parties on their sites. It also gives them broad ability to police their sites without incurring liability.

The Supreme Court agreed last year to hear the lawsuit.

Google contends that Section 230 protects it from any liability for content posted by users on its site. It also argues that there is no way to draw a meaningful distinction between recommendation algorithms and the related algorithms that allow search engines and numerous other crucial ranking systems to work online, and says Section 230 should protect them all.

“Section 230 is fundamentally the economic backbone of the internet,” said Halimah DeLaine Prado, Google’s general counsel. “A ruling that undermines Section 230 would have significant unintended and harmful consequences.”

In the plaintiffs’ lawsuit, they asserted that YouTube had knowingly permitted ISIS to post hundreds of radicaliz-

ing videos. They also alleged that YouTube affirmatively recommended ISIS videos to users.

In its latest filing, Google said YouTube “abhors terrorism and over the years has taken increasingly effective actions to remove terrorist and other potentially harmful content.” Google has questioned the plaintiffs’ factual evidence of YouTube recommendations of terrorist videos.

Google also contested the case on legal grounds, saying that Section 230 barred the Gonzalez family’s claims.

A trial judge and the Ninth Circuit U.S. Court of Appeals agreed with Google. The Supreme Court agreed to review the question of whether Section 230 covers a platform’s recommendations.

Lawmakers and President Biden have long called for modifying Section 230 to address what they say are flaws in the law, but legislation to do so has repeatedly fizzled amid partisan differences.

# McCarthy Says House Republicans Are Focused on Spending, Probes

By SIOBHAN HUGHES

WASHINGTON—House Speaker Kevin McCarthy wrapped up his first week in the role by saying that House Republicans would keep up a rapid pace as they move to control spending and investigate the Biden administration.

“We’re just getting started,” he told reporters. “We made a commitment to America and we’re going to keep it,” referring to the party’s campaign document laying out its priorities.

Mr. McCarthy (R., Calif.) also said he planned no immediate action related to Rep. George Santos (R., N.Y.), who has admitted falsifying large parts of his background, despite demands from some Republicans that the freshman lawmaker step down. He said the matter would be referred to the Ethics Committee.

“He’s got a long way to go to earn trust,” Mr. McCarthy said. “If anything is found to have been wrong, he will be held accountable exactly as anybody else in this body would be.”

On Thursday, more New York GOP lawmakers said Mr. Santos had lost the trust of his colleagues and constituents. Rep. Mike Lawler said he believes Mr. Santos should resign, while Rep. Marc Molinaro said he didn’t see how Mr. Santos could continue in office. Mr. Santos reiterated



House Speaker Kevin McCarthy wrapped up his first week in the role.

Thursday that he wouldn’t resign.

The GOP plans to step up probes of the Biden administration. The party is also planning to use debt-ceiling negotiations to press for spending cuts, setting the stage for a potentially market-rattling standoff.

On the debt ceiling, Mr. McCarthy both reiterated his concerns about spending while also playing down fears of any crisis.

“We don’t want to put any fiscal problems through our economy and we won’t,” he said, while also warning that fiscal problems would arise from “continuing to do busi-

ness as usual.” He said that agreements to cap spending as part of a deal to raise the borrowing limit had been used in the past and indicated that he had broached such issues with President Biden.

Mr. Biden and Democrats have rejected tying debt-ceiling talks to negotiations over spending.

The House this week adopted a rules package that allows a single lawmaker to call for a snap vote on ousting the speaker after Mr. McCarthy clawed his way to the speakership by making concessions to Republicans demanding strict new border policies, spending cuts and more power for the

hard-line House Freedom Caucus on influential committees. It also passed a pair of abortion-related bills and created a committee to investigate law-enforcement and national security agencies, which it calls the Select Subcommittee on the Weaponization of the Federal Government.

Republicans are also stepping up investigations of Mr. Biden’s son, Hunter Biden, and Mr. McCarthy said Thursday that he believes it should be a priority for Congress to investigate the recent discovery of classified documents at Mr. Biden’s home and office.

House Minority Leader Hakeem Jeffries (D., N.Y.) said Republicans’ actions showed they were focused on “witch hunts, not working families.”

In other actions, the Republicans formed another committee to address competition with the leadership of China, and passed legislation to repeal tens of billions of dollars in Internal Revenue Service funding enacted by the Democratic-controlled House last year to improve customer service and focus on collecting unpaid taxes owed by the wealthy. The House also voted 331 to 97 on Thursday to pass a bill barring the sale of petroleum products from the Strategic Petroleum Reserve to any entity connected to China.

—Jimmy Vielkind contributed to this article.

# Ricketts Is Appointed To Vacant Senate Seat

By SHANNON NAJMABADI

Nebraska Gov. Jim Pillen appointed his predecessor to fill the U.S. Senate seat vacated by Ben Sasse, a Republican who resigned earlier this month to become president of the University of Florida.

Pete Ricketts, a Republican who served two terms as Nebraska’s governor, will hold the seat until a special election is held in 2024 in the solid conservative state. He would have to run again in 2026 to serve a full six-year term in the Senate.

With the appointment on Thursday, the Senate now returns to full strength, with Democrats holding a narrow 51-49 majority over Republicans.

Mr. Ricketts, who endorsed Mr. Pillen and donated to his gubernatorial campaign, was widely expected to be the appointee.

Mr. Pillen dismissed criticisms of the appointment process, which the state’s Democratic Party likened to a “pay-to-play scheme” because of Mr. Ricketts’s campaign contributions.

“That’s not part of my DNA,” he said at a news conference Thursday. “The criteria for me were really, really simple,” Mr. Pillen said. “The appointee for this position needs to represent us—the people. They have to have the values and ideology that’s really important to all Nebraskans.”

A belief in less government,



Former Nebraska Gov. Ricketts

fiscal accountability and personal religious faith were other attributes Mr. Pillen sought in the appointee, he said. Seniority and the ability to win statewide elections in 2024 and 2026 distinguished Mr. Ricketts from the other applicants, he said. Nine candidates, all Republicans, were interviewed.

As governor, Mr. Ricketts, whose father founded TD Ameritrade and whose family owns the Chicago Cubs, signed into law a tax cut measure and vetoed a bill to abolish the death penalty in 2015. The state legislature overrode his veto.

Mr. Ricketts said he expected to bring a conservative philosophy to the position, similar to that of Mr. Sasse, citing his predecessor’s focus on confirming conservative judges and national defense issues.

Mr. Sasse was a rare Republican voice in Congress critical of former President Donald Trump.

# Counsel To Probe Biden Files

Continued from Page One

to “follow the facts swiftly and thoroughly without fear or favor.”

Mr. Hur’s work in the case of Mr. Biden, a Democrat, will be similar to that of another special counsel, Jack Smith, who is running an investigation into former President Donald Trump, a Republican, for potential mishandling of classified records.

“We have cooperated closely with the Justice Department throughout its review, and we will continue

Mr. Biden said the documents had been in a locked garage with his Corvette.

that cooperation with the special counsel,” Mr. Biden’s lawyer, Richard Sauber, said, adding that the documents were “inadvertently misplaced.”

The appointment was the latest of several developments this week after the White House confirmed news reports that aides had found documents with classified markings at the Penn Biden Center for Diplomacy and Global Engage-

ment, the president’s Washington-based think tank, on Nov. 2, and turned them over to the National Archives. The president’s team conducted a search for any further documents, which was completed on Wednesday, Mr. Sauber said.

The National Archives inspector general notified a Justice Department prosecutor on Nov. 4 that documents with classified markings had been discovered at the center, where they weren’t authorized to be, Mr. Garland said, offering the timeline yet of the discovery. The Federal Bureau of Investigation began on Nov. 9 assessing whether classified material had been mishandled in violation of federal law, and on Nov. 14, Mr. Garland tasked the Trump-appointed U.S. attorney in Chicago, John Lausch, with reviewing the documents.

Five weeks later, on Dec. 20, Mr. Biden’s lawyers told Mr. Lausch that additional documents with classified markings dating to Mr. Biden’s time in the Obama administration had been discovered in the garage of Mr. Biden’s home in Wilmington, prompting the FBI to go there and retrieve them.

Thursday morning, Mr. Biden’s lawyer told Mr. Lausch that an additional document bearing classification markings was identified at the home in Wilmington.

Mr. Lausch told Mr. Garland on Jan. 5 that he believed further investigation by a special counsel was warranted, but that he couldn’t do that task himself because he intended to leave the department.

On Thursday, White House press secretary Karine Jean-



U.S. Attorney John Lausch and Attorney General Merrick Garland in Washington on Thursday. Mr. Lausch was initially tasked with reviewing classified documents found at a Biden office in November.

Pierre said officials didn’t disclose additional documents sooner because the search and the Justice Department’s process were continuing. She also wouldn’t say what sparked the initial search for documents, and reiterated that Mr. Biden didn’t know what was in them.

The appointment of Mr. Hur adds a third special counsel to the Garland era at the Justice Department, which he has tried to insulate from partisan influence, appointing outside prosecutors even as he has attested to the department’s vaunted independence from political pressure.

John Durham, a former U.S. attorney in Connecticut, is continuing as special counsel to investigate the FBI’s han-

dling of a 2016 inquiry into Russia’s interference in that year’s election and any links to the Trump campaign.

At the same time, David Weiss, the Trump-appointed U.S. attorney in Delaware, is examining whether to bring a criminal case against Mr. Biden’s son, Hunter, related to his tax dealings and a gun purchase. Mr. Weiss isn’t a special counsel but while other Trump U.S. attorneys left at the start of the administration, Mr. Garland kept Mr. Weiss on to avoid the appearance of a conflict.

While Mr. Garland and other senior Justice Department officials will be regularly briefed on the Biden documents investigation, any move

to overrule a major decision by Mr. Hur would require them to notify Congress and explain their reasoning, per the special counsel regulations.

Asked about the discovery of the latest batch of documents on Thursday, Mr. Biden said the documents had been in a locked garage with his Corvette sports car. “It’s not like they’re sitting out in the street,” he said.

Rep. Mike Turner of Ohio, the top Republican on the House Intelligence Committee, asked the attorney general and Director of National Intelligence Avril Haines to participate in a classified briefing on the matter. “The presence of classified information at these separate locations could impli-

cate President Joe Biden in the mishandling, potential misuse, and exposure of classified information,” Mr. Turner said Thursday.

Mr. Trump has joined fellow Republicans in accusing Mr. Biden of hypocrisy on the issue.

FBI agents found hundreds of classified and other government documents at Mr. Trump’s Mar-a-Lago resort in August in boxes mixed in with clothing and news clippings. Mr. Trump’s lawyers had previously said they had turned such documents over to authorities.

“It would not be surprising to learn that every single vice president and president since Eisenhower has left the West Wing with classified documents and didn’t even know it,” said Jay Town, a former U.S. attorney in the Trump administration. “We just have to have an understanding as to whether it was intentional or not, but it’s clear that this just happens to our executives. That reality needs to be built into any charging decision.”

It isn’t publicly known how much information is classified by the government, but open-government activists believe such a trove is likely to include billions of records.

—C. Ryan Barber, Siobhan Hughes and Dustin Volz contributed to this article.

### Watch a Video



Scan this code to watch a video on the Biden classified documents.



## U.S. NEWS

## Trial Begins for Five Proud Boys Members

By JAN WOLFE

WASHINGTON—The Justice Department outlined its sedition case against Proud Boys leader Enrique Tarrio and four members of the far-right group, telling jurors during a long-awaited opening statement that the five men “took aim at the heart of our democracy” by leading the Capitol riot on Jan. 6, 2021.

“In the days after the election, these men began calling for action—calling for war,” said Assistant U.S. Attorney Jason McCullough during his opening remarks on Thursday. “Led by Tarrio, they agreed—by any means necessary, including force—to stop Congress from certifying the election.”

The trial, estimated to last more than a month, is one of three stemming from Jan. 6 that includes the rarely used charge of seditious conspiracy, an offense punishable by up to 20 years in prison.

Mr. McCullough showed jurors a social-media post in which one of the defendants, Joe Biggs, said of the election: “It’s time for f— war if they steal this s—.”

Mr. McCullough also showed jurors a famous video clip of former President Donald Trump telling Proud Boys to “stand back and stand by” during a September 2020 presidential debate.

“At that moment, battle lines were drawn,” Mr. McCullough said.

Defense lawyers had previously objected to the airing of the video of Mr. Trump, saying it would improperly inflame emotions, but U.S. District Judge Timothy Kelly said it was relevant evidence of the group’s motives.

Nicholas Smith, a lawyer for defendant Ethan Nordean, said the Proud Boys had “no plan” for Jan. 6, and the government was now scapegoating the defendants for spontaneous events.

“One thing we know from

our own experience is that we often assume a spectacular event like a riot or a revolution in another country must have a cause as big as the event,” Mr. Smith said. “But that’s not true. Often in chaotic events small causes can have dramatic effects.”

Mr. Smith added that his client hadn’t ever spoken to one of his alleged co-conspirators. “We definitely have a scapegoat in this case, and that’s my client,” said Sabino Jauregui, a lawyer for Mr. Tarrio.

Mr. Jauregui said the government’s case is built on messages taken out of context—messages he said were offensive but not criminal.

“The Proud Boys are basically a drinking club,” Mr. Jauregui said. “Contrary to what you have heard, the Proud Boys aren’t a sexist, racist, homophobic organization.”

The opening statements were delayed by a week because of disputes over admissible evidence, jury selection and potential conflicts of interests among defense lawyers.

Mr. Tarrio, the former national chairman of the Proud Boys, is one of the most high-profile defendants relating to the Jan. 6 attack, in which Mr. Trump’s supporters halted Congress’s certification of Joe Biden’s victory and sent lawmakers fleeing for their lives.

An indictment made public in June accused Mr. Tarrio of seditious conspiracy, a rarely charged offense that prohibits efforts to overthrow the government or to use force to “prevent, hinder, or delay the execution of any law of the United States.”

Mr. Tarrio was charged alongside four other members of the group—Mr. Biggs, Mr. Nordean, Dominic Pezzola and Zachary Rehl—who are also accused of seditious conspiracy.

The five defendants have been jailed while they await trial.

—Aruna Viswanatha contributed to this article.

## Trump Ramps Up Campaign With South Carolina Visit

By ALEX LEARY

Donald Trump will make his first campaign visit to an early GOP primary state later this month as he seeks to propel what has been a low-key start to a 2024 White House bid.

The former president is scheduled to travel to Columbia, S.C., on Jan. 28, according to people involved in the planning, who described it as a smaller event with supporters rather than the large rallies he is known for. The campaign is also expected to soon announce the first in a series of policy-focused forums on border security, crime, foreign policy and other topics.

Larger rallies aren’t expected until later this year as the campaign builds out teams in key states. The campaign’s headquarters will be in West Palm Beach, Fla., and Mr. Trump’s senior advisers have convened there this week to plot the next steps.

“The campaign has been building out its infrastructure and expanding its team for the past few months—doing the necessary work that may not always be public-facing,” spokesman Steven Cheung said. “This is the perfect time to start doing events in early primary states like South Carolina and show that President Trump is the only one who can stop the left’s radical agenda and take back the White House.”

After announcing his campaign before the holidays, on Nov. 15, Mr. Trump started off with little public activity. That light schedule invited scrutiny from fellow Republicans over his strategy. It also came as polls showed his status as leader of the Republican Party and of the prospective 2024 field suffered through the losses of some high-profile candidates he endorsed in the midterm elections, controversies he spurred and continuing

legal woes. Among Mr. Trump’s legal worries is the Justice Department investigation of classified documents improperly stored at his Mar-a-Lago estate in Florida. But questions facing President Biden’s storage of classified records—in-



JOE RAEDLE/GETTY IMAGES

Former President Donald Trump during an event at Mar-a-Lago.

differences between the cases.

Mr. Biden has said that he intends to run for re-election but that he hasn’t made a final decision. While Mr. Trump remains the only declared GOP candidate, numerous Republicans are exploring a run. This week, former Vice President Mike Pence visited the sprawling Villages retirement community in Florida as part of a book tour, and he has made a number of visits to early states, including Iowa.

## After announcing his campaign, Mr. Trump started off with little public activity.

A programming packet for an Iowa legislative kickoff breakfast on Monday featured ads from former Secretary of State Mike Pompeo and Sen. Tim Scott of South Carolina. Mr. Trump paid for a two-page ad that recalled his quixotic 2016 campaign and how his first state visit was to Iowa. “Together, let’s finish what we started,” it read. He came in second to Sen. Ted

Cruz of Texas in Iowa’s caucuses nearly seven years ago but gathered momentum and beat 16 rivals for the nomination, leading a major reshaping of party orthodoxy on issues including trade, immigration and foreign policy.

Mr. Trump’s initial focus on policy events rather than large-scale rallies is aimed at reminding voters of the ideas Mr. Trump advanced during his time in office, which remain popular among Republicans even if his personal style isn’t. A Wall Street Journal poll published in December showed roughly 90% of Republicans approved of the job he did as president, compared with 71% who viewed him favorably as a person.

His 2024 campaign strategy rests on another large field of candidates who would dilute the non-Trump vote while the former president maintains his most avid supporters. His advisers remain most concerned about Florida Gov. Ron DeSantis, who runs second to or tops Mr. Trump in many polls of hypothetical matchups.

Mr. DeSantis is widely expected to enter the race sometime after the state legislative session ends in May.

The visit to South Carolina, earlier reported by Politico, signals the importance Mr. Trump’s team sees in affirming his ties to a key state that is home to potential rivals. He has already been endorsed by Gov. Henry McMaster, but Mr. Scott, one of the country’s most prominent Black Republicans, has shown interest in seeking higher office and former Gov. Nikki Haley is actively considering a run.

“If a candidate thinks they can come to South Carolina and hammer 800,000 Republicans into voting a certain way, they have another thing coming,” said former state GOP chairman Matt Moore. “It’s a wide-open race.”

## U.S. WATCH



**TORNADO:** A man inspected a trailer home in Mount Vernon, Ala., on Thursday after a storm ripped through the area. In Autauga County, more than four people were killed, the coroner said.

## OBITUARY

## Lisa Marie Presley, Star’s Daughter, Dies

Lisa Marie Presley, a singer who was the daughter of Elvis Presley and former wife of Michael Jackson, has died. She was 54.

Ms. Presley was hospitalized earlier in the day, her mother, Priscilla Presley, said.

The Los Angeles Sheriff’s Department said it came to a home in Calabasas, Calif., after officials received an emergency phone call about a woman in her 50s who wasn’t breathing. After receiving CPR, the woman showed signs of life and was taken to a local hospital, the department added.

Ms. Presley and her mother attended the Golden Globes earlier this week, where actor Austin Butler won best performance by an actor in a motion picture-drama for his role in the biopic “Elvis.” Ms. Presley released three studio albums, but her career as a musician was perhaps overshadowed by her famous parents and personal life. She wed pop superstar Michael Jackson in 1994, a short-lived marriage that was frequently featured in the tabloids. Ms. Presley is survived by her mother and three children. A fourth child died by suicide in 2020.

—Tatal Ansari and Joseph De Avila

## WASHINGTON, D.C.

## Bill Wouldn’t Let U.S. Press Web Platforms

Senior House Republicans introduced legislation Thursday to ban federal employees from pressuring internet platforms to suppress lawful speech, in one of their first steps to advance a central initiative of the newly empowered GOP leadership.

The bill addresses what its supporters claim to be efforts by the Biden administration to influence content on social-media platforms, including attempts to block speech on Covid-19 vaccines that runs counter to White House policy. It would bar federal employees from ordering or advocating for “the removal or suppression of lawful speech” from internet platforms.

The bill follows the House vote Tuesday, over Democrats’ opposition, to launch a new Select Subcommittee on the Weaponization of the Federal Government that is expected to target alleged government meddling in social media, among other issues.

The White House declined to comment on the bill. The White House previously dismissed the new House subcommittee as a partisan political stunt. While the bill introduced Thursday could advance in the Republican-majority House, it is likely to stall out in the Democratic-controlled Senate.

—Ryan Tracy

## IDAHO

## Suspect in College Killings Stays Jailed

Bryan Kohberger, the man accused of killing four University of Idaho students, will stay in jail until his next court hearing in late June.

Mr. Kohberger, 28, is charged with four counts of first-degree murder and one count of felony burglary for allegedly entering a residence with intent to commit murder. Mr. Kohberger hasn’t entered a plea yet.

In court on Thursday, he waived his right to a speedy preliminary hearing. His lawyer Anne Taylor, the chief public defender in Idaho’s Kootenai County, said more time was needed to inspect evidence presented against him. His next court date, a preliminary status hearing where charges will be presented, was set for June 26.

Xana Kernodle, 20 years old, Ethan Chapin, 20, Madison Mogen, 21, and Kaylee Goncalves, 21, were found stabbed to death in their off-campus residence in Moscow, Idaho, in mid-November. Mr. Kohberger was arrested in late December at his parents’ home in Pennsylvania, nearly 3,000 miles from the crime scene, and extradited to Idaho.

A public defender who had represented Mr. Kohberger in Pennsylvania had said he was eager to be exonerated.

—Suryatapa Bhattacharya

FREEMAN'S

The Personal Collection of Vladimir Kagan

AUCTION JANUARY 25

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Vladimir Kagan, photographed at his Park Avenue apartment in 2013 by Brian Shumway



## U.S. NEWS

# More States Target 'Forever Chemicals'

Companies struggle to sort out bans on PFAS used in carpets, food wrapping, other goods

By KRIS MAHER  
AND BOB TITA

New state laws banning products with “forever chemicals”—from carpets and fast-food wrappers to ski wax—are taking effect as momentum grows nationally to get rid of substances that accumulate in human bodies and are linked to serious health problems.

As of this month, Maine has banned the sale of residential carpets with long-lasting chemicals known as PFAS and became the first state to require companies to report products that contain the chemicals. In Washington and Vermont, companies can no longer sell or use food packaging, such as wrappers and pizza boxes, that contain them. Vermont's ban on ski waxes with the chemicals begins in July.

The state moves are aimed at eliminating nonessential uses of PFAS, a class of chemicals known as perfluoroalkyl and polyfluoroalkyl substances. For decades, manufac-

turers added PFAS to consumer products such as carpeting, cookware, shoes and cosmetics, because the chemicals resist heat, grease, stains and water.

The chemicals, however, accumulate in people and the environment and have been linked to kidney and testicular cancers, thyroid disease and high cholesterol, according to the Environmental Protection Agency. Manufacturers phased out two PFAS chemicals tied to health issues starting in the early 2000s, but the EPA has said that more than 600 other chemicals are in use.

Eleven states have passed laws to eliminate PFAS in food packaging over the next several years. Many of those have also passed measures to remove the chemicals from fire-fighting foam, a source of drinking-water contamination. California, Colorado and Maryland are taking steps to eliminate PFAS from cosmetics.

Amid the shifting regulatory landscape, some companies have said they plan to stop using PFAS. 3M Co., one of the biggest PFAS manufacturers, said in December it would stop using them entirely by the end of 2025. Lawsuits and the threat of more to come are also causing compa-

nies to eliminate the chemicals from products and packaging.

Maine has taken the lead on regulating PFAS, which have been found to contaminate many of the state's farms. This month, the state became the first to require companies that manufacture, import or sell products with PFAS to report them to the state. Maine's law will ban all PFAS products, except for essential uses, by 2030.

Advocates say the far-reaching law will open a new window on products that contain the chemicals. The state has granted extensions to hundreds of companies to comply with the law and has yet to make any lists of products publicly available.

“Having this disclosure database is an important step for activists, scientists and the general public being able to really know what is in the products and make informed decisions when they're shopping,” said Sarah Woodbury, director of advocacy for Defend Our Health, which advocated for the law.

The Maine State Chamber of Commerce told the state Department of Environmental Protection in written comments in November that the law would affect nearly every sector of the state economy,



PFAS foam is seen accumulating at a Michigan dam in this 2018 photo.

JANE MARY/THE FLINT JOURNAL/ASSOCIATED PRESS

including retail, healthcare, construction and agriculture.

David Madore, deputy commissioner for the Maine DEP, said the program has been inundated with questions about reporting and that it is working through more than 20 preliminary reports. He said the department is evaluating some claims of confidentiality made by companies.

The new state laws are creating headaches for many companies, said John Gardella, a Boston-based attorney who advises companies on how to comply with state PFAS laws.

It is often difficult for companies to know whether PFAS are in products or components sourced from other countries, he said.

Mr. Gardella said companies are concerned now that making a list of products containing PFAS open to the public will also lead plaintiffs' lawyers to target products for litigation. “The plaintiffs' bar will have a very easy time collecting this data as well and figuring out which product types to target,” he said.

The sheer number of PFAS chemicals also presents hurdles. Labs typically search for only a fraction of more than 12,000 PFAS compounds listed on an EPA database.

Since 2021, more than a dozen lawsuits alleging consumer fraud have been filed against companies for allegedly exposing consumers to PFAS. The number of cases

filed has grown since the EPA issued a safe-consumption level last June for two PFAS chemicals well below current detection limits.

Meanwhile, the number of companies eliminating PFAS is growing. Chains such as McDonald's and Starbucks have said that they will phase out PFAS in food packaging.

3M's CEO, Michael Roman, previously said the planned halt was influenced by increasing regulation of PFAS. In December, 3M released a list of thousands of 3M products that contain varieties of PFAS that the company has said are safe.

“Customers are taking note of PFAS regulations. They're looking for alternatives,” Mr. Roman said.

# Reported UFO Sighting Up Sharply Over 2 Years

By WARREN P. STROBEL

WASHINGTON—Reported sightings of Unidentified Aerial Phenomena, known popularly as UFOs, have climbed significantly in the past two years, and almost half the new sightings remain unexplained, U.S. spy agencies and the Pentagon said in a report released Thursday.

The study led by the Office of the Director of National Intelligence said the number of UAP sightings—often by Navy and Air Force pilots—stands at 510, with 366 of those reports coming in since March 2021. Slightly more than half of the objects are likely unmanned aircraft, balloons or airborne debris, according to analysis by a new Pentagon office focused on the issue, but 171 remain “uncharacterized and unattributed,” the report said.

“Some of these uncharacterized UAP appear to have demonstrated unusual flight characteristics or performance capabilities, and require further analysis,” it said.

Once dismissed as the stuff of science fiction, reports of unidentified airborne objects have received renewed, serious attention from U.S. law-



A video grab image taken from unclassified Navy video shows Unidentified Aerial Phenomena at an undisclosed location.

makers and others following sightings by U.S. military aviators of objects moving in ways that don't appear to obey the known laws of physics.

The concern is that the objects, whatever they are, could pose a safety threat to military aircraft or represent surveillance by a foreign adversary using technology unknown to the U.S.

“UAP events continue to occur in restricted or sensitive airspace, highlighting possible concerns for safety of flight or adversary collection activity,” the report said.

Congress mandated the annual report released on Thursday, as well as the establishment of a new Pentagon office, named the All-Domain Anomaly Resolution Office (AARO),

to coordinate with the U.S. intelligence community and other government agencies to study the phenomena.

“Today's report reflects a step forward in understanding and addressing risks to aviators,” said Sen. Mark Warner (D., Va.), chairman of the Senate Intelligence Committee. “Overall, I am encouraged to see an increase in UAP reporting—a sign of decreased stigma among pilots who are aware of the potential threat that UAPs can pose.”

At a Pentagon briefing in December, Ronald Moultrie, undersecretary of defense for intelligence and security, said none of the reported sightings indicate extraterrestrial life. “I have not seen anything in those holdings to date that would suggest that there has been an alien visitation, an alien crash or anything like that,” Mr. Moultrie said.

The Office of the Director of National Intelligence said the increased reporting of unidentified objects is probably due in part to the fact that pilots are no longer reluctant to report what they see, as well as a heightened awareness of the potential threat the objects represent.

An earlier, preliminary report by the national intelligence director's office identified 144 UAP reports as of March 2021. Since then, there have been 247 new reports, as well as another 119 based on events that predate March 2021, but weren't known or reported at the time.

Of the 366 newly identified reports, it said, the Pentagon's AARO office characterized 26 as unmanned aircraft systems, also known as drones; 163 as balloons or “balloon-like entities”; and six as “clutter,” such as birds, weather events or airborne debris. The rest couldn't be characterized.

Most of the new reports came from Navy and Air Force aviators, and many “lack enough detailed data to enable attribution of UAP with high certainty,” it said.

“The safety of our service personnel, our bases and installations, and the protection of U.S. operations security on land, in the skies, seas, and space are paramount,” said Air Force Brig. Gen. Pat Ryder, Pentagon press secretary. “We take reports of incursions into our designated space, land, sea, or airspaces seriously and examine each one.”

# Nurses End Strike at New York Hospitals

By JENNIFER CALFAS

Thousands of New York City nurses who went on strike this week returned to work Thursday after reaching tentative deals with their hospitals.

The agreements ended a three-day strike held by more than 7,000 nurses at Montefiore Medical Center in the Bronx and Mount Sinai Hospital in Manhattan. The New York State Nurses Association and the two hospitals confirmed the agreements early Thursday morning.

The tentative deals include more than 19% wage increases over the three-year contracts, said Nancy Hagans, president of the union. They also feature enforceable patient-to-nurse staffing ratios, which the union said would help address the strain on nurses caused by staffing shortages exacerbated by the pandemic.

“Today, we can return to work with our heads held high, knowing that our victory means safer care for our patients and more sustainable jobs for our profession,” Ms. Hagans said.

Ms. Hagans said union members will likely vote to ratify the contracts next week.

While hospitals remained open during the three-day strike, Montefiore Medical Center canceled elective surgeries and procedures, as well as appointments in its ambulatory centers. The hospital said Thursday all scheduled appointments and procedures would resume as normal. Doctors were reaching out to patients Thursday to reschedule postponed appointments and procedures.

The tentative deal with Montefiore adds more nurses to emergency departments. The New York State Nurses Association also said the agreement includes nurse-student partnerships aimed at recruiting local Bronx nurses to the hospital.

“We are grateful for the dedication and commitment of our nurses who have served through very challenging circumstances over the past several years,” said Philip Ozuah, president and chief executive of Montefiore Medicine, in a statement.

The tentative deals reached Thursday are the latest in a series for the union and New York-based hospitals. A spokeswoman for Mount Sinai said the deal is similar to recent ones reached with hospitals like NewYork-Presbyterian, Mount Sinai West and Morningside.

# Markets, Fed Clash On Rate

Continued from Page One

Fed officials have been hammering a different message: This time will be different because inflation is much higher.

The Labor Department said Thursday that its consumer-price index, which measures what consumers pay for goods and services, rose 6.5% in December from a year earlier. That marked its slowest pace since October 2021, and its sixth consecutive monthly decline. Last week's jobs report also showed wage growth cooled, with average hourly earnings rising at the slowest pace since mid-2021.

Evidence that inflation is pulling back has fueled bets that the Fed will cut rates as early as the second half of the year. Traders in interest-rate derivatives markets see a 90% chance that the Fed lifts rates two more times this year, to around 4.9% by March, according to CME Group. They see a 60% chance that the Fed then cuts rates at least once by December.

At their meeting last month, Fed officials projected interest rates will continue rising through the spring, to around 5.1%. None of them penciled in cuts this year. They have generally signaled a somewhat more aggressive path for interest rates either because they are

less optimistic than investors, who see a speedier slowdown in inflation this year, or because they are less pessimistic about the probability of a serious recession.

“To be honest with you, I don't quite know why markets are so optimistic about inflation,” said San Francisco Fed President Mary Daly after the Fed's meeting last month. “I think of them as priced for perfection.”

The Fed and many investors agree that inflation will keep declining this year as supply-chain bottlenecks abate and as housing costs slow down after soaring over the past two years. But Fed officials are nervous that the labor market's strength could sustain wage growth that keeps inflation, as measured by a separate gauge, above their 2% target.

Fed officials, Ms. Daly said, “don't have the luxury of pricing for perfection...We have to imagine what the risks to inflation are.”

One of Ms. Daly's colleagues, St. Louis Fed President James Bullard, echoed that point after Thursday's report was released. “It could be that inflation starts to go in the other direction again, and then the Fed would have to react to that,” he said during a webinar. “I don't think there's enough pricing being put on that possibility.”

Investors who are counting on interest rates falling are at risk of being burned if they wind up being wrong.

The S&P 500 has risen 11% from its October low, with much of the gains being attri-

buted to bets that the Fed will pivot from raising rates to cutting them sometime this year. Government bonds also have retraced some losses after a brutal 2022. The yield on the 10-year U.S. Treasury note was at 3.446% Thursday, compared with its October peak of 4.231%. Yields fall as bond prices rise.

Several banks, including JP-Morgan Chase & Co., UBS Group AG, and Deutsche Bank AG, are expecting U.S. stocks to post gains this year. Others are cautioning the market could suffer double-digit percentage declines yet again, especially if Fed policy winds up being tougher than investors antici-

## 5.1%

Fed officials see interest rates climbing to here this spring.

pate, which in turn could cause the economy to slow down more than investors expect.

What explains the disconnect between the Fed and much of Wall Street?

“It is very simple: The market has a very different view on inflation. It thinks inflation is going to fall much faster than the Fed does,” said Mark Cabana, Bank of America's head of U.S. interest-rate strategy.

Additionally, there are important technical differences in what the Fed's quarterly economic and interest-rate projections show relative to what in-

vestors anticipate based on readings of interest-rate futures markets.

The Fed's projections represent what every individual Fed official thinks should happen to interest rates under their modal, or most likely, expectation for the economy. But those projections only reveal how the Fed is likely to respond under one general set of circumstances. Market participants, on the other hand, can make probability-weighted bets in interest-rate futures markets that better take into account different economic scenarios.

Fed Chair Jerome Powell has at times emphasized the limitations of the Fed's projections.

“When uncertainty around the outlook is unusually high, I dutifully write down what I see as the appropriate funds rate path in the most likely scenario, but I do so aware that this projection may be easily misinterpreted, for what is ‘most likely’ may not be particularly likely,” he said in 2019.

The past year served as a cautionary tale for many investors, with inflation and interest rates racing far higher than most foresaw. “Think about what the Fed and the market was projecting a year ago,” said Joe Amato, president of Neuberger Berman Group.

The way stocks have bounced back the past few months suggests “there's a false sense of precision from the equity markets” on where rates are headed, he said.

Many investors also appear to be reluctant to take the Fed at its word, said Sam Lynton-



## WORLD NEWS

## South Korea Considers Nuclear Weapons

President is the first leader in Seoul to explicitly raise the prospect in decades

By DASL YOON

SEOUL—South Korean President Yoon Suk-yeol said the country could develop its own nuclear weapons or ask the U.S. to redeploy them on the Korean Peninsula if the threat from North Korea grows, in the first time a leader of the country has explicitly raised the prospect in decades.

The prospect of South Korea, a nonnuclear state, acquiring its own weapons threatens to destabilize nuclear-disarmament efforts and inflame tensions with Pyongyang. The idea has long been rejected by the U.S. and previous administrations in Seoul, although polls have shown it is supported by a majority of the South Korean public.

"If the issue becomes more serious, we could acquire our own nuclear weapons, such as deploying tactical nuclear weapons here in South Korea,"

Mr. Yoon said after meeting South Korean defense officials on Wednesday. "But it is important to choose realistically possible options," he added, saying the U.S. and South Korea are discussing sharing information and jointly executing plans to deter North Korea's nuclear threat.

South Korea's presidential office released the remarks on Thursday, stressing there had been no change in the country's policy of abiding by the Nonproliferation Treaty. "In order to effectively deter North Korea's threats, our government has been focusing on strengthening the U.S.-South Korea extended deterrence," the presidential office said.

North Korean leader Kim Jong Un's spree of weapons tests and growing nuclear threat have fueled a debate in South Korea over nuclear weapons as a deterrent. Mr. Yoon has pushed for Washington to allow Seoul to be more involved in the management of nuclear weapons, including planning and joint exercises.

South Korea is protected under the U.S. nuclear umbrella, an agreement that says



Yoon Suk-yeol has promised a tougher stance on North Korea.

Washington will use its nuclear weapons to defend its ally. The U.S. withdrew its tactical nuclear weapons from South Korea in the early 1990s under a disarmament deal with the Soviet Union, and Washington has rejected calls to redeploy them.

Park Chung-hee, a dictator who ruled South Korea for nearly two decades before his 1979 assassination, had sought to develop nuclear weapons but dropped the plan amid opposition from the U.S., according to documents declassified

in 2008. Mr. Yoon made the first significant comments from a South Korean leader on the possibility of nuclear armament since then, said Cheon Seong-whun, a former South Korean National Security Council official.

"Yoon's remarks signal a paradigm shift in dealing with North Korea's nuclear threat," Mr. Cheon said.

South Korea's opposition party condemned Mr. Yoon's remarks, calling it "absolutely unrealistic" and inappropriate as tensions escalate on the Ko-

rean Peninsula. "If we pursue nuclear armament, how would we call on North Korea to give up its nuclear weapons?" opposition party leader Lee Jae-myung said Thursday.

The U.S. remains committed to the denuclearization of the Korean Peninsula and South Korea has made clear it isn't seeking nuclear weapons, White House National Security Council spokesman John Kirby said.

"What we are going to seek, jointly together with them, are improvements in extended deterrence capabilities," Mr. Kirby said.

The only effective way to reduce nuclear threats on the Korean Peninsula is by curbing the proliferation of nuclear weapons, an NSC spokesman added.

Support for developing nuclear weapons in South Korea has risen at times of heightened tension with North Korea. A poll by the Chicago Council of Global Affairs showed support stood at about 55% in 2018, when leaders from the two countries engaged in a series of summits. With negotiations stalled and

North Korea on a missile-testing spree, support had risen to 70% last year.

Mr. Yoon's remarks are aimed at signaling to North Korea that South Korea is willing to consider extreme measures if Pyongyang continues to threaten Seoul with its weapons program, some analysts said. But it is unlikely Washington will seriously consider more nuclear weapons on the Korean Peninsula as an option, they said.

When Mr. Yoon took office in May, he promised to take a tougher stance on North Korea. Last year, North Korea tested a record number of missiles and passed a law allowing pre-emptive nuclear strikes against the South.

Some South Korean lawmakers have called for the U.S. to permanently station nuclear-armed submarines or aircraft carriers near the Korean Peninsula. Others have suggested an arrangement similar to the North Atlantic Treaty Organization, in which South Koreans would be trained to deliver U.S. nuclear weapons in the event of a conflict. Washington has rejected such calls.

## Asia, Europe Look to Join Forces to Restrain Beijing

By ALASTAIR GALE AND CHIEKO TSUNEOKA

TOKYO—Democracies in Asia that rely on the backstop of U.S. military power for their prosperity are confronting a new reality: American protection is no longer enough now that China rivals the U.S. in areas such as advanced missiles and naval hardware.

To tackle the problem, Beijing's neighbors, with prodding from the U.S. and help from Europe, are building a network of regional-security ties with a goal similar to that of the North Atlantic Treaty Organization: Detering a large nation whose growing ambitions have raised the prospect of conflict.

It is a far cry from the real NATO, which has a treaty binding all 30 members to defend each other if one is attacked. But by stepping up military training, information sharing and defense procurement with each other, countries such as Japan, Australia, South Korea and the Philippines aim to project greater military readiness.

Top U.S. and Japanese government leaders discussed deepening security cooperation with Asian and European countries in Washington on Wednesday. At the meeting, the leaders released plans for U.S.-Japan military cooperation including protecting Japanese satellites and upgrading Marine forces in Okinawa.

"I think that we are all put-



Twelve nations participated in an international-fleet review near Tokyo in November, which included a Japanese Self-Defense Force destroyer.

ting in place the building blocks for a firmer kind of cooperative sense of shared security," said Rahm Emanuel, the U.S. ambassador to Japan.

The war in Ukraine has shown the value of broad alliances, and several European countries that share a desire to deter Beijing are contributing. In London on Wednesday, Japanese Prime Minister Fumio Kishida signed an agreement with the U.K. to facilitate more joint military exercises, following a similar deal with Australia. Mr. Kishida is meeting President Biden at the White House on Friday.

French, Dutch and German warships have appeared for drills in Asia with the U.S., Japan and others during the past 18 months.

The U.S. has long called for its allies to do more to defend themselves. Security analysts say the relative decline of U.S. military power in comparison with China has raised the stakes.

Under leader Xi Jinping, China has equipped its military with cutting-edge weapons such as hypersonic missiles, developed elite troops modeled on the U.S. Marine Corps and reorganized the military to better fight a regional conflict.

The Chinese military is more visible too. Its warplanes frequently fly near Taiwan. It has held aircraft-carrier exercises close to Japan and joint naval and air force exercises with Russia.

In November the U.K., Australia and Canada joined a U.S.-Japanese exercise based on a scenario of repelling an attack on Japan. Dozens of aircraft and ships from the five nations, as well as 36,000 troops from the U.S. and Japan took part. "This sort of multilateral cooperation and training drastically increases our collective ability to respond

when needed," said Lt. Gen. Ricky Rupp, the commander of U.S. forces in Japan.

The question of whether such exercises are leading to a NATO-like bloc is a sensitive one. At a March 2022 news conference, top Chinese diplomat Wang Yi said the U.S. wants an Asian NATO and accused Washington of acting like a regional hegemon.

This week, Chinese foreign ministry spokesman Wang Wenbin, asked about the U.K.-Japan deal, said U.S. allies shouldn't "replicate the obsolete mind-set of bloc confrontation in the Asia-Pacific."

Behind Beijing's rhetoric is the recognition that Southeast Asian nations generally are wary of antagonizing China by aligning too closely with the U.S. In Cambodia, Beijing is helping to upgrade a naval base, and China is the biggest trading partner for much of the region.

U.S. and Japanese officials say they don't envision a tight bloc cemented with a single treaty like NATO, but rather a "web of like-minded countries with a common strategic interest," in the words of Mr. Emanuel, the ambassador in Tokyo.

The only formal security treaties for the U.S. in the Asia-Pacific are two-way pacts with individual allies. It has five—with Japan, Thailand, the Philippines, South Korea and Australia. Multinational arrangements are less formal or limited to ad hoc participation in exercises. That leaves more uncertainty about who would participate—and how—in any actual war.

Nations that have territorial disputes with Beijing in the South China Sea, such as Vietnam, have been more active in building defense relationships. Indonesia and the Philippines held some of their largest military drills last year with the U.S.

Japan and South Korea, whose relations have long been strained, held joint anti-submarine exercises with the U.S. last year for the first time in five years, and the three are looking to share real-time data about North Korean missile launches.

## China Overseas Flights Face Slow Rebound

By RACHEL LIANG AND DAN STRUMPF

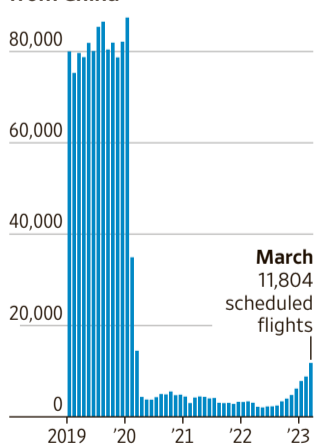
International flights are likely to rebound slowly after China lifted its Covid-19 border restrictions, with industry experts suggesting it will take months for a strong recovery and even longer to return to prepandemic levels.

Governments have tightened entry requirements for passengers coming from China because of a large Covid-19 outbreak there, and Beijing has responded with travel restrictions on some of those countries. Aviation regulators are still negotiating bilaterally with their Chinese counterparts on increasing flights. Plane-ticket prices remain high, while airlines must also reroute their jets to fly again to China.

The number of scheduled international flights to and from China in January increased by 27% from the previous month to nearly 8,000, data from aviation data-analytics firm Cirium showed. For March, nearly 12,000 flights have been scheduled, according to Cirium, and some industry experts say airlines could further increase flights. But the numbers still pale in comparison to around 81,000 flights in March 2019, before the pandemic.

This week, Liang Nan, an official from the Civil Aviation Administration of China, said the international aviation market would recover more slowly

The number of scheduled international flights to and from China



Note: 2023 figures are scheduled flights as of Jan. 12  
Source: Cirium

than the domestic market.

That is because airlines need considerable time to prepare for increasing international flights, dealing with market demand, fleet planning, coordinating flight schedules and obtaining regulatory approvals, the state-run China News Service quoted her as saying. On top of that, travelers may require time to regain their appetites to go overseas after three years of the pandemic, Ms. Liang said.

Companies are also taking a cautious approach. Murata Manufacturing Co., a Japanese maker of electronic components, said China's lifting of border restrictions hasn't led it

to revise its travel policy to China. The supplier to Apple Inc. is asking its employees to consider postponing business trips to China given the outbreak, a spokeswoman said, adding that China's recent move to halt visas for Japanese visitors could hurt the company's business should it continue.

The sluggish outlook for international flights underscores how, despite China's reopening, many businesses will likely be slow to rebound to what they were before the pandemic. From business infrastructure to consumer mind-sets, many of the changes that took place over three years will take time to unwind. China also deepened its diplomatic isolation during that time, as relations soured with various Western governments.

Travel in and out of China was severely restricted starting in early 2020, as China kept its borders largely closed and imposed weeklong quarantines on those who entered.

In 2020, China imposed restrictions on international flights. Initially, each airline was allowed to operate one round-trip flight a week between China and other countries, though that later increased. China also later imposed a circuit-breaker policy that allowed regulators to suspend flights for weeks if flights arrived with a set number of people infected with Covid-19. The circuit-breaker policy was scrapped in late December.

Industry experts expect it

will take months for China's international flights to solidly recover. ForwardKeys, a travel data analysis firm, said it expects overseas travel by Chinese tourists to strongly pick up in April-June, a period that includes some major Chinese holidays.

For flights that connect the U.S. and China, one sticking point is a U.S. measure that caps the number of routes for Chinese airlines, which Washington imposed in retaliation to Beijing's circuit-breaker policy.

Between the world's two biggest economies, around 70 flights are scheduled in January, Cirium data showed—a fraction of the more-than-4,000 flights in January 2019. In March, more than 270 flights are scheduled, Cirium data from this week showed. Industry experts say more flights could be added if regulations change.

Chinese airlines have large numbers of jetliners sitting in storage that can be quickly brought back into service. Nearly 45% of China's wide-body jets—larger aircraft that are typically used for long-haul flights—are idle, compared with 20% of U.S. aircraft, according to Naveo, a London-based aviation consulting firm.

"The Chinese airline industry has shown itself to be remarkably resilient. It's able to snap back quickly," said Richard Brown, managing director at Naveo.

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WORLD NEWS

# Brazilian President Vows To Rein In the Military

By SAMANTHA PEARSON AND LUCIANA MAGALHAES

BRASÍLIA—Brazilian President Luiz Inácio Lula da Silva vowed to reduce the influence of military forces in his government after blaming security officials for aiding protesters who stormed the presidential palace on Sunday.

“There were so many people who were complicit in this, many members of the military police, of the armed forces,” said Mr. da Silva, citing video footage. He said he was completing an analysis of staff at the palace, where members of the military are part of his security team.

“I am convinced that the door of the presidential palace was opened so people could come inside because none of the doors are broken,” he said Thursday. The president has a large

security team, ranging from building-security guards to high-level advisers and the Institutional Security Bureau, an executive cabinet office of the federal government charged with providing assistance to the president in an emergency.

Mr. da Silva also has blamed members of Brasília’s military police for the turmoil, accusing them of “doing absolutely nothing” to contain protesters in the lead-up to the riots during a speech after the attacks, without presenting evidence.

Brazil’s military police and the army didn’t respond to requests to comment. The Defense Ministry declined to comment.

His comments came as Brazil’s attorney general requested that courts freeze the assets of 52 people who authorities allege were involved in Sunday’s turmoil. He requested an asset

freeze for seven companies—mostly transport firms—accused of bringing hundreds of protesters to the capital.

The attorney general’s office said Thursday it requested judges to freeze assets totaling about \$1.3 million. It said the money should be used to repair damage to the government buildings.

After Mr. da Silva beat former President Jair Bolsonaro in the country’s closest presidential election in history on Oct. 30, groups of Mr. Bolsonaro supporters camped outside army headquarters across the country calling for the military to prevent Mr. da Silva from taking office. But that didn’t happen. He was inaugurated as president on Jan. 1, and the army and the military police helped restore order in Brasília following the riots.

Nevertheless, as authorities



Army officers stand guard outside a government building in the capital of Brasília.

AMANDA FERRELL/REUTERS

try to discover how rioters forced their way into the presidential palace, Congress and the Supreme Court, they said during news conferences that they have been probing the actions of individual security officials. Authorities also have said they are trying to find out who financed protesters, many of whom said

they didn’t pay for their own bus fares to get to Brasília.

Mr. da Silva said his government is working to hire more civil servants to replace former or current military officials on his security team. Mr. da Silva’s chief of staff removed Adriano Azevedo, a retired colonel, from his role as

adviser to the president’s security team, according to the country’s official gazette.

Even though Mr. da Silva took office on Jan. 1, the presidential palace’s internal security team is still staffed by many supporters of Mr. Bolsonaro and members of the military, said military experts.

## FROM PAGE ONE

# Activist Presses Disney

Continued from Page One

chairman, these people said. On Wednesday night, the activist and his fund made their criticisms of Disney’s performance public in an online presentation titled “Restore the Magic,” followed by a proxy filing on Thursday that detailed their assessment of a company in crisis because of what they describe as self-inflicted wounds.

They argued Disney has been plagued by poor succession planning, “over-the-top” compensation, mismanagement of costs and flawed strategy. They criticized Disney for using its theme parks’

revenue to subsidize its streaming losses and said Disney’s acquisition of the 21st Century Fox Inc. assets put Disney in an unhealthy financial state. Fox’s corporate sibling, News Corp, owns The Wall Street Journal.

Disney’s failure to convince Mr. Peltz that the company is on the right track means Mr. Iger faces a rockier road ahead in his first year back atop Disney, which includes challenges such as a potential recession, a prolonged stock-price slump, rising costs for content, potential layoffs and stiff competition in the streaming-video business.

It also highlights concerns among shareholders about Disney’s leadership, strategy and succession plans. Six months ago, Disney fended off a challenge from another activist, Dan Loeb, after the company appointed a director that Mr. Loeb had approved. Disney opposes placing Mr.

Peltz on its board because the company believes, in part, that the activist investor lacks experience in the media-and-entertainment space, people familiar with the company’s thinking said.

The board also believes that adding Mr. Peltz would bring

## Nelson Peltz’s fund has amassed a stake of more than \$900 million.

more disruption as Disney navigates a new period with Mr. Iger back at the helm, people familiar with the matter said. Some shareholders voiced concerns about Disney’s succession planning after Mr. Iger returned, the people said.

Ms. Arnold’s retirement as chairwoman had been in the

works with her 15-year term limit approaching and wasn’t meant to be a reaction to Mr. Peltz’s campaign, the people said.

Mr. Iger reclaimed the CEO spot at Disney in November, when the company’s board fired Bob Chapek. The ouster came as Mr. Peltz was amassing Disney shares and communicating with Mr. Chapek about his stake, according to Trian’s proxy materials.

Mr. Peltz’s fund has amassed a more-than-\$900-million stake, which will likely grow larger, people familiar with the matter said. He said on the site that he doesn’t want to succeed Mr. Iger, but is seeking a board seat and wants a CEO named within two years.

Disney said on Wednesday that while members of its senior leadership team have engaged with Mr. Peltz numerous times over the past few months, the board is asking

shareholders to vote against him at the coming annual meeting. Disney also asked shareholders to reinstate the current board of directors, minus Ms. Arnold.

Mr. Iger has long admired Mr. Parker as an executive and has felt that Nike and Disney have similar leadership needs, people familiar with the matter said. The two men have a close professional relationship, they said.

Mr. Iger has told associates that he considers Mr. Parker, who in 1983 designed the Nike Pegasus running shoe, a “creative executive” and praised his steering of Nike’s business toward a more digital-focused e-commerce model. That mirrors Disney’s own pivot to streaming video and recent emphasis on smartphone apps and data-driven sales practices.

In early June, after Mr. Chapek fired a top deputy, Ms. Arnold released a statement saying Mr. Chapek had the full

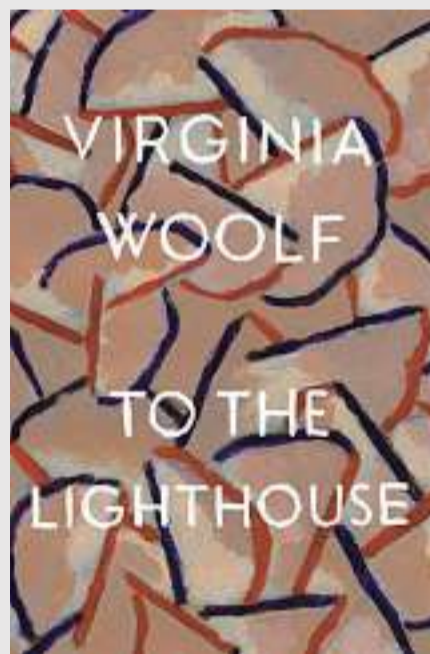
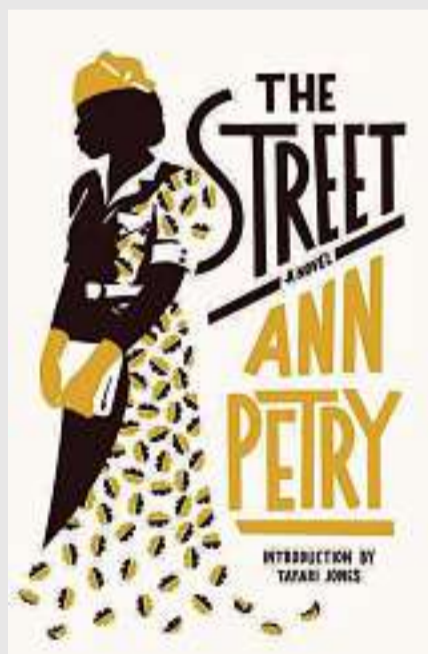
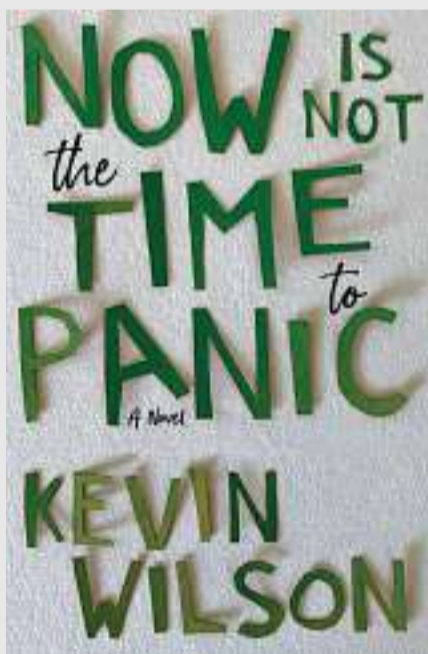
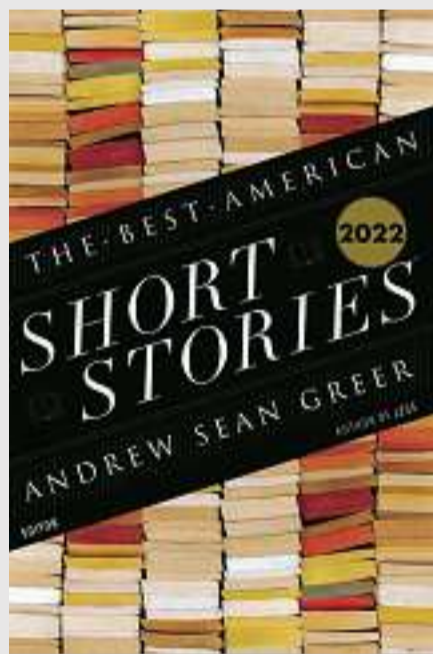
support of the board. Later that month, the board renewed his contract through the end of 2024, over the objections of at least two directors who needed to be convinced that Mr. Chapek was still the right man for the job, The Wall Street Journal previously reported.

Last summer, as the company veered into crisis, Mr. Peltz and his wife dined with Mr. Chapek and his wife at Disneyland Paris, where the activist investor told the then-CEO that he was interested in joining the board and offering a fresh perspective, according to Trian’s proxy materials.

Mr. Peltz also told two other Disney directors, Oracle Corp. CEO Safra Catz and Procter & Gamble Co. board member Amy Chang, that he wanted to join the board “to help turn around the Company and drive long-term shareholder value,” according to Trian’s proxy materials.

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FROM PAGE ONE

# China's Precarious Moment

*Continued from Page One*  
 what comes next, from a relatively quick bout of infections followed by an economic rebound to a more serious public-health crisis, especially in poorer areas. How it plays out will have ramifications for Chinese leader Xi Jinping's leadership for years to come.

One doctor on the front lines of the Covid-19 outbreak in Chongqing, a sprawling city on the Yangtze River, said she had been treating around 160 patients a day recently, four times the normal level. At the busiest point of the day, she said, she saw patients nearly every two minutes, many in their 70s and 80s and suffering respiratory illnesses tied to Covid.

"This situation is a huge contradiction," said Xiao Yuan, 33 years old, who owns two coffee shops in Chongqing, including one adjacent to the emergency ward of a major hospital.

During recent lockdowns in the city, she said, business owners like her were desperate to reopen, questioning the wisdom of a government policy that deprived them of a living. Now, families of Covid patients had been stopping by for coffee. "We're faced with this really sad thing," she said. "We're learning that old people in our friends' families are dying because of the reopening."

Before the December reopening, anger over the government's zero-Covid approach sparked mass protests in Beijing and other cities, presenting the greatest public challenge to Mr. Xi in his decade-plus rule. Today, there is concern about a hidden surge of deaths as Covid-19 spreads across the countryside, where healthcare is less developed.

## Travel risk

During the Lunar New Year holiday travel period, which runs from early January to mid-February, Chinese people are expected to crisscross the country, making more than two billion trips, as they travel home to see family, in some cases for the first time since the pandemic started. Many will carry the virus with them.

The government has made it clear that its priority is restoring the economy to the engine of growth it once was, with planners aiming for greater than 5% growth in gross domestic product this year. After years of dire warnings about Covid's dangers, officials now are portraying the Omicron variant as significantly weaker than earlier strains, encouraging workers to get back to their normal routines, even, in some cases, if they are testing posi-



Travelers in front of the Beijing Railway Station, above. During the coming Lunar New Year holiday, many will return home to see family for the first time since the pandemic started. People gathered outside a funeral home in Shanghai, below, on Jan. 5.

tive.

In his annual New Year's Eve address, Mr. Xi acknowledged that some had suffered as a result of his Covid policies, but sounded an optimistic note, saying "the light of hope is right in front of us."

Over the weekend, taking advantage of loosened travel restrictions, domestic tourists strolled around Chongqing's historic sites and streamed into its teahouses, while thousands of revelers attended an outdoor light show.

Subway ridership was up across the country in the first week of January after plummeting in several cities in previous weeks, while road traffic had mostly recovered from a 20% drop in late December, according to data compiled by Goldman Sachs.

On Baidu Inc.'s search engine, however, queries for antiviral drugs such as Paxlovid soared at the end of December and remain elevated.

Before they stopped publicizing daily pandemic data on Jan. 9, health authorities were reporting fewer than 15,000 new Covid infections a day and daily deaths in the single digits—numbers that the World Health Organization criticized earlier this month as underestimating the toll.

Minutes from a Dec. 21 meeting show China's top health officials inferred that almost 250 million people in the first 20 days of the month had been infected. On Monday, health officials in Henan said nearly 90% of the central Chinese province's 100 million people had been infected as of the previous Friday.

The Omicron variant has been spreading fast through a population that had little previous exposure to the virus and limited access to cutting-edge vaccines or treatments. Few deaths are being officially attributed to Covid-19, but doc-



FROM TOP: WU HAO/SHUTTERSTOCK; REUTERS

tors and family members of those who have died blame the virus for long lines of bodies waiting to be processed at crematoriums.

London-based health analytics firm Airfinity estimated in late November that a lifting of zero-Covid measures in China could lead to between 1.3 million and 2.1 million deaths. That works out to between 92 and 150 deaths per 100,000, still lower than the 333 per 100,000 in the U.S.

Sherry Zhou was following developments in China from her home in the U.S. when she received a text message on Dec. 23 from her mother saying her 77-year-old father wasn't doing well. Ms. Zhou knew that her father, who had been in a hospital in Shanghai for more than a year following a lung infection, had developed a fever that hit 104 degrees two days earlier, but she had been reassured by reports that antiviral drugs such as Paxlovid were available in China.

Ms. Zhou said she called her

mother, who was sick with Covid and had trouble communicating. She then called the orderly taking care of her father, who also was sick with Covid. She recalled the orderly telling her: "Your dad might not make it," and that the hospital was able to give him oxygen but had no antivirals.

Ms. Zhou and her sister, also in the U.S., scoured the internet for antivirals that could be administered to their father but came up empty-handed. Six hours after her mom's text, Ms. Zhou's father died.

Publicly released Chinese government data show eight Covid deaths in China from the beginning of December to the day Mr. Zhou died. None were in Shanghai.

"Look at how little the regime did to prepare for opening up society," said Ms. Zhou. "They knew the consequence of the shortage of lifesaving medications, but they still went ahead."

In response to a request for comment, China's National

Health Commission referred to a press briefing in late December in which health officials described the reopening as well timed and said pharmaceutical companies in the country are stepping up efforts to manufacture cold medicines and develop drugs to treat Covid.

A delivery worker in Shanghai said he sees white flower wreaths every day hanging on the doors of the apartments where he makes deliveries, a sign that the family has had a death.

To earn a living, he said, he had been compelled to sleep outside during a monthslong lockdown in the city last year because apartment buildings wouldn't allow residents to come and go. He said he also worked briefly as a zero-Covid enforcer, but lost his job when the policy was scrapped. He became infected himself and he had trouble breathing for 10 days, he said.

"This disease isn't a common cold," he said repeatedly, accusing authorities of hiding

the scale of the virus's toll.

Yin Yu, a 52-year-old office worker in the inland city of Lanzhou, said most of her family and friends had contracted the virus in recent weeks but recovered largely without needing medical help. "If you can't control the virus, you might as well open up," she said, adding that people couldn't bear the lockdowns any longer. "The rest of the world has already moved on."

State media portrays zero-Covid as a success and has played down the wave of new infections. Recent reports have stressed how current Covid-19 variants are less dangerous than earlier ones.

Derek Lin, a technology product manager in the southern city of Shenzhen, is among those who said they wish the government had relaxed its Covid-control policies sooner. He watched celebrations among his friends on the Chinese messaging platform WeChat when the government lifted Covid restrictions last month.

## Wasted time

When Mr. Lin himself contracted Covid, he reflected on what many in China have come to see as wasted time. He said the government had long succeeded in curbing Covid, but was too slow to adapt when the more contagious Omicron variant emerged. "I felt I did nothing this year," he said.

In Chongqing, subway ridership was up 30% to start the year. On a recent night, pedestrians packed a popular street lined with food stalls. Most tables at a local steakhouse were full.

Restaurant owner You Hui said business dropped by two-thirds after the loosening of Covid controls as many people grew sick or became scared to go out to eat. Since then, she said, business has partially recovered, and is now down by about a third.

Large but orderly crowds filled emergency rooms last week at several hospitals in Chongqing, with some patients requiring supplemental oxygen or intravenous drips. Pharmacies in the city appeared to be well-stocked with fever medicines that previously had run short in some places.

A potentially bigger challenge looms as the virus reaches more rural areas with inferior medical care. The Chongqing hospital doctor said she saw patients arriving at her hospital from the countryside because ventilators in rural counties were all in use.

In Fengdu County, 70 miles down the Yangtze River from central Chongqing, residents said the Lunar New Year migration was already under way. Teslas, Mercedes and a couple of Bentleys with out-of-town license plates from wealthier coastal regions are cruising its streets and country roads.

—Qianwei Zhang and Raffaele Huang contributed to this article.

# Suburban Fashions Go Western

*Continued from Page One*  
 whose collection has grown to five pairs—a respectable total for someone who mounts a desk chair, not an Appaloosa.

"Yellowstone" centers on the Duttons, a family of ranchers, led by their grizzled patriarch, John (played by Kevin Costner), as they protect their land through gentlemanly persuasion and the occasional act of audacious violence.

Each episode is an hour-long rodeo of western fashions. Characters gallop across the screen in prodigious cowboy hats, dust-coated blue-jeans and belt buckles big enough to sit a teacup on.

The rustic look is compelling and has inspired fans far from the bucolic Montana pastures where "Yellowstone" is filmed to dress like John, his testy daughter Beth (Kelly Reilly) or his dark-hatted ranch foreman Rip Wheeler (Cole Hauser).

"People want to look and live like a Dutton," said Jill Martin, the co-founder of Shop the Scenes, a website that allows people to buy authentic items worn on TV shows like "Yellowstone." (The company was co-founded by "Yellowstone" executive producer David C. Glasser.) Ms. Martin



Kevin Costner as John Dutton and Luke Grimes as Kayce Dutton in 'Yellowstone.' Right, Ryan Capalbo on his bachelor party trip to Montana.

noted that her site has several times sold out of the \$995 faux lynx-fur coat Beth Dutton wears while getting married. "Cowboy couture is cool," said Ms. Martin.

"From the start when I watched the show, I could immediately see me in the style," said Vince Schneck, 33, a student and avid "Yellowstone" watcher in Cologne, Germany. He recently purchased a shearling-collared Filson jacket because it reminded him of a jacket that ranch hand Lloyd Pierce wore on the show while tending to his steers.

The battered bluejeans and flannels worn by the characters appealed to Mr. Schneck, who has long harbored a love of American style from afar.

Still, he wasn't quite ready to

slap a 10 gallon chapeau on his head anytime soon. "Cowboy hats, you can only wear at the carnival in Cologne," he said.

In America, cowboy hats are on the rise. "I sell 'Yellowstone' hats all over the world—Japan, Australia, all these places," said Trent Johnson, the owner of Greeley Hat Works, a 114-year-old Colorado hatmaker that crafts hats worn on the show and sells replicas of those brimmed lids in its stores.

Mr. Johnson recalled working with Ruth E. Carter, the show's season-one costume designer, on diligently nailing the right look for each character. (Johanna Boone now handles the show's costumes.)

The partnership has paid off for the hat company, which

often can't keep its fur felt "Rip" hat and buckskin "John Dutton" topper in stock. Mr. Johnson recalled how a couple came in recently and ordered up "Rip" and "Beth" hats (the pair have a drawn-out love story on the show) with matching "I'll always be your Beth" and "I'll always be your Rip" embossing.

Stetson, a 157-year-old hatmaker, is likewise struggling to keep up with demand for its western styles, said vice president of marketing Tyler Thoreson.

"We're in this massive western moment," he said. Indeed, even before the Duttons galloped onto Paramount Network in 2018, a western twang was detectable in the fashion world, with high-fashion labels

like Gucci showing pinched cowboy hats on the runway and musicians like Lil Nas X wearing brocade Nudie suits on the red carpet.

Still, "Yellowstone" gave some giddy up to the trend. The show, said Mr. Thoreson, "helped shine a light on something that's been there all along."

He likened the Dutton clan's fashion influence to that of "Urban Cowboy," which in 1980 had ambitious city slickers throwing on yoked shirts and tottering cowboy hats, in the style of "Bud," John Travolta's honky-tonking character from that film.

"Yellowstone" inspired Jason Webb, 36, a comedian in Asheville, N.C., to dust off his father's broad-brimmed cow-



FROM LEFT: PARAMOUNT NETWORK/EVERETT COLLECTION; RYAN CAPALBO

boy hat, wearing it with a Wrangler denim jacket. When he posted a photo of himself in the get-up to Instagram, he captioned it "All caught up on Yellowstone, hope no one can tell."

The show, he said in an interview, had him yearning to venture into the west. "I was looking up how to buy a ranch" online, he said.

A sprawling spot like the one the Duttons call home was a bit outside his price range so he settled for wearing an Old Navy vest in the style of a puffer jacket that John wore on the show. John's "got the best style," he said, endorsing the head rancher's penchant for dusty Carhartt-style jackets and easy-to-dupe denim shirts.

The show's fashion influence is broad. Wrangler has a line of 40 "Yellowstone" branded items—mostly subtle logo T-shirts and hats for fans who would rather not dress like they wandered off the O.K. Corral. And Stetson recently signed Luke Grimes, who plays Kayce Dutton on the show, to be the face of its fragrance line.

The travails of the Dutton clan have become such a major part of New Yorker Mr. Capalbo's life that last October, he held his bachelor party in Montana. "I forced all my friends who don't even really watch the show to come with me and pretend to be cowboys for five days," he said. Naturally, while gazing out across Big Sky country, he wore a cowboy hat, just like John.



## ARTS IN REVIEW

THEATER REVIEW | CHARLES ISHERWOOD

## Two Off-Broadway Bright Spots

**M**any theater obsessives have lamented the advent of the hyper-long-running Broadway show. In the past few decades—since the so-called British invasion—megahits have settled into theaters for years, even decades, putatively blocking new shows from emerging. But the pandemic has changed the calculus to a striking degree, with even “The Phantom of the Opera” soon to sing its last aria.

Paradoxically, a perhaps more demoralizing development has been the gradual decline of extended-run off-Broadway shows. Even “Stomp,” which played for 29 ear-bruising years, closed on Jan. 8. The shuttering of theaters over the years has not helped, but the primary reasons are economic: Producing off-Broadway is expensive—even with ticket prices approaching Broadway scale—and with fewer seats to sell, profits are harder to earn. Today, a long-running off-Broadway show is an exotic commodity.

So it is heartening to see that two productions currently on the boards—now and forever?—are bucking the trend. The unexpected surprise is *le phénomène* “Titanique.” A freewheeling, not to say completely deranged, spoof of the James Cameron movie about a big ship that sank, featuring songs recorded by Celine Dion, which are scrambled into the story with disorienting humor, the show has become a bona fide cult hit. (Ms. Dion famously sang the movie’s theme song, which naturally arrives near the finale.)

At a recent performance, a phalanx of young men trouped in wearing sailor caps with their names sewn onto them. I assume this was not their first visit. The show, which opened in June, has moved to a larger theater and extended its run through mid-May. Judging from the deliriously affectionate reaction of the audience, I don’t think this vessel will be taking on water anytime soon.

The musical features a book by two of its central performers, Marla Mindelle (who plays Dion with a distinctly non-French-Canadian accent but is a hoot anyway) and Constantine Rousouli (he’s a gleamingly handsome Jack, the Leonardo DiCaprio character), and its director, Tye Blue. The story unspools as an extended goof on the familiar se-



Lena Hall, above, and Matt Doyle, below, in ‘Little Shop of Horrors’; Carrie St. Louis and Constantine Rousouli (foreground), right, in ‘Titanique’



quences and characters from the movie. The concept, if such a frothily lightweight show earns the term, is that Dion suddenly appears to interrupt a tour of a Titanic museum to tell the story as it actually happened. Because—ominous pause!—she was there.

The musical is stuffed with too many whimsical absurdities to describe. But I’ll give a sample or two. The, ah, sweepstakes to determine who will make it into those unhappily few lifeboats unfolds like an episode of “RuPaul’s Drag Race.” Which is presided over by—did I dream this?—Tina Turner (a brashly funny Avionce Hoyles), who also portrays—surely I dreamed this?—the fell iceberg.

Admirers of the movie and of Ms. Dion are obviously the target



CLOCKWISE FROM LEFT: EMILIO MADRID; CHAO DAVID KRANS; EVAN ZIMMERMAN

## Howard Ashman and Alan Menken’s classic and a spoof of a James Cameron film.

hard to recall an instance of a classic musical coming back off-Broadway with such an enthusiastic welcome.

There is good reason for the warm embrace. The musical is among the choicest of the past half-century, with book and lyrics by Howard Ashman (who died in 1991) and infectious Motown-inflected music by Alan Menken. It was an off-Broadway phenomenon when it first opened in 1982, running for five years. Ashman and Mr. Menken went on to gargantuan success with the Disney animated musical “Beauty and the Beast,” but this is their finest achievement, a riff on the campy 1960 Roger Corman movie that bests almost all other stage musicals based on movies—approximately 10,000 at last count.

The superb production is directed with spirited good humor by Michael Mayer (now represented on Broadway by “Funny Girl” and the Neil Diamond musical). It is certainly unusual to see a cast of the current caliber in a show that has been on the boards for so long, but I suspect the succulence of the primary roles is an irresistible draw.

Playing the uber-nerd Seymour is Matt Doyle, fresh from a Tony

win for “Company.” He’s endearing and affecting as the amateur horticulturist working in a seedy skid-row florist shop who creates a novel plant that brings him fame, even as it leaves him increasingly anemic, since his pet project feeds on human blood.

Lena Hall, a Tony winner for “Hedwig and the Angry Inch,” is piteously touching as Seymour’s co-worker, Audrey, beautifully delivering her gentle solo, “Somewhere That’s Green,” eyes glistening sadly with a blend of hope and despair. Andrew Call is equally vivid as Audrey’s “semi-sadist” dentist boyfriend, part-Elvis impersonator, part-Torque-mada. And in another bit of lush casting, two-time Tony nominee Brad Oscar is glumly funny as the proprietor of the grimy-to-glamorous flower shop.

The reasons why musicals new and old succeed are various and innumerable, but in the case of these two shows, the cause isn’t particularly elusive. Both serve their audiences undiluted pleasure, a commodity that is especially appreciated as we plow through winter into another uncertain year.

**Titanique**

Daryl Roth Theatre, 101 E. 15th Street, New York, \$59-\$89, 212-239-6200, closes May 14

**Little Shop of Horrors**

Westside Theatre, 407 W. 43rd St, New York, \$59-\$149, 212-239-6200

*Mr. Isherwood is the Journal’s theater critic.*

TELEVISION REVIEW  
JOHN ANDERSON

## Telling a High-Stakes Soccer Story

‘ROOTING FOR THE YANKEES’ is like rooting for U.S. Steel,” someone once said, regarding the competitive advantages of unlimited capital, perennial success, and the lack of warmth that both engender among the less fortunate. As timeless as the statement might be—and as satisfyingly cynical a sentiment it may remain for old-time Red Sox fans—it seems positively quaint given the goings-on in “Super League: The War for Football.”

The proposed “Super League” competition among Europe’s most popular teams that was almost launched in 2021, would have been a boon for a handful of oligarchs, sheikhs, hedge-fund billionaires and top-ranked organizations shouldering enormous debt. But according to this four-part documentary series—and no small number of fans—it would have destroyed soccer as much of the world knows it. Given the recently concluded World Cup and its epic finale (was it the greatest Cup game ever played?) there

may be sufficient interest among mainstream American viewers to watch what is really a business story rather than a sports saga. Much of the fascination may lie in how the machinations of a faction of soccer-team owners mirror the state not just of sports entertainment as it exists but also movies and politics.

The tendency among U.S. observers is to try to equate the NFL game with football as it is known in the rest of the world, but the better analogy is with baseball (even if they don’t match up exactly). “Football must evolve,” says Florentino Pérez, the longtime president of Real Madrid, who made that team the star-heavy powerhouse it once was and conceived the Super League as one that would contain only the top European teams (20 eventually, 12 to start). As baseball fans know, “evolve” usually means attracting new fans by making the game more “exciting,” i.e. higher-scoring and/or faster paced, while alienating the true aficionados. The Super League would not only have adopted the “blockbuster” mentality that long ago took over Hollywood, but concentrated the wealth of soccer—whose audience dwarfs that of American sports—among an elite group of teams. Major League Baseball, knowing that it needs teams in smaller markets as well as the Yankees and Dodgers, has a system of media-revenue sharing. The Super League would have steamrolled over



Giorgio Marchetti, deputy general secretary of UEFA

anything like that, to the detriment of smaller squads and, certainly, the concept of localized soccer.

“The War for Football” does a good job of making graspable sense out of a labyrinthine tale and one in which not every narrator is reliable. It’s a kind of thriller: When Aleksander Ceferin stands up as godfather to the child of Andrea Agnelli—in the Vatican, which befits an heir to Fiat, as well as the Ital-

ian team Juventus—the Corleone reference is clear: Is betrayal afoot? For Mr. Ceferin, who as president of UEFA (the Union of European Football Associations) is responsible for maintaining the status quo not just of his union but its highly profitable (and inclusive) Champions League competition, which would have been the most direct casualty of a seasonal Super League tournament. The stakes are

high and the situation desperate.

As explained by director Jeff Zimbalist, the fabric of international soccer, particularly in Europe, was at risk. In England, for instance, whence the greatest number of Super League teams were to come, a team that does badly is “relegated” to a lower tier and successful teams promoted. Since teams would be guaranteed a spot in the Super League, it would have eliminated the motivation for them to compete fiercely to maintain their place, or, in some cases, spend money at the rate they had been. For some teams, money neither was nor is a problem, but that’s a potential issue, too, as it is in sports worldwide: “They’re losing a ton of money and they don’t care,” says one soccer writer, referring to the teams owned by people whose motivations are other than money—enhancing the image of their oil-rich countries, for instance, or just massaging their own egos. When money is all that matters, everything else makes sense. The Super League makes some sense in “The War for Football,” but only if you happened to own a team.

**Super League: The War for Football**

Friday, Apple TV+

*Mr. Anderson is the Journal’s TV critic.*



ARTS IN REVIEW



◀ Oliver Masucci in Philipp Stölzl's 'Chess Story'

stay than anyone could bear—the prisoner begins to reshape his consciousness around the game. Fashioning a makeshift board and pieces, he uses his pilloined book to replay famous matches and burrow into the minds of the greatest players.

As must have been true of Zweig, a Jew who fled Central Europe soon after Adolf Hitler took power but died by suicide shortly after finishing the book, in Brazil

**A psychological thriller based on a Stefan Zweig novella.**

in 1942, Bartok barely holds despair at bay, pouring himself into an obsession that becomes an act of creation. Wholly subsumed by chess, he develops such skills that, later, on board the ship, he is able to take over another player's board and fight to a draw with the world champion, an illiterate and ursine figure named Mirko Czentovic. We don't get a good look at the irascible opponent, which is a clue that the movie is hiding something about him.

Thanks to an outstanding performance by Mr. Masucci, who recalls Mads Mikkelsen's haunted intensity; an elegant turn by Mr. Schuch as his genteel torturer; and charged direction by Mr. Stölzl, who parsimoniously hands out each clue, the film remains breathless throughout, until relief finally arrives in the third act. Fair warning: Mr. Stölzl expects viewers to concentrate as intently as grandmasters when he finally unveils Zweig's secrets. "Chess Story" is a nerve-scraping exercise in grand deception.

FILM REVIEW | KYLE SMITH

# Playing the Nazis' Game

An Austrian notary confined to a single room by the Gestapo becomes immersed in chess

All of the swells of Vienna are gathered for an intoxicating evening of fancy dress, fizzy wine and graceful waltzing. "As long as Vienna keeps dancing, the world can't end," reasons high-living notary Josef Bartok in "Chess Story." Vienna stops dancing: It's March 11, 1938. Later that night the Austrian premier will resign, turning the country over to the Third Reich as Bartok (Oliver Masucci) returns home. Then the Gestapo is at the door.

Adapted from the novella by Stefan Zweig, "Chess Story" is a diabolically knotted psychological

thriller. Tumbling into madness and exhilarated by his love of freedom, the central character suffers through an excruciating spell of imprisonment but also takes an odyssey across the sea. The film isn't really about chess but about the human spirit. The board game emerges as a fascist tool for crushing the psyche of one's opponent, a portal to liberation, or possibly both.

Unusually for a war yarn, at the beginning "Chess Story" shows us the hero escaping German clutches: Bartok takes a train to the Dutch city of Rotterdam, meets his wife (Birgit Minichmayr) and happily boards a ship with her, bound for New York.

Fine dinners and cocktails enhance their journey.

But how did he manage that? In flashbacks this outcome seems improbable. As the ship crosses time zones, headed west, the hands of its clock rotate backward in time. And we go back to Vienna. As the Gestapo terrorizes the Austrian capital, Bartok learns from a friend that he must depart the country immediately: "You're on their list." But first he retreats to his office, where he puts sensitive files into the fire. He is the guardian of critical information about the assets of Austrian aristocrats whose holdings the Nazis would love to seize. Before burning his most important documents, though, he memorizes the codes pertaining to secret, numbered Swiss bank accounts.

Grabbing him before he can finish, the Gestapo cordially escorts him to his own room in the Hotel Metropole. Instead of torturing him, a gentlemanly officer named Franz Böhm (Albrecht Schuch) politely informs Bartok that he will be an involuntary guest of the hotel until he provides the codes that unlock the assets. Confined to that room by himself, without so much as a change of clothes or a single book to read, Bartok slowly starts to unravel. His Nazi handler prides himself on destroying his foe without ever laying a finger on him—just as one does in chess. Bartok realizes that withholding information might be the only thing keeping him alive; the minute he surrenders the codes, he becomes expendable.

The story turns slippery and strange when Bartok manages to steal a book at random during a meeting

with interrogators in a hotel library. The book is about chess. Bartok knows very little about the game—we've seen him deride it as the pastime of bored Prussian generals—but that's about to change.

Chess is notoriously difficult to dramatize—to the inexperienced eye, it's just little carved pieces being shoved around—yet it continues to inspire mesmerizing drama (such as "Searching for Bobby Fischer" or the more

recent "Queen's Gambit"). As the film goes on, director Philipp Stölzl and writer Eldar Grigorian winch up the suspense about the missing link between its two settings on the ship and in the hotel. The answer is somehow locked up in the intellectual trench warfare of high-level chess. Spending an extended period in solitary confinement—both Bartok and the viewer lose track of time, but it seems like a longer



Birgit Minichmayr and Mr. Masucci, above right, and a scene from the film, below, which was written by Eldar Grigorian



FILM MOVEMENT (2)

The WSJ Daily Crossword | Edited by Mike Shenk

1	2	3	4	5	6	7	8	9	10	11	12		
13				14				15		16			
17				18						19			
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23	24	25				26	27						
28					29			30					
31					32	33	34		35	36	37	38	
39			40	41					42				
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51	52	53				54	55		56				
57						58		59					
60						61	62				63	64	65
66						67					68		
69							70				71		



- 29 Supporter's vote
- 33 Where to see Raphael's "La Perla"
- 34 Golf's Ernie
- 36 "Wie geht es...?" (German "How are you?")
- 37 One of the Allman Brothers
- 38 Monetary expenditure
- 40 Amazon behemoth
- 41 Long-necked flyer
- 42 Item in an env.
- 47 La Scala work
- 49 La Scala number
- 50 Isn't quite yet
- 51 Novelist Binchy
- 52 Investor, of a sort
- 53 "\_\_\_ Daughter" (1970 David Lean epic)
- 54 Shoe inserts
- 55 Words with ropes or rocks
- 59 Finished
- 62 Terre Haute sch.
- 63 Permit
- 64 Ron who played Tarzan
- 65 Root often candied

INTERIOR DESIGN | By Matt Gaffney

- The answer to this week's contest crossword is a five-letter word.
- 31 Bullfight cheer
- 32 Foil's kin
- 35 Mandy's role in "The Princess Bride"
- 39 Prime minister until his death in 1964 (5)
- 43 "Mr. Belvedere" co-star Graff
- 44 Mgr.'s helper
- 45 Volleyball blocker
- 46 Three-time AL MVP
- 48 Bodybuilder's breakfast
- 51 Game of pool? (1)
- 56 First name in the Beatles
- 57 Call for volunteers
- 58 How sardines may be packed
- 60 "The Candy House" novelist Jennifer
- 61 Lowland between mountain ranges (4)
- 66 Offer for sale
- 67 \_\_\_crow flies
- 68 Fleck on banjo
- 69 "Frozen" lead
- 70 Manipulating sort
- 71 Dict. information
- 11 Lulu hit "\_\_\_ With Love"
- 12 Enters with keys
- 15 Soccer's Lionel
- 18 Company that sold compilation albums
- 22 Sean who played Samwise Gamgee
- 23 Japanese sliding door
- 24 Okay to eat
- 25 "\_\_\_there yet?"
- 27 Vicinities

Previous Puzzle's Solution

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

► Email your answer—in the subject line—to crosswordcontest@wsj.com by 11:59 p.m. Eastern Time Sunday, Jan. 15. A solver selected at random will win a WSJ mug. Last week's winner: Colin McGuigan, Chicago, IL. Complete contest rules at WSJ.com/Puzzles. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)



## SPORTS



Sean McDermott has revived the Bills since arriving as head coach in 2017.

# The Coach Who Led the Buffalo Bills Through a Crisis

Sean McDermott won acclaim for guiding the Bills through the Damar Hamlin incident

By ANDREW BEATON

One of Sean McDermott's first jobs in football wasn't as an assistant coach. He was the assistant to the head coach.

McDermott started off in the NFL as a scouting administrative coordinator for the Eagles. But when the team hired Andy Reid in 1999 it didn't take him long to notice this unusually bright and hardworking gopher in the front office. Reid thought McDermott should work directly for him. "I asked them if I could steal him," Reid says.

The gig as Reid's assistant wasn't glamorous. Yet it was just the opening McDermott needed to impress those around him and wrestle his way to the top. It's what the former college walk-on who became a team captain has been doing his entire career.

McDermott eventually went on to become the Bills' head coach in 2017 and he instantly turned around a wretched franchise. Buffalo, which had gone without a single playoff berth since 1999, has reached the postseason during five of his six seasons in charge and there are few teams in the sport with a brighter future. Other teams in the AFC East now measure themselves against McDermott and the Bills, not Bill Belichick and the New England Patriots.

Then last week, McDermott was

thrust into the spotlight for a situation that no coach has a playbook to address—and received widespread praise for his handling of it.

When one of his players, Damar Hamlin, went into cardiac arrest after making a tackle during a game, Bills and Bengals personnel were on the field as one of their peers received what would prove to be life-saving care. Many were in tears as Hamlin received CPR, had his heart-beat restored and was intubated right in front of them.

After the ambulance left the field, with uncertainty over whether the game would resume, some players appeared to begin warming up. Sensing the weight of what unfolded, McDermott took his team into the locker room.

"I shouldn't be coaching this game," McDermott said, according to Bengals coach Zac Taylor.

After McDermott consulted with his players in the locker room, the game was suspended and eventually canceled a few days later.

In the days since then, the 48-year-old McDermott has choked up describing what unfolded. Those who know him well say they have long seen the traits—emotional intelligence, maturity beyond his years and the ability to see around corners—that allowed him to navigate a crisis that unfolded on TV.

"He led. He gave guidance, raw guidance in an emotional time," Reid says. "And it was accurate. His

foundation, his trust in himself, all came about at that time."

"I could see it in Sean's eyes. I could see the anguish and concern," says Washington Commanders coach Ron Rivera, who worked with McDermott in Philadelphia and Carolina. "He takes responsibility, and he's accountable for things. When you're willing to do that, when you're willing to step up, in times of crisis you'll step up naturally. And that's what he's done."

"When that happened, my first thought went to Sean and thinking, 'They could not have a better person in that position to handle that situation than Sean McDermott,'" says Jimmie Laycock, McDermott's college coach at William & Mary. "This is the type of situation where you don't want it to happen, but if it happens, you better have the right guy."

McDermott arrived at William & Mary, the historic college in Virginia, as an accomplished high-school wrestler who could've used that as his ticket to collegiate sports. Football, though, was his passion. His dad was a coach and his brother played at Cornell. McDermott walked on to a college team that happened to include Mike Tomlin, now the Steelers' coach.

McDermott definitely wasn't the fastest player. Or the biggest. But he impressed everyone around him.

"Whatever he lacked in either size or speed, he made up for in

study of the game and his commitment to off-field training, film study and practice," said Pete Coyne, a teammate and friend who later roomed with McDermott during his early days with the Eagles.

McDermott eventually became a starter, then a captain and all-conference safety who would make sure all of his teammates were properly lined up on every play. He also wasn't afraid to show the types of emotions that can be rare in football, even during college. Laycock remembers the day he summoned McDermott and delivered the news he had been waiting for since he arrived on campus: he was no longer a walk-on.

McDermott responded by unapologetically crying on the couch in Laycock's office. "The fact that he had reached the goal of earning a scholarship meant so much to him," Laycock says.

McDermott got his first job with the Eagles in 1998. He spent only a year in that role before Reid poached him to be his personal assistant, where he helped organize training camps and took on other tasks that fell to Reid. And while Reid established his chops as an offensive wizard, it didn't take long for McDermott to move into coaching and rise through the ranks on the other side of the ball inside a team that became a breeding ground for defensive coaches.

Jim Johnson, a famous master-

JASON GAY

## The Perfect Job For Jim Harbaugh



Look, my friends, I am not trying to be the athletic director of the University of Michigan, which, admittedly, is one of the top schools

in all of Ann Arbor.

Readers of this column know that this grumpy Badger doesn't really care what happens to the Wolverines, especially now that Wisconsin has gone and hired their own fancy coach, and will soon return to greatness atop the Big Ten West, the guppy tank of Midwest Power 5 football.

But someone has to restate the obvious about a bit of intrigue college football can't shake. I can't believe I'm saying it for the second year in a row, but here goes:

### Stay at Michigan, Jim Harbaugh.

What are you doing, Khaki-pants? Yet another offseason is here, and once more, we are amid a raft of rumors the eccentric Wolverine boss may take a new job in the NFL. He's going, he's staying, he's definitely going, he's definitely staying, it gets weirdly quiet for no reason, no one knows what's going on—it's starting to feel like a Carlos Correa signing.

We do know a few things. There was reportedly an interview between Harbaugh and the Broncos,

a proud team with an ill-conceived roster that Harbaugh should sprint away from as fast as possible. Now there's talk of interest from the Indianapolis Colts, who apparently are radically changing course, and may hire someone who has coached at a level above high school.

Harbaugh, who has won at the professional level as the coach of the San Francisco 49ers, is an attractive option. There's probably a mystery team or two interested. If Bob Iger decides to retire again, Harbaugh will likely rate a look.

Chatter only intensified after Harbaugh issued a strangely worded statement of affection toward his current employer on Jan. 5.

"As I stated in December, while no one knows what the future holds, I expect that I will be enthusiastically coaching Michigan in 2023," Harbaugh's statement read.

If Harbs was looking to calm Michigan's anxiety, it was a strange comment. *No one knows what the future holds.* Try that line out on your boss sometime. Or a spouse.

Of course, that may be the idea. Harbaugh knows very well there was a time, not long ago, when Jim Harbaugh was being fretted as an expensive miss for Michigan. The returning Bo-era alum won



Michigan head coach Jim Harbaugh is back on the NFL's radar.

some games, but not enough. He beat some rivals, but not the one that mattered most: Ohio State.

His job felt tenuous. He agreed to a pay cut. It felt like a comedown.

Things, alas, have changed. Over the past two seasons, Harbaugh has restored Michigan to a national powerhouse. His Wolverines have beaten Ohio State at the Big House and in Columbus, won two consecutive Big Ten titles, and qualified for the four-team college football playoff.

While those playoffs haven't gone well (the Wolverines fell 51-45 to TCU on New Year's Eve) the pain is dulled by those Ohio State wins, which are cherished like wedding memories by the 17

thousand million billion Michigan grads who work at the Journal.

Now star running back Blake Corum announced he's returning for 2023. Not even the pending results of an NCAA investigation can dull the optimistic vibes.

Michigan is back. If you tell anyone in Wisconsin I said this, I swear, I will write only about bike racing from now on.

Of course, Harbaugh may just be trying to rattle Michigan and upgrade his contract—this is basically the resting state of every successful college football coach. Harbaugh was given a new deal after last season, and the Wolverines might need to step up, again.

Then again, Harbaugh could be exhausted by the hassles of mod-

ern recruiting, and may be open to a fresh challenge, like texting with Jim Irsay.

But as a guy who has seen the peaks and valleys of the college and pro experience, Harbaugh must be aware: The NFL can't offer the soulful nourishment of where he's at now.

It's different. The NFL's a gig. College is life. People say "Well, what about winning the Super Bowl?" but I've seen plenty of Super Bowls, and trust me: that joy could never compare to that snowy madness on the field when the Wolverines finally knocked off the Buckeyes in Ann Arbor in 2021. (To be honest, some Super Bowls can't compare to a noon game vs. Northwestern.)

I know there are some folks who think Harbaugh's driven this bus as far as it will go, that he looks at the shifting college football landscape and thinks it's going to be awfully hard for the Wolverines to ever topple a team like Georgia. But people said similar stuff about Michigan beating Ohio State, just a couple of years ago.

I'm being selfish here, naturally. Harbaugh is good for my business, he's good for the Big Ten, and he's good for college football, which needs something to discuss other than whether Georgia and Alabama are going swap dynasties until 2080. I need Michigan to be great so when new Wisconsin coach Luke Fickell revives the Badgers and inevitably crushes the Wolverines, I can run screaming into the Journal like I've won chess for life.

There is really no choice. Do it for Michigan, Jim. If not, do it for me.

mind who was seen as one of the best defensive coordinators around, led a defensive staff that at times included a number of future head coaches such as Ron Rivera and Todd Bowles. Another, Leslie Frazier, is currently McDermott's defensive coordinator with the Bills. And in 2009, when Johnson had to leave the job due to cancer, the job went to one of his protégés: McDermott.

Filling Johnson's shoes was an unenviable task, and when the defense slipped during McDermott's first two years as defensive coordinator, there was pressure on Reid to cut his former personal assistant loose. But as he fired McDermott, he also picked up the phone and called Rivera, who had worked with them in Philadelphia and was the Panthers head coach at the time and told him he'd be crazy to not hire McDermott.

"That was the least I could do. I put him in that situation and it probably wasn't fair at all," Reid says. "He handled it just like he's handling this thing—like a champ." McDermott's five years as the Panthers defensive coordinator netted him the head coaching gig with Buffalo, and that also didn't seem like the best job in the world. The Bills had gone 17 seasons without making the playoffs.

But they managed that during his first season there, and within a few years they started to look like a powerhouse, led by quarterback Josh Allen. The team's defense, McDermott's specialty, has also ranked in the top two of the league in three of the last four years. The Bills are among the Super Bowl favorites heading into Sunday's wild-card round game against the Dolphins.

The tenor of the season changed after Hamlin's collapse. A few days later, when McDermott publicly spoke about what took place, he first said Hamlin's recovery was their top priority, before spending over two minutes thanking people, including the first responders and doctors who saved his life. And even though the positive updates about Hamlin that sent bursts of joy through the league had already started coming in, McDermott was still teary-eyed about the incident.

But in a situation that Allen described as a "dire circumstance that nobody's expecting, nobody's ready for," McDermott remained composed. After the ambulance left the field, at the moment the game might typically resume, McDermott told the referee his team needed more time.

After consulting with Frazier, the team's defensive coordinator, McDermott met with the referee and his counterpart, Taylor. Then he signaled for his team to head to the locker room, where he addressed the players—but needed to hear from them before calling off the game.

Once he heard from the team, McDermott went into the hallway where he coordinated with Taylor and NFL executives to suspend the game.

"Coach handled it as perfect as anybody could," Allen said.



## OPINION

## Garland's Election Department



**POTOMAC WATCH**  
By Kimberley A. Strassel

You'd think the Justice Department would have learned something from the Federal Bureau of Investigation's disastrous decision to insert itself into the 2016 presidential campaign. Think again. Maybe we should start calling it the Election Department.

A frazzled-looking Attorney General Merrick Garland on Thursday appointed Robert Hur to investigate Joe Biden's handling of classified documents at the end of the Obama administration. The announcement followed this week's news that Biden lawyers found classified documents stashed next to his Corvette in his Wilmington, Del., garage. And in another room of the house. And in a closet in his disused private office at the Penn Biden Center in Washington.

The news that additional material was hanging loose in a Biden carport makes the press corps look like chumps. Reporters spent the week laboring to explain that Donald Trump's classified-document behavior was far worse—in part because he'd kept material in his "private residence," whereas the Penn Biden docs were in a "locked office." How does a garage rate on the national-security front? And so much for the argument that Mr. Biden's Penn documents were a one-off oversight. The former vice president seems to

have sprinkled national secrets hither and thither.

What matters more is that the similarities between the two cases proved too much for Mr. Garland to ignore. He set a standard by naming Jack Smith special counsel to investigate the Trump documents, and he'd have looked partisan not to do the same with Mr. Biden. Thus the country finds itself in yet another extraordinary moment—with Justice Department special counsels investigating both the current president and his predecessor, who just happen to be top candidates for the next presidential election.

If this isn't as shocking as it should be, it's because it's become shockingly common. Messrs. Smith and Hur follow Robert Mueller, the special counsel who investigated Mr. Trump over fake Russia-collusion claims. That hoax is being probed by another special counsel, John Durham. All that followed the FBI's elaborate 2015-16 FBI investigation of Hillary Clinton and a separate elaborate 2016-17 investigation into Mr. Trump. Maybe we should save time and assign a special counsel to dog every presidential aspirant during the campaign, through the Oval Office and unto death.

One of former Attorney General William Barr's aspirations was to depoliticize the Justice Department, and one of his acts was a 2020 memo putting new guardrails around launching investigations into politically sensitive individuals or entities. No one suggests politicians are above the law. But earlier at-

torneys general were mindful of the risk that political investigations would appear partisan, and the need for a high bar and great discretion. Mr. Barr's memo was a reminder of these principles.

Mr. Garland might have followed that example rather than authorize the FBI's unnecessary and unprecedented August 2022 raid on a Mr. Trump's home. Over *documents*. And documents that the Presidential Records Act outlines only

### He's named special counsels for Biden and Trump. Didn't he learn from 2016?

minor penalties for mishandling. The department could have continued negotiating with the Trump team or gone to court for an order requiring the proper handling of the material. That would have allowed it to handle the Biden situation in a manner that was similarly low-key but also yielded accountability.

Mr. Garland instead escalated the Trump situation. That again injected the Justice Department in an election cycle, given Mr. Trump soon became a declared candidate for the presidency. Rather than be accused of a double standard, Mr. Garland this week delivered a second injection. Now he holds in his hot legal hands the fate of *another* leading candidate, Mr. Biden.

The power the department

now has over the 2024 election is extraordinary. How long will the probes drag on, weighing down the candidates? Will one investigation finish sooner than the other, giving one candidate an advantage? Will one man be exonerated while the other is indicted? How much information will be leaked in each probe, in an attempt at partisan advantage? Will the department end up having altered the future of politics by dissuading Mr. Biden to run?

And does anybody think the Justice Department will come out of this without further blemishing its reputation?

Of course not. Mr. Garland is attempting to insulate the department with his special counsels, to maintain—as he robotically repeated in his announcement—that he is determined to preserve its “independence and accountability.” But nobody in America is going to buy the claim that the attorney general, who answers to Mr. Biden, isn't deeply involved or that politics isn't at play. If Mr. Biden is exonerated, half the country will lose its wig. If Mr. Trump is exonerated, the other half will. Likewise if either man is indicted. There is no win here. What a mess.

At some point, a future attorney general will need to summon the backbone to be truly accountable—to make the tough calls himself. That would include what seemingly has become the toughest call of all—to step out of the political fray.

Write to kim@wsj.com.

**BOOKSHELF** | By Dave Shiflett

## Inspiration Everywhere

### The Creative Act

By Rick Rubin, with Neil Strauss  
(Penguin Press, 404 pages, \$32)

While many of us strive to avoid the dangers of positive thinking, a consensus seems to be growing that a change in the national temperament would be welcome right about now. Dare we dream of a society free of malignant memes, craven cancellations and dramatic displays of puritanical fervor?

Rick Rubin, the noted record producer once named one of the 100 most influential people on Earth (by Time magazine), offers an interesting alternative to internet bickering and similar modern maladies: creating art. While he isn't pitching “The Creative Act: A Way of Being” as a guidebook for national rejuvenation, his relentlessly positive message may help readers shed a few blood-pressure points and possibly suspend plans to jump off the nearest cliff.

Mr. Rubin starts on a high note, insisting that all of us have a creative streak. “Creativity is not a rare ability,” he



writes, but a “fundamental aspect of being human.”

Better yet, the entire universe is ready to cooperate in our artistic endeavors. All one need do is tap into the Source—the endless supply of creative energy and cosmic “data” that we can absorb and convert into whatever art floats our boat. The possibilities can range from composing a musical or literary masterpiece to cooking a virtuosic Philadelphia cheesesteak or even designing a space shuttle, something Mr. Rubin

sees as a work of art as much as science.

Harvesting this magical data can be a blissful process. Forests and quiet seascapes “are fine locations to receive direct transmissions from the universe,” he advises. He also offers tips on expanding awareness, including “looking at sunlight before screenlight,” taking a cold shower, and opening a book “to a random page and reading the first line your eyes find”—a strategy well known to desperate motel-room perusers of Gideon's Bible.

Mr. Rubin, a majestically bearded man who seems to have avoided the Keto craze, has guided many artists toward glory, including Adele, Tom Petty, Neil Young, Johnny Cash, Black Sabbath and the artist once known as Kanye (in his pre-Hitler period). All told, he's won nine Grammy Awards. Yet he's a gentle soul, without a trace of the drill sergeant. “Do what you can with what you have,” he counsels. “Nothing more is needed.” For those who fear failure, he reminds us that the Leaning Tower of Pisa was an “error.” Indeed, when a work “has five mistakes,” he says, “it's not yet completed. When it has eight mistakes, it might be.” He sings a similar song to readers who might not have excelled in STEM classes: “The world of reason can be narrow and filled with dead ends,” while for spiritual truths “no proof is needed.”

While perpetual grouchers might accuse Mr. Rubin of groping for progressive profundity, much of his thinking will appeal to traditionalist ears. Those who consume classic literature every day instead of journalism will “have a more honed sensitivity for recognizing greatness from the books than from the media.” He writes that “discipline and freedom . . . are partners,” and he is no fan of the tendency to romanticize additions. Readers exhausted with preachy celebrities will be deeply pleased by his advice to avoid infatuation with political sermonizing. People who believe in socially responsible art, he writes, don't have “a clear understanding of the function of art,” adding: “Wanting to change people's minds about an issue or have an effect on society may interfere with the quality and purity of the work.”

### Creativity is not a rare ability but something available to all and fundamental to life. The entire universe is ready to cooperate.

The artistic life isn't always easy, of course, especially for those in pursuit of fame, fortune and perhaps the occasional groupie. The chances of selling an on-spec screenplay are frightfully close to zero. New novelists (and plenty of published ones) routinely discover that, though there are thousands of literary agents, few to none of them seem interested in responding to authorial queries. A hope-blinded composer might spend tortured months, if not years, on a symphonic work that garners all of five hits on YouTube.

Mr. Rubin has this covered: Commercial success is “a poor barometer” of a project's worth, he argues, and often depends on whom you know, the “mood of the culture,” having the good fortune to choose a release date that happens to be a slow news day, or other nonartistic factors. His bottom line: “You are the only audience that matters.”

Mr. Rubin tosses in some interesting tidbits, telling us that Charles Dickens carried a compass to make sure that he always slept facing North, which he believed kept him in creative alignment with the Earth's electrical energy. The lyrics to the hit song “(You Make Me Feel Like) A Natural Woman” were written by a man (Gerry Goffin). But his greatest gift may be what he leaves out: all traces of the political caterwauling that pollutes every aspect of contemporary life. The exclusion is almost jarring. It's as if he's from outer space.

He's also an easy read, with some pages containing single points to ponder, such as: “The universe never explains why.” Or: “We are dealing in a magic realm. Nobody knows why or how it works.” A bit gauzy perhaps, yet far preferable to yet another Twitter twerp declaring the only acceptable pronoun to use when addressing a spayed cat. As such, “The Creative Act” can be considered a work of transcendent literature, one that suggests the universe still smiles upon us despite all indications to the contrary.

Mr. Shiflett posts his original music and writing at [DaveShiflett.com](http://DaveShiflett.com).

### Coming in BOOKS this weekend

How borders make and break our world • What Greek and Roman dramatists knew about political power • 19th-century music • 21st-century physics • Sam Sacks on literary thrillers • Tom Nolan on mysteries • & more

## Cardinal Pell Faced Down a Hostile World

**HOUSES OF WORSHIP**  
By Raymond J. de Souza

Australia's Cardinal George Pell, who died Tuesday at 81, was the most influential Catholic churchman in the English-speaking world. Pell devoted his considerable talents and prodigious energies to proclaiming the Gospel, refusing to be cowed by a culture turning against its Christian heritage. Persecuted in his native Australia, he suffered a wrongful sexual-abuse conviction but emerged with his reputation intact and his credibility enhanced.

Pell was born in 1941 in Ballarat, about 60 miles west of Melbourne. An outside presence from his early days, he was a towering physical force who excelled at Australian rules football and in the classroom. He started his seminary studies at home before completing them in Rome and earning a doctorate at Oxford. As he returned to Australia, he was marked by the Vatican for leadership, the only man ever to serve as archbishop of both Melbourne (1996-2001) and Sydney (2001-14).

Pope John Paul II created him a cardinal in 2003. Under Pope Benedict XVI, Pell led efforts to produce a new English translation of the Mass, rendering a text both more beautiful and more faithful to the original Latin. In 2014 Pope Francis appointed him to lead his financial-reform efforts, effectively making Pell the third-highest

ranking cardinal in Rome. Few men received appointments from all three popes.

Pell kept in his office in Sydney a picture of Cardinal John O'Connor, archbishop of New York (1984-2000), as his model for how to proclaim Christ robustly in a sometimes hostile public square. He invited O'Connor to Melbourne to dedicate a new altar in his cathedral, also called St. Patrick's: a declaration that Pell intended to follow O'Connor's uncompromising combination of Catholic orthodoxy, moral truth, pro-life witness and solidarity with the poor. He took “Be not afraid,” Pope John Paul II's signature biblical phrase, as his own motto.

Pell's forthrightness caused discomfort for the flaccid Catholic establishment in Australia. When O'Connor died in 2000, Pell assumed his indomitable mantle for the English-speaking Catholic world. He was a leading advocate of Cardinal Joseph Ratzinger's election as pope in 2005, and had emerged as one of Benedict's staunchest lieutenants by 2008, when the pope visited Sydney for World Youth Day.

Yet it was under Pope Francis that Pell became a Vatican official, brought to Rome to clean up the church's opaque and occasionally corrupt finances. He bulldozed throughout Vatican bureaucracy, bringing in updated practices for accountability and transparency.

Pell prevailed over entrenched interests in Rome

until he opposed attempts by Pope Francis to relax ancient doctrine on marriage and divorce. “As Christians, we follow Christ,” Pell said during the 2014 synod on the family. “Some may wish Jesus might have been a little softer on divorce, but he wasn't. And I'm sticking with him.” The pontiff wasn't pleased and gutted the authority of the secretariat for the economy, the new financial-reform body he had created and entrusted to Pell.

### His faith, even during wrongful detention, was the crown of an inspiring Catholic life.

Pope Francis eventually changed course and vindicated Pell's reforms thoroughly. But by then Pell was no longer in Rome. He had returned to Australia in July 2017 to face a series of charges that he had sexually abused minors. The Victoria state police—so notoriously corrupt that a royal commission was called to investigate its abuse of due process—launched what it would concede in court was a “Get Pell” operation. It decided on a defendant, then set out to find a crime.

Wholly implausible charges were brought, and in a fevered atmosphere—a frenzy stirred up in no small part by the Australian Broadcasting Corp.—he

was convicted. He served more than a year in solitary confinement, denied the opportunity to celebrate Mass. He would be speedily vindicated by the High Court of Australia, which, unlike the U.S. Supreme Court, can review the facts of a case.

In a scathing assessment of the “Get Pell” spirit animating the prosecution and lower courts, the high court unanimously and emphatically overturned the convictions. It didn't order a new trial but entered on its own authority the only verdict fitting for an innocent man—total acquittal.

Pell emerged from prison demonstrating that the Catholic orthodoxy he always preached includes mercy, forgiveness and compassion. He spoke no ill words about his persecutors and published three volumes of his prison diaries, which revealed the inner Christian disciple that public caricatures concealed. Pell told friends that he was deeply touched that those diaries were being read to Pope Benedict XVI in the last weeks of his life.

Pell was magnanimous and merciful. His ecclesial service was without parallel in Australia. And his witness during wrongful imprisonment was the crown of a public, deeply faithful and remarkably inspiring Catholic life.

*Father de Souza is a priest in Kemptonville, Ontario, and a columnist with the National Post and National Catholic Register.*

## Why Is Paul Ehrlich So Hard to Ignore?

By Marian L. Tupy

Paul Ehrlich's memoir, “Life: A Journey through Science and Politics,” comes out next week. It probably won't sell as many copies as “The Population Bomb” (1968). But neither will it flop—and it should. Mr. Ehrlich, 90, whom the media treat with an obsequious deference—see the recent cringe-worthy segment on CBS's “60 Minutes”—will again profit from the capitalist consumption he's spent his life decrying.

Mr. Ehrlich is a purveyor of “doom porn” at a time when the world has never been more prosperous. Developed countries are astonishingly rich, and even in developing nations the share of the population in absolute poverty has fallen to single digits. Mr. Ehrlich in 1968 predicted mass starvation; instead obesity is rising, even in Africa. So why don't people ignore him? Ignorance is no excuse when we carry the entirety of

human knowledge in our pockets.

The answer is that humans have evolved to prioritize bad news. “Organisms that treat threats as more urgent than opportunities,” wrote Nobel Prize-winning behavioral psychologist Daniel Kahneman, “have a better chance to survive and reproduce.”

### Blame evolution, which primes us to be alert to danger, even when we know better.

As Peter H. Diamandis and Steven Kotler explain in “Abundance: The Future Is Better Than You Think,” our brains have limited bandwidth and need to focus when a threat arises. Most information is first sifted through the amygdala, a part of the brain that is “responsible for primal emotions like rage, hate, and

fear,” Messrs. Diamandis and Kotler write. “The amygdala is always looking for something to fear.”

That is a very powerful impulse that can deceive even the most dispassionate and rational observers. A study by Marc Trussler and Stuart Soroka found that even when people expressly say they are interested in more good news, eye-tracking experiments show they are in fact much more interested in bad news.

Mr. Ehrlich built a career pandering to these inclinations, starting with “The Population Bomb.” In 1970 he said that “if I were a gambler, I would take even money that England will not exist in the year 2000.” That got the attention of Julian Simon, a University of Maryland economist, who a decade later challenged Mr. Ehrlich to a wager.

It was structured as a commodities futures contract. Simon agreed to sell Mr. Ehrlich \$200 each worth of chromium, copper, nickel, tin and

tungsten in 1990 at 1980 prices. The bet would pay off for Mr. Ehrlich if the metals became scarcer and thus costlier. On the settlement date, the total price had declined from \$1,000 to \$423.93. Mr. Ehrlich mailed Simon a check for the balance, \$576.07.

While issuing one failed prognostication after another, Mr. Ehrlich went on to win a series of prestigious prizes. When the MacArthur Foundation gave him a “genius grant” in 1990, Simon quipped: “MacArthur! I can't even get a McDonald's!”

What does Mr. Ehrlich's memoir say about the bet? The book isn't out, but its index is already available on Amazon. Simon's name doesn't appear.

Mr. Tupy is a senior fellow at the Cato Institute's Center for Global Liberty and Prosperity and a co-author of “Superabundance: The Story of Population Growth, Innovation and Human Flourishing on an Infinitely Bountiful Planet.”



## OPINION

## REVIEW &amp; OUTLOOK

## Two Presidents, Two Special Counsels

Hear that quacking sound from Washington? It's Attorney General Merrick Garland's latest duck. Faced with news that classified documents were recently found not only in a private office of President Biden's but also his Delaware home, including in the garage, Mr. Garland on Thursday named another special counsel.

"I strongly believe that the normal processes of this department can handle all investigations with integrity," Mr. Garland said. "But under the regulations, the extraordinary circumstances here require the appointment of a special counsel." He claimed this would make clear the Justice Department's "commitment to both independence and accountability." The new special counsel is Robert Hur, who clerked for Chief Justice William Rehnquist before starting a career as a federal prosecutor.

To repeat what we said when Mr. Garland appointed Jack Smith as special counsel to investigate President Trump, including Mr. Trump's Mar-a-Lago document hoard, the political insulation being sought here is a matter of mere perception. Whatever Mr. Hur finds out about how classified material wound up in Mr. Biden's garage next to his Corvette, Mr. Garland shoulders the responsibility for the investigation, including deciding how to conclude it.

"My Corvette's in a locked garage, OK? So it's not like they're sitting out on the street," Mr. Biden said Thursday. Rest easy, America: The First Vette is safe and sound. As for the classified papers from his time as Vice President, locked or not, Mr. Biden's garage isn't a secure place where they're supposed to be kept. Additional classified material, Mr. Biden also said, was recently found in his personal library. Still, he argued: "People know, I take classified documents and classified material seriously."

Apparently not as seriously as the feds usu-

## AG Garland can't escape deciding how to handle Biden's classified stash.

ally do. Last year a former civilian employee of the Pentagon was sentenced to three months in prison for taking classified documents to her hotel room, as well as keeping handwritten notes of meetings that included classified details. That information was categorized as Confidential and Secret. To compare, Mr. Biden and Mr. Trump each reportedly held on to documents that were rated as more sensitive than Top Secret.

Prosecutions for mishandling the nation's secrets aren't rare, though many of them involve reams of materials or high risk of exposure. Former CIA Director John Deutch was set to plead guilty to a misdemeanor charge of mishandling classified information on a computer at his home. President Clinton pardoned him first.

Although Mr. Trump was inexplicably mulish about handing over his files, on current evidence there's no good case for putting a President in prison—much less making two Presidents into cellmates—for improperly retaining materials from recent public office. When Mr. Trump was out on a limb by himself, this point was less obvious to some of our media competitors.

Now that Mr. Biden faces a similar inquiry, perhaps they see how ridiculous it is to have the Justice Department investigating both the current and former President who are running against each other for the same office in 2024. Rather than pass the buck to special counsels, Mr. Garland would be wiser to help the country by seeking a better way out.

The Justice Department can clarify the facts, and explain whether each President handled documents recklessly in ways that could have harmed national security. Barring some explosive revelation, however, Mr. Garland can then close both cases, giving voters their say next year when Mr. Trump and Mr. Biden each expect to be on the ballot.

## Assailing an Hispanic Judge in New York

Progressives these days view courts as political bodies, and look no further to prove it than the intra-Democratic Party brawl in New York over Gov. Kathy Hochul's choice to be the state's next top judge.

The nominee is Hector LaSalle, a former assistant district attorney who has been the presiding judge of one of the state appellate courts since 2014. He'd be New York's first Hispanic chief judge, which you'd think progressives would like, but then ideology now trumps even identity on the left.

At least 14 Democrats in the state Senate have said they'll vote to block Judge LaSalle, whom they call an "activist conservative." (Democrats control the Senate 42-21). That says more about Albany's definition of conservative than it does about Judge LaSalle, a Democrat whose judicial record mainly suggests adherence to statute.

A group called The Court New York Deserves faults him for opinions that it calls "anti-abortion, anti-union and anti-due process." But he didn't write the opinions in the abortion or labor cases at issue and the abortion case, *Matter of Evergreen Assn. v. Schneiderman*, was only tangentially about abortion, involving the scope of a subpoena in the state Attorney General's investigation of a crisis pregnancy center.

Nor was the "anti-union" case a threat to union organizing. In *Cablevision Systems Corp. v. Communications Workers of America District*,

he joined a majority opinion that union leaders can be sued by their employers for defamation.

The AFL-CIO and other unions are nonetheless going all out to defeat the judge. General Vice President at the Ironworkers Union James Mahoney told the publication City and State that "we were promised a seat at the table." He added of Gov. Hochul, "If there were an election this year, let's just say I hope she gets primaried."

The ideological split on the New York Court of Appeals isn't as sharp as on some state courts, but three judges currently lean right and three left. Judge LaSalle is nominated to replace Judge Janet DeFiore, whom progressives blame for the 4-3 opinion last year that overruled New York Democrats' gerrymander before the midterm election.

Since Judge LaSalle was nominated, Democrats have expanded the New York Senate Judiciary Committee to 19 members from 15, the better to block his nomination. Two of the new members (Shelley Mayer and Jessica Ramos) have already publicly announced that they will oppose his nomination. Welcome to Albany: To revenge the lost gerrymander, Democrats will gerrymander the Judiciary Committee.

This is a big test for Gov. Hochul, who was elected in November and ought to be at the peak of her political clout. If she rolls over to the left on Judge LaSalle, she'll have signaled she's an easy mark for the next four years.

## The Fed Makes Some Progress

Believe it or not, a central bank that wants to control inflation can do so with the right monetary policy. That was clear Thursday in the Labor Department's report that inflation fell in December for the sixth consecutive month at an annual rate. If the Federal Reserve keeps it up, we might escape the worst inflation in 40 years with less economic damage than it looked even three months ago.

The consumer-price index in December actually declined 0.1%, pushing inflation down to 6.5% for the last 12 months. That's still well above the Fed's 2% inflation target, but it continues the decline from the 9% inflation peak reached in June.

The monthly price decline was driven mainly by falling energy prices. Some of this is owing to slow demand for oil and natural gas from a relatively warm winter in Europe and China's slow emergence from Covid lockdowns. Energy prices could rise again, so one month is no cause for the Fed to declare victory. The price level is still rising, only less rapidly.

So-called core inflation, sans food and energy, rose 0.3% in December and is up 5.7% for the last year. Services other than for energy rose 0.5%, or 7% in a year, with shelter rising 7.5% over the last 12 months. Inflation optimists say the shelter index is likely to fall in the coming months given the recent decline in home prices and rents.

This modest disinflation suggests that the Fed's policy shift toward tighter money in early 2022 is paying off. The pace of growth in the money supply has fallen sharply, the fed-funds target rate has risen from near-zero to 4.25%-4.5%, and the Fed continues to shrink the size of its balance sheet.

All of this is encouraging, though President Biden couldn't resist spinning the news beyond

## Inflation is falling, but real wages have a long way to go to catch up.

what the facts can bear. "As inflation is coming down, take-home pay for workers is going up. Workers' wages are higher now than they were seven months ago, adjusted for inflation," he said at the White House.

Yes, but real hourly earnings are still down 1.7% in the last 12 months. Add a 1.4% decline in the average workweek,

and average real weekly earnings are down 3.1%. Most Americans haven't had a raise after inflation since Mr. Biden became President. It's going to take several more months to dig out of the inflation hole the President dug with his blowout spending in 2021 and the Fed's accommodating monetary policy.

Equities rose and bond yields fell on the inflation news. Investors are betting that the Fed may not have to raise interest rates as high as Chairman Jerome Powell has been suggesting. They may be right, but Mr. Powell has also warned about declaring premature victory. Wall Street almost always wants easier money, but the middle class will benefit more from doing what it takes to break inflation and restore real wage gains.

While we're at it, we should say a good word for Mr. Powell's remarks this week forswearing climate change as a factor in monetary policy. "Without explicit congressional legislation, it would be inappropriate for us to use our monetary policy or supervisory tools to promote a greener economy or to achieve other climate-based goals," Mr. Powell said. "We are not, and will not be, a 'climate policymaker.'"

Monetary policy is hard enough guided by the twin Congressional mandates of price stability and full employment. Add political goals like climate or racial equity, and the risk of monetary error multiplies. Better for the Fed to stay on its current course of correcting its biggest inflation mistake in four decades.

## LETTERS TO THE EDITOR

## The Wrong Time to Weaken a Wobbly Military

On the Fox News Sunday program, I could hardly believe what I was hearing: Rep. Jim Jordan (R., Ohio), the "spiritual leader of the House Freedom Caucus," spoke clearly about the need to put defense spending "on the chopping block," as you put it ("Defense Is Now a GOP Target," Review & Outlook, Jan. 9).

We have a large national debt, and Mr. Jordan's statement about cutting military spending as part of addressing that debt might have some validity if all were at peace in the world. But right now we are challenged by China, Russia, Iran and others at a very high level.

Observers of U.S. national defense should be able to recite some the following, if not in detail:

Nearly half of Air Force combat aircraft failed to reach their readiness goal (GAO study, Nov. 10, 2022).

The Navy surface fleet was rated as "degraded" by inspectors in more than half its functional areas, from anti-

submarine warfare systems to electrical systems and the Aegis weapons system (U.S. Navy Board of Inspection and Survey, 2021 report to Congress).

Only two of 49 military aircraft surveyed met their service-established readiness goals (GAO report to Congress, Nov. 10, 2022)

The Air Force was short 1,650 pilots in 2021 (Air Force Times, Dec. 1, 2022).

Nearly a year into the Ukraine war, we still see shortfalls in U.S. production of artillery shells (15,000 in a good month) to support Ukrainian forces, while draining our own supply.

Our troops deal with these issues every day they are deployed in service of our nation. Putting defense spending on the chopping block is the wrong answer at the wrong time.

RON SABLE  
Tucson, Ariz.

Mr. Sable was a special assistant to President Ronald Reagan for national security.

## How to Assess America's Pandemic Lockdowns

Regarding "Notable & Quotable: Lockdown" (Jan. 7): David Wallace-Wells, writing in the New York Times, identifies nine pandemic narratives that are wrong, including that the U.S. ever had lockdowns at all. The frame of reference for Mr. Wallace-Wells isn't the freedom that Americans enjoyed prepandemic, but the lockdowns imposed by other countries such as China. Yes, some U.S. states had shelter-in-place policies that disrupted lives, he grants, but that inconvenience was nothing compared with draconian lockdowns elsewhere.

In 2020, journalists at the New York Times and most other news organizations pounded home the narrative that the Trump administration's incompetence and failure to order strict na-

tionwide lockdowns and masking resulted in tens or hundreds of thousands of unnecessary deaths. Now that we are living with collateral damage even from what Mr. Wallace-Wells says were "remarkably light" lockdowns, journalists on the left are going with a narrative of "it could have been much worse" in a global context.

In a domestic context, however, it could have been much better, if only blue states had followed the lead of red states with the shortest and least disruptive lockdowns. Mistakes made by the rest of the world are interesting, but the land of the free and the home of the brave is, thank God, not yet merely a follower of the pack.

PAT EVANS  
Melbourne, Fla.

## Family Should Be the School of Our Republic

Sen. Ben Sasse leaves out the most important institution needed to narrow our political divide: family ("America's True Divide: Pluralists vs. Zealots," op-ed, Jan. 3). It isn't surprising that the "politicized echo chamber" in which he serves resembles many American households.

Family, unrivaled in its intimacy and influence, offers the most effective environment to learn and practice understanding and regulating our emotions. Such skills enable us to listen to another's point of view while remaining secure in our own beliefs. Only then can we expect to stay calm enough to consider a political opinion that seems in opposition to our own, let alone engage it through "debate and persuasion." Family, where there ought to be the greatest room for patience and grace, seems like the best breeding ground for empathy and understanding.

GREG ACOMPANADO  
Wauwatosa, Wis.

## Damar Hamlin's Injury Did Not Move Me to Pray to God

When Damar Hamlin went down on the field, I was horrified and moved. I can't agree with Barton Swaim, however, that the event demanded a religious response ("How Damar Hamlin Drove a Nation to Pray," Houses of Worship, Jan. 6).

I didn't pray for Mr. Hamlin; I am not a praying man. Now, too, we have an article in Scientific American suggesting that pro football is racist and Mr. Hamlin's situation somehow a product of racism. I perceive an entirely different message arising out of this drama: That in their reaction to the injury, most people didn't care whether Mr. Hamlin is white, black, Hispanic, Asian or any combination thereof, or whether they are Christian, Muslim, Jewish, agnostic or atheist.

All that mattered was that a young athlete was down on the field, possibly critically injured, possibly worse. The near-universal response that swept the land was horror, hope, respect and love. That is the only appropriate response there could possibly be.

WILLIAM LEHMAN  
Phoenix

## How Many Illegal Migrants?

Why does your editorial "Biden Discovers the Border" (Jan. 6) subscribe to the figure of "11 million undocumented immigrants"? This number was referenced routinely several years ago, but apparently hasn't been updated for the millions of others who have arrived in the past 12 months. Whether the earlier number was correct or not, it should be updated.

ART CECIL  
Easton, Md.

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.

## Lt. Alkonis Deserves Our Help

We can only hope that the U.S. government will expend as much effort getting the patriot Lt. Ridge Alkonis out of Japanese prison ("The U.S. Navy's Stranded Lieutenant," Review & Outlook, Jan. 9) as it did in getting Brittney Griner out of a Russian prison.

VIRGINIA THOMPSON  
Kingport, Tenn.

Adm. Mike Gilday's above-my-pay-grade comment hardly inspires confidence in his leadership. It sounds like a cop-out to the sailors he commands as chief of naval operations. What-ever happened to "shipmates look out for shipmates"?

LOU CONOVER  
Shamong, N.J.

## Pepper ... And Salt

THE WALL STREET JOURNAL



"You can tell me how my generation ruined the planet when you learn to turn off the lights."



## OPINION

## The FTC's Breathtaking Power Grab

By Eugene Scalia

The Federal Trade Commission's ban on noncompete agreements may be the most audacious federal rule ever proposed. If finalized, it would outlaw terms in 30 million contracts and pre-empt laws in virtually every state. It would also, by the FTC's own account, reduce capital investment, worker training and possibly job growth, while increasing the wage gap. The commission says the rule would deliver a meager 2.3% wage increase for hourly workers, versus a 9.4% increase for CEOs.

**Its proposed prohibition of noncompete agreements would quash 47 state laws and 30 million contracts.**

The good news is that the proposal is unlikely to become law.

The FTC seeks a "categorical ban" on postemployment noncompete agreements, with a sole exception for agreements in connection with the sale of a business. Companies would have 180 days to rescind their existing agreements.

Noncompete agreements currently are regulated by the states. Almost all states allow them—only California, North Dakota and Oklahoma don't—but with important limitations on how long they may be in effect, how broad a geographic area they can cover, and, in some states, whether they can be used with lower-wage workers. All these laws would be pre-empted by the FTC rule unless their requirements are even

more restrictive than the FTC's.

Three phases lie ahead for the proposal: rule-making, litigation and compliance. The rule-making begins with publication in the Federal Register, initiating a 60-day comment period for interested parties to advise the agency of their concerns. Robust engagement in this phase is critical. Comprehensive, well-substantiated comments can persuade agencies to significantly revise rules or drop them altogether. Comments can be crucial to a successful challenge in court.

After the comment period, the FTC must consider what changes to make, if any. The proposal suggests commissioners are already considering carving out executives from the rule, since CEOs obviously don't need the government's help negotiating a contract. On the other hand, the FTC frets that if it excludes higher-wage workers from the final rule, "a large portion of the benefits associated with the proposed rule would be lost." (In addition to executives, winners under the proposal include physicians, some of whom the FTC projects would get a 37% pay raise.)

The FTC is likely to finalize the rule within a year, to ensure the Biden administration can begin the task of defending it in the litigation phase. The proposal's legal vulnerabilities are legion. While Congress gave the FTC authority to address "unfair methods of competition," that is to be done through case-by-case enforcement, not through rules. It's also doubtful that noncompete agreements typically constitute an unfair method of competition under the statute.

Litigation will occur against the



MARTIN KOZLOWSKI

backdrop of the "major questions doctrine" articulated by the Supreme Court in *West Virginia v. EPA* (2022). To define that doctrine is to describe why the FTC will lose: Clear statutory authority is needed for agency rules that have "vast economic and political significance," or affect a "significant portion" of the U.S. economy; the high court is particularly skeptical when agencies "discover" new powers in "long-extant" statutes, or "intrud[e] into an area that is the particular domain of state law."

Here, the FTC is rewriting 30 million contracts and overriding 47 state laws. But until two weeks ago, it evidently had never brought a case contending that a noncompete

agreement was an "unfair method of competition."

The FTC is straying outside its lane. Congress never meant the commission to be an employment regulator, and at times the proposal fails to appreciate fundamental workplace concerns. There is strong bipartisan support for apprenticeship programs and other "work-based learning" in which employers give the training and education that many universities fail to provide. These programs equip workers not only for the job at hand but for productive careers. Yet the FTC, with seeming indifference, projects that its proposal will reduce these opportunities, since companies are less willing to invest in workers who may take their know-how to a rival.

The proposed rule's admitted adverse consequences present an immediate legal vulnerability—surely it is arbitrary and capricious to reduce job training, capital investment and employment to give CEOs a 9.4% pay raise while hourly workers get 2.3%. Or, to take another example, before making a change projected to increase workers' wages \$250 to \$300 billion, shouldn't the FTC know what the effect will be on prices? The FTC is unsure—it found only one study on the issue.

More fundamentally, that the FTC is making such trade-offs confirms it's in over its head. These are decisions for Congress. Or better yet, for experimentation and refinement in the states, nearly a dozen of which have tightened restrictions on noncompete agreements in recent years.

What of the third phase for this proposal—compliance? The proposal itself doesn't command compliance. It is a draft with no legal force or effect. Employers should, as always, ensure they are using noncompete agreements in ways that comport with state requirements. Unfortunately, some employers may now reduce the benefits they offer in exchange for noncompetes, for fear the rule may eventually render the agreement unenforceable. But because the FTC may change aspects of the rule—and because the courts are likely to invalidate it—American businesses don't need to invest now in complying with this deeply flawed proposal.

*Mr. Scalia, a Washington lawyer, served as U.S. labor secretary, 2019-21.*

## Regrets? The Federal Reserve Has Too Few



**POLITICAL ECONOMICS**  
By Joseph C. Sternberg

It seems Federal Reserve Chairman Jerome Powell smells political trouble in the wind. In remarks this week he insisted that the Fed must continue its war on inflation no matter the consequences for unemployment and growth. Hear, hear—up to a point.

This comes in response to not-so-subtle prodding from (primarily) Democratic members of Congress, such as Sens. Sherrod Brown and Elizabeth Warren and Rep. Maxine Waters. They are acutely aware a) that Mr. Powell's method for fighting inflation is to push the economy into a recession, although Mr. Powell will never admit it so bluntly; and b) that the Democrats who control the Senate and White House might be punished at the ballot box for such a downturn come 2024.

Allow me to make a startling observation: The Democrats have a point.

To explain, start with an essay Neel Kashkari published on Medium

last week. Mr. Kashkari is president of the Minneapolis Federal Reserve Bank and one of the Fed's most conspicuous doves. Now he has a few regrets.

"I was solidly on 'Team Transitory,'" Mr. Kashkari writes of his conviction in 2021 that then-accelerating inflation would abate without Fed intervention. "But many of us . . . together made the same errors in, first, being surprised when inflation surged as much as it did and, second, assuming that inflation would fall quickly. Why did we miss it?"

Mr. Kashkari arrives at an answer by way of an analogy to surge pricing at ride-sharing services such as Uber or Lyft. The details are by the by, but the conclusion of his thought experiment is a set of phenomena that closely resemble the past two years: "Prices soar. Corporate profits climb. Income for drivers climbs, but not as much as prices. Real wages actually fall. Even though worker incomes are up, labor's share of income is down. Labor markets are tight, but *capital is the constraint on supply*" (emphasis added).

Missing from this summary of the economy are the two things the Fed

has long believed cause inflation, a tight labor market and household and business expectations of high inflation in the future. Orthodoxy at the Fed, in most central banks, and in most university economics departments clings tenaciously to the Phillips curve. This posits a trade-off

**If Jerome Powell wants to defend its independence, he'll have to prove it has learned from its mistakes.**

such that higher inflation is the price you pay for a hot job market, while a slack job market (which equates to an economic slowdown) is the cure for inflation.

Multiple episodes since the 1970s have cast the Phillips curve into disrepute, ranging from the stagflation era to the Great Moderation when the Fed constantly professed surprise at how low unemployment could sink without triggering inflation. Even when policy making inspired by the Phillips curve succeeded in spite of

itself at delivering stable consumer prices, the result tended to be cycles of asset-price booms followed by financial meltdowns.

Meanwhile, Fed orthodoxy attributed any real-world events not anticipated by this faulty model to accident or bad luck—i.e., "shocks" or "headwinds." This absolved the central bank of responsibility for having induced negative outcomes. A financial crisis, say, must not be the result of capital misallocation driven by bad monetary policy (a dynamic most central-bank economic models omit entirely), but rather an accident triggered by "a meteorite coming from nowhere," to quote a veteran observer of central banks.

If Mr. Kashkari wants a rethink, better late than never. His allusion to a capital shortage ("capital" here in the sense of productive machinery and the like rather than financial capital) points to an entirely different way of thinking about inflation's causes and cures. His is hardly a complete theory nor necessarily novel, but Mr. Kashkari at least hints that the Fed needs an alternative economic model that doesn't blame inflation solely on a war or a virus and

doesn't fix it solely with joblessness.

The problem is that even Mr. Kashkari's limited mea culpa remains outside the norm at the Fed. I promised a partial defense of congressional Democrats, and here it is: While Mr. Kashkari and the others do their postmortems on 2021, the Fed is making policy today. Having failed to spot inflation's arrival, Mr. Powell (elected by no one) now asks us to accept on the basis of the Fed's nonsense models that inducing a potentially painful economic slowdown will hasten its departure. A politician (elected by someone) isn't crazy to think this is nuts.

This isn't a comment on whether interest rates should rise or the Fed's balance sheet should shrink. Through some alchemy, the central bank's prior loose policies do appear to have triggered inflation. Rather, it's an observation about the institutional independence Mr. Powell is fighting to preserve. The public trust he seeks is easier to secure if the Fed can demonstrate it actually knows what it's doing. A speech won't save the central bank from political interference, but a clearer understanding of the economy might.

## Ukraine, Japan and the Korean War's 21st-Century Parallel

By Vance Serchuk

Tokyo

When Russian forces surged into Ukraine in February 2022, the conflict seemed to spell calamity for the U.S.-led order in Asia. Just as Washington was turning its attention to the Indo-Pacific, a conflagration in Europe promised to distract America from the threat posed by the Chinese Communist Party. But nearly a year later, the Ukraine war hasn't doomed the balance of power in Asia; instead, it may be stabilizing it.

Nowhere is this more evident than in Japan, whose prime minister, Fumio Kishida, visits the White House Friday following historic changes in Tokyo's national-security and military strategies. Among the bold moves announced last month: a pledge to double defense spending to 2% of gross domestic product by 2027 and to add powerful new capabilities such as long-range

missiles to its arsenal. This means that Japan, currently the world's ninth-largest military spender, could move to third place within five years, behind only the U.S. and China. Already this year its defense budget is due to grow more than 25%.

Tokyo's embrace of realpolitik is a gift to the free world. It's also been anything but abrupt. Japan has been slowly modernizing its military and national-security institutions over the past decade with an eye toward an increasingly assertive China. But officials say Russia's attack on Kyiv helped accelerate these efforts in ways unthinkable 12 months ago. As Mr. Kishida warned last year in previewing the shift: "Ukraine today could be East Asia tomorrow."

Japan's response echoes something that happened at the dawn of the Cold War, when North Korea's invasion of South Korea unexpectedly supercharged the

West's defense of Europe. Before Pyongyang's surprise attack across the 38th parallel in June 1950, the North Atlantic Treaty Organization was essentially a bluff. Although Washington had sworn to protect its NATO allies against the Soviets, it had neither developed the war plans nor deployed the troops necessary to do so. The U.S. was still on a peace footing in the most important and dangerous theater of its contest with the Kremlin.

But with the onset of the Korean War, the threat of communist armies marching across borders was no longer a mere abstraction. The appointment of the first NATO supreme allied commander and the creation of an allied military headquarters soon followed. The Truman administration also undertook a massive arms buildup—the cost of which it previously balked at—and approved a secret policy paper called NSC-68, which provided a

blueprint for a much tougher approach to Moscow.

The biggest loser of the Korean War thus ended up being Stalin. The adventurism of a Soviet client state in a peripheral corner of the Cold War backfired against the

**As in 1950, destabilizing war is forcing the West to get serious about defense a continent away.**

Kremlin on its central front in Europe. One U.S. strategist later said, "Thank God Korea came along." Today, America's Asian allies increasingly cite Russian aggression as a vital wake-up call that has spurred new military and geopolitical seriousness across the Indo-Pacific.

There are of course differences between the present moment and

the early 1950s. North Korea was a Soviet satellite, whereas Russia is a great power in its own right. And if Ukraine is to change the West's geopolitical strategy in the Indo-Pacific as profoundly as the Korean War did Europe's, Japan's leadership has to become the rule, not the exception.

In the U.S., the conflict has been an impetus to increase munitions stockpiles and add surge capacity to the defense-industrial base. In both cases, military deficiencies exposed by the war are starting to be tackled with an eye toward China.

But these are still modest steps relative to the scope and urgency of the challenge in Asia. They likewise pale in comparison with the U.S. response to Korea 70 years ago, when American defense budgets nearly tripled as a percentage of GDP.

Herein lies a final lesson from this history: By provoking the U.S. to put steel into the spine of the NATO alliance, North Korea inadvertently bolstered deterrence in Europe. In this way, a tragic blow-up in Northeast Asia probably helped keep the Cold War from turning hot elsewhere—saving Moscow and the West alike from worse cataclysms.

If the conflict in Ukraine boosts military strength and preparedness in the Indo-Pacific, it too may contribute to the conditions for greater power stability in the long run. Rather than foreshadowing deadlier and more destructive wars to come, Ukraine's struggle could provide the path to averting them.

*Mr. Serchuk is executive director of the KKR Global Institute and an adjunct senior fellow at the Center for a New American Security.*

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## Notable &amp; Quotable: 'Field'

From a Jan. 9 email to faculty, staff and students of the University of Southern California's Suzanne Dworak-Peck School of Social Work:

We would like to share a change we are making . . . to ensure our use of inclusive language and practice. Specifically, we have decided to remove the term "field" from our curriculum and practice and replace it with "practicum." This change supports anti-racist social work practice by replacing language that could be considered anti-Black or anti-immigrant in favor of inclusive language. Language can be powerful, and

phrases such as "going into the field" or "field work" may have connotations for descendants of slavery and immigrant workers that are not benign. . . . In solidarity with universities across the nation, our goal is not just to change language but to honor and acknowledge inclusion and reject white supremacy, anti-immigrant and anti-blackness ideologies. . . . We are committing to further align our actions, behaviors, and practices with anti-racism and anti-oppression, which requires taking a close and critical look at our profession—our history, our biases, and our complicity in past and current injustices.



## WORLD NEWS

## Moscow Aims to Regain Offensive

Latest military appointment points to the possibility of a fresh Russian attack

BY THOMAS GROVE  
AND BENOIT FAUCON

The decision by the Kremlin to return Russia's top commander to direct the war efforts in Ukraine comes at a pivotal point in the conflict, possibly heralding a fresh Russian offensive as Moscow struggles for success on the battlefield.

On Wednesday, the Kremlin appointed Russia's chief of staff Gen. Valery Gerasimov as commander over Russia's troops in Ukraine, turning back to a man who led the initial invasion. Russia expected the invasion would be followed by a rapid victory last year but has become bogged down in a long and costly conflict.

It was the second time in several months that the Russian Defense Ministry replaced its chief commander, and comes amid a struggle for control over Russia's war effort. Gen. Gerasimov replaced Gen. Sergei Surovikin, referred to as "General Armageddon" by Russia's war hawks for his brutal tactics, who was named to lead Russian forces in Ukraine three months ago.

The demotion of Gen. Surovikin strikes a blow against the hawks who favored him, including Chechen warlord Ramzan Kadyrov and the head of the Wagner paramilitary organization, Yevgeny Prigo-

zhin, both of whom had criticized the Defense Ministry and regular armed forces.

Mr. Prigozhin claims his forces largely have taken control of the village of Soledar in eastern Ukraine, as part of a Russian push to mark a victory this winter after months of setbacks.

Gen. Gerasimov's new appointment will test the top general's mettle and could determine his political future.

For more than a decade, he was key to the Kremlin's efforts to resurrect its Cold War clout through hybrid operations against the West and expand Russia's military footprint in Europe and the Middle East. But nearly a year into the Ukraine invasion, he has been handed a depleted military to see through Russian President Vladimir Putin's political orders to clinch an elusive major battlefield victory in Ukraine.

"This is confirmation, if it's needed, that there will be serious offensives coming," said Mark Galeotti, principal director of London-based consulting firm Mayak Intelligence and longtime Russia watcher. "But for Gerasimov, it's the most poisoned of chalices."

The appointment returns him to the center of an invasion that has highlighted structural problems in Gen. Gerasimov's military, which repeatedly has faltered.

While Gen. Gerasimov's personal responsibility for the failures is unclear, he disappeared largely from public view throughout most of last year while Mr. Putin took con-



Gen. Gerasimov is named commander over Russia's troops in Ukraine.

rol, giving direct orders to commanders on the battlefield, threatening and cajoling them into action.

His name reappeared earlier this week when the Defense Ministry said he would replace Gen. Surovikin. The ministry said the shuffle was connected to the expansion of Russia's military intervention.

Ukraine has warned that Russia is planning to undertake another offensive, potentially including a new campaign to take Kyiv. However, Western analysts believe Moscow faces an uphill battle should it launch a new offensive.

Russia faces critical shortages of artillery munitions, the U.K. Defense Ministry has said, though Ukrainian Deputy Defense Minister Hanna Malnar

said Thursday that Russia is boosting forces on the battlefield, deploying soldiers that were mobilized and trained last year. The new moves, she said, raised the number of units to 280 from 250 last week.

"Given the lack of necessary ready-to-use combat equipment, the Kremlin is actively using its human resources to succeed on the battlefield," she said on Telegram.

But commanders on the ground have pushed back against a new offensive because of the extensive losses Russian forces have suffered, a European security official said, adding that Russian commanders have said they first need to replenish supply lines and train new recruits. The officers on the front lines also have complained of

the poor quality of their equipment, the official said.

Gen. Gerasimov will be facing off in some ways with Mr. Prigozhin and his Wagner forces. Mr. Prigozhin has presented himself and Wagner as the sole driving force in what has been Russia's biggest breakthrough on the battlefield in months in the city of Soledar. Wagner-affiliated social-media accounts released photographs Tuesday that showed Mr. Prigozhin in what he said were the salt mines under the city, which he said was fully under control. Ukraine says the city is still contested, and the Russian Defense Ministry has denied Wagner acted alone in Soledar.

Dara Massicot, a senior policy researcher at Rand Corporation, said the demotion of Gen. Surovikin will put pressure on Mr. Prigozhin and other war hawks who have criticized the performance of the regular military's brass. "Prigozhin faces a choice whether to tone down the rhetoric to ensure continued support or continue the criticism," she said.

Kyiv, meanwhile, has made it clear it aims to maintain pressure on Russian positions during the winter, when it believes support from the West has given an advantage to its troops.

Ukrainian president adviser Mykhailo Podolyak suggested the changes wouldn't amount to much or change Kyiv's momentum on the battlefield. "You may substitute commanders of united groups or not, but you will have to put up with it until the end," he said on Twitter.

## IAEA To Post Nuclear Inspectors

The head of the United Nations atomic agency plans to visit Ukraine next week to deploy international inspectors at all of the war-torn country's

By Drew Hinshaw,  
Laurence Norman  
and Joe Parkinson

nuclear plants, significantly expanding the regulator's presence after months of attacks on power stations and amid the threat of a renewed Russian offensive.

Director-General Rafael Grossi plans to station two or three inspectors at the South Ukraine, Rivne and Khmelnytskyi power plants, Ukrainian officials and Western diplomats said. Power lines to the latter two plants were damaged in a Nov. 15 barrage of missile strikes that plunged both into crisis.

Inspectors will also deploy to Chernobyl, the site of the world's largest nuclear disaster in 1986, which was occupied for 36 days at the start of the war and where dangerous radioactive materials are still stored, the officials said.

Kyiv retains control over all four sites, unlike the Zaporizhzhia plant, which Russia has occupied since March, and which Russian President Vladimir Putin declared his government's property in an October decree.

Since September, the International Atomic Energy Agency has kept a rotating team of four experts at Zaporizhzhia, Europe's largest nuclear plant. They primarily look at nuclear safety and ensure materials aren't diverted to military use.

The deployment will dramatically expand the IAEA's role in the war, the first conflict in history to see the capture, occupation and attempted theft of nuclear-power plants.

The front-line presence has left the specialized agency to manage problems far beyond its remit to prevent the spread of nuclear material.

## British Historian, Conservative Icon Dies

By David Luhnow  
and Max Colchester

LONDON—Paul Johnson, a prolific journalist and popular historian who became an intellectual icon for political conservatives in both the U.S. and Britain, died Thursday at age 94.

During his long career, the ginger-haired Catholic from Manchester with a combative

streak became one of the most prominent leftist intel-

lectuals who drifted to the right during the 1960s.

"I helped to cause the smashing of trade union imperialism in the 1980s—that was the most useful thing I did in the whole of my life," he told the Telegraph newspaper in 2010.

Along the way, he wrote more than 50 books on topics ranging from Socrates to Queen Elizabeth I, as well as dozens of tomes on religious history, art and architecture, novels, memoirs and travel.

"He was one of the main figures in the '60s who moved from the left to right. During that time, he made the intellectual weather," said Fraser Nelson, editor of the Spectator. Mr. Nelson described him as two separate people: the sober historian and the bomb-throwing polemicist. Both men, he said, were "incapable of writing a boring sentence."

He was friends with many prime ministers, especially Margaret Thatcher. Former President Richard Nixon used to give his books as Christmas gifts, and Mr. Johnson became an intellectual guiding light for American conservatives such as Commentary magazine editor Norman Podhoretz and politicians such as Dan Quayle and Newt Gingrich. He was awarded the U.S. Presidential Medal of Freedom in 2006 by then-President George W. Bush.

## Kremlin Maps Out New Push to Stifle Dissent

By Ann M. Simmons  
and Yuliya Chernova

MOSCOW—It could soon be an offense here to print any maps that don't label Crimea and other parts of Ukraine as Russian territory.

After waves of clampdowns and arrests, the Kremlin is again tightening the screws on any opposition to the war by backing a legislative amendment that would make it illegal to publish any maps that fail to mark as Russian land the peninsula and four other Ukrainian territories that Moscow says it annexed. Anyone who does could be fined up to 1 million rubles, or around \$14,500, or spend 15 days in jail under proposals that have already received preliminary approval. Kremlin spokesman Dmitry Peskov told reporters on Tuesday that although there are many questions about how to go about it, "it's clear that all maps must be changed."

Political analysts say the new legislation is a symptom of the growing unease spreading through Russian President Vladimir Putin's government as the conflict continues into its second calendar year.

Russian authorities have constricted space for their opponents since the invasion last February. Independent media, including access to Western news sites and social-media platforms, has been blocked. Advocacy groups such as the glasnost-era Memorial Human Rights Center have been dissolved. Street protests quickly faded after a flurry of arrests.

But the Kremlin's latest moves to stifle its opponents are increasing the pressure on the few dissenters who still



A mural depicting President Vladimir Putin looms over a street in Kashira, Russia, about 70 miles south of Moscow.

speaking up, while drawing tighter some of the far-right nationalists who have been accusing Moscow of being too soft in pursuing the war and its critics.

"The regime is historically characterized by a high level of paranoia," said Maria Snegovaya, a senior fellow for Russia and Eurasia at the Center for Strategic and International Studies, a nonprofit policy research organization in Washington. "They will go an extra mile to prosecute any dissent or opposition even in the circumstances where they don't face any serious challenge to their authority."

Among the new measures,

regulations requiring organizations receiving funding from abroad to be listed as "foreign agents" were expanded to include those who might have received such support in the past. Some analysts said the parameters are vague, but Russian officials have said they are needed to safeguard national security and prevent outsiders from undermining the state.

Mr. Peskov on Tuesday said Russia's military operation in Ukraine "requires a strict regime for the media. Therefore, a number of new laws were adopted. But this cannot be called repression. That isn't true."

The maps issue, though, un-

derscores the prickliness.

Some of the legislators putting together a new anti-extremism bill to limit the influence of religious organizations and media and civil-society groups noticed that some maps in circulation didn't mark the Crimean Peninsula, which Moscow illegally annexed in 2014, as Russian territory. Similarly, some maps don't mark the disputed Kuril Islands off northern Japan as Russian.

Lawmakers have proposed including any maps undermining what they call the "territorial integrity of Russia" as extremist material, according to a description of the legislation

on the website of the State Duma, Russia's lower house of parliament. The amendment cleared one reading by the State Duma in December and is expected to sail through two more before going to the Federation Council, the upper house, and then to Mr. Putin for signing into law.

"This essentially means that any dissent, no matter how marginal," Ms. Snegovaya said, "is no longer allowed."

Mr. Peskov, however, said Russian media represents a range of opinions on the situation in Ukraine: "There are very different, sometimes diametrically opposed points of view."

## WORLD WATCH

## UNITED ARAB EMIRATES

## Oil Chief Will Run Climate Summit

The United Arab Emirates named the chief executive of its national oil company as the president of this year's United Nations climate summit, drawing criticism from environmental activists.

The Gulf state said Thursday that Sultan al-Jaber, chief executive of Abu Dhabi National Oil Co. or Adnoc, would frame the COP28 agenda in Dubai, which opens in late November. Mr. Jaber, a top Emirati technocrat, also is the nation's minister for industry and technology and special envoy on climate change, playing a leading role in the country's move to finance and produce more renewable and nuclear energy.

Climate activists called on Mr. Jaber to relinquish his role as Adnoc CEO, saying it represents a conflict of interest with his posi-

tion as COP28 president-designate.

A spokesperson for COP28 U.A.E. said Mr. Jaber has worked as a diplomat, government minister and business leader in the energy and renewables sector.

—Summer Said

## EGYPT

## Government Plans To Reduce Spending

Egypt plans to cut spending after the International Monetary Fund extended hundreds of millions of dollars in an economic-bailout package, as the country struggles to pay off debts accumulated from a decadeslong building boom.

Authorities said this week they would delay state projects that required significant U.S. dollars to fund and cut back on travel, training and conferences for officials, Egypt's cabinet said.

The announcement came after the government agreed to mea-

asures as part of an IMF package, including selling billions of dollars of state assets to international investors, taking steps to reduce the role of the state and military-owned companies in favor of private businesses in the economy, and shifting to a more flexible currency-exchange system, the international creditor said this week.

The IMF said Egypt agreed to reduce its financing needs and cut back on debt, but didn't lay out specific areas for cuts.

Egypt is set to receive nearly \$3 billion in loans from the IMF over four years, after the pandemic hit tourism and the war in Ukraine pushed up commodity prices, tipping the country into an economic crisis. As investors soured on the economy and pulled out of Egyptian assets, the Egyptian pound plummeted against the U.S. dollar, leaving the country struggling to pay for imports.

As a result, annual inflation hit 21.3% in December, a five-

year high according to the government.

—Chao Deng

## SWEDEN

## Rare-Earth Find Lifts Hope for Energy Shift

The discovery in Kiruna of a large deposit of rare-earth elements, vital for renewable energy and electric vehicles, offers fresh hopes for Europe's transition away from fossil fuels and less reliance on China, the world's top supplier of the critical minerals.

Announcing potentially the largest known find in Europe, Swedish state-owned mining company LKAB on Thursday said some of the rare-earth elements in the deposit could be used to produce permanent magnets, which are components in motors for electric vehicles and wind turbines. The firm said the rare-earth elements could be produced

as a byproduct of mining iron ore.

The deposit "could become a significant building block for producing the critical raw materials that are absolutely crucial to enable the green transition," LKAB Chief Executive Jan Moström said.

The European Commission plans to propose legislation on critical raw materials this year, which aims to boost the EU's provisions of the vital industrial supplies. Sweden, which holds the EU's rotating presidency, said it plans to give priority to the critical-minerals legislation during its six-month term.

Based on current timelines for obtaining permits, it could take 10 to 15 years or more before mining of the new deposit begins, the company said.

The newly discovered deposit holds about one million metric tons of rare-earth oxides, LKAB said. Rare-earth elements are extracted from rare-earth oxides.

—Kim Mackrael



# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

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S&P 3983.17 ▲ 0.34% S&P FIN ▲ 0.23% S&P IT ▲ 0.72% DJ TRANS ▲ 0.69% WSJ \$IDX ▼ 0.93% 2-YR. TREAS. yield 4.138% NIKKEI (Midday) 26143.41 ▼ 1.16% See more at WSJ.com/Markets



Sales at Porsche, which VW listed on the market in September, rose 2.6%. It was one of a handful of brands to post a gain.

## VW Sales Are Lowest Since 2010, But Car Maker Sees Turnaround

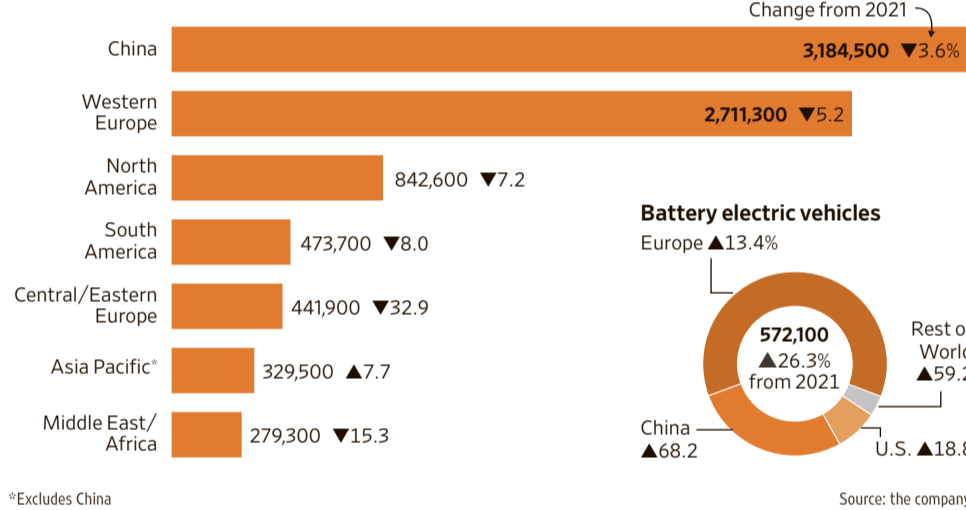
By WILLIAM BOSTON

BERLIN—Volkswagen AG reported its lowest sales in more than a decade but said it was confident business would improve this year as supply-chain blockages ease and semiconductors become more easily available.

VW, which also includes passenger-car brands Skoda and Seat, luxury-car maker Audi and sports-car maker Porsche AG, said Thursday that global sales dropped 7% to 8.3 million vehicles, as supply-chain constraints shut down some factories in Europe after Russia's invasion of Ukraine and Covid-19 measures in China.

The disruptions were mostly concentrated in the first half of the year, when sales declined 22%, VW said. It said it was only able to partly offset the lower sales with a 12% increase in sales in the

Volkswagen Group vehicle deliveries by market in 2022



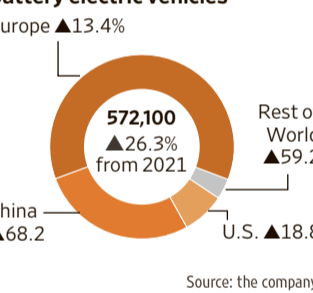
second half, as plants came back online and supply chains began to ease.

The auto industry has been struggling to recover from postpandemic supply-chain bottlenecks that have made it

hard for many manufacturers to keep production going. With global auto sales still below prepandemic levels, manufacturers face new economic headwinds.

VW's shares closed up 0.7%

Battery electric vehicles



at €128.72, or about \$140, on the Frankfurt stock exchange on Thursday.

Amid such challenges, VW's sales last year were the lowest since 2010, when they totaled

## ConocoPhillips In Talks to Sell Venezuela Oil

Move would be way for U.S. energy giant to recoup \$10 billion it is owed by country

By PATRICIA GARIP

ConocoPhillips, which abandoned Venezuela after its assets were nationalized in 2007, is now open to a deal to sell the country's oil in the U.S. as a way to recover the close to \$10 billion it is owed by Venezuela, according to people familiar with discussions between the company and Venezuela representatives.

In what are preliminary talks between ConocoPhillips and national oil company Petróleos de Venezuela SA, the two sides are looking at a proposal that could allow the Houston-based company to load, transport and sell Venezuela's oil in the U.S. on behalf of PdVSA, as the state oil company is known. This would

give ConocoPhillips a chance to recover the money it lost in the country and help the U.S. meet its energy needs, the people said.

The arrangement would help Venezuela end the commercial isolation that was caused by U.S. sanctions leveled against the oil industry in 2019, and further open the U.S. market to its crude. The U.S. had historically been Venezuela's largest oil market until the sanctions, with several big Gulf Coast refineries designed to run its heavy crude. But a sharp years-long fall in Venezuelan production curbed supply. Then sanctions, imposed by the U.S. in response to human-rights violations and democratic backsliding, broke off trade.

ConocoPhillips, which has a license from the U.S. Treasury Department to negotiate debt recovery with PdVSA, declined to discuss any deal with PdVSA.

"Regarding PdVSA recovery efforts, ConocoPhillips is company

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## SEC Sues Crypto Firms Over Loans

By DAVE MICHAELS AND VICKY GE HUANG

WASHINGTON—The Securities and Exchange Commission on Thursday sued Genesis Global Capital and Gemini Trust Co. over a \$900 million crypto-lending program that allegedly violated investor-protection laws.

The SEC filed its civil lawsuit in Manhattan federal court, alleging that Genesis should have registered the product, which would have required providing clients with detailed financial disclosures. The companies began marketing the program to individual

investors in February 2021 and raised billions of dollars worth of crypto assets from hundreds of thousands of investors, the SEC said.

Under the program, called Gemini Earn, customers of crypto exchange Gemini lent their crypto assets to crypto lender Genesis in exchange for interest payments as high as 8%. Gemini took a fee for arranging the loan, which sometimes reached as much as 4.29%, the SEC said.

The two companies have

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## Southwest Hires Experts for Fix Closed-End Funds Reduce Investors' Monthly Payouts

By ALISON SIDER

Southwest Airlines Co. has hired an outside consulting firm and is working to strengthen a crew scheduling system after a meltdown roiled its operations during the holidays, Chief Executive Bob Jordan said.

The airline canceled over 16,700 flights from Dec. 21 to 31 after it struggled to recover

from a severe winter storm long after rival airlines had resumed normal operations. Southwest has said the disruption will reduce its pretax earnings by \$725 million to \$825 million.

Southwest has engaged Oliver Wyman, a consulting firm, to help it understand what went wrong and to examine if it needs to reset priorities, Mr. Jordan said. Southwest's

board has also formed its own operations review committee to look at the disruption.

"What I want to understand are the root causes of how we got there," Mr. Jordan said. "Should we manage things in a different way? Are we able to make decisions quickly enough?"

The airline is working with General Electric Co. on a fresh

Please turn to page B2

By HEATHER GILLERS

Investors in closed-end funds are feeling a painful consequence of the past year's market slump: cuts to their monthly payouts.

A Pacific Investment Management Co. California municipal-bond fund slashed dividends by 45% this month, while a Nuveen LLC stock fund endured a 7% cut. Eaton Vance Management in November cut distributions across six stock funds by as much as 24%. Six BlackRock Inc. muni funds endured at least two payout cuts last year, with dividends falling as much as 38% in total.

The falling payouts are another way that investors are getting squeezed as Federal

Reserve efforts to control inflation enter a second year. Many closed-end funds try to amp up returns by investing borrowed money. That risk generally paid off over the past decade but has backfired amid rising rates and ensuing stock and bond losses.

Closed-end funds hold about \$270 billion in investor cash, according to Morningstar Direct. Favored by retirees for their typically reliable payouts, they invest in assets from bonds to stocks to bank loans. Monthly payouts generally come from income thrown off by investments—such as bond yields, stock dividends and capital gains—minus any leverage costs.

Many of these funds did even worse last year than the

asset classes they contain. Closed-end U.S. equity funds had a return of minus 20.6% in 2022, counting price changes and assuming the reinvestment of income, according to Morningstar Direct, compared with a return of minus 18.1% on the S&P 500.

Taxable bond closed-end funds returned minus 19.4% and muni bond funds returned minus 23.4%, according to Morningstar Direct. That compares with minus 13% and minus 8.5% on Bloomberg indexes for taxable and muni bonds. These funds have been hit with a one-two punch because they tend to use leverage, borrowing money at short-term rates to invest more in stocks or long-term bonds. The amount borrowed

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## Short U.S. Recession Is Expected by CEOs

By THEO FRANCIS

Top executives in much of the world are preparing for an economic downturn that is shorter and milder than usual, so they are focused on weathering the slowdown without widespread job cuts, a new survey found.

Significant majorities of corporate leaders outside China and Japan expect growth to return by late 2023 or the first half of 2024, according to an annual survey of more than 1,100 executives by the Conference Board, a not-for-profit business-research organization.

"Just about every region with the exception of China believes there's going to be some kind of economic downturn," said Dana Peterson, the Conference Board's chief economist. "Ninety-eight percent of CEOs in the U.S. think there is going to be a recession—but it's going to be short and shallow."

As a result, executives said their response to a downturn would likely diverge from past playbooks, when hiring freezes and layoffs tended to be among companies' first responses, according to the survey, which included 670 CEOs.

U.S. CEOs said they were more likely to focus on innovation, emphasize higher-growth business lines, protect margins with pricing strategies, invest in marketing and cut administrative and discretionary spending. European CEOs said they favored delaying capital investment over job cuts.

"Why would you give people the incentive to pick up the phone and contact a recruiter?" said Rebecca Ray, who heads the Conference Board's workforce practice. "I think that's going to be a decision of last resort."

That may reflect expectations that any downturn will be mild and the battle scars

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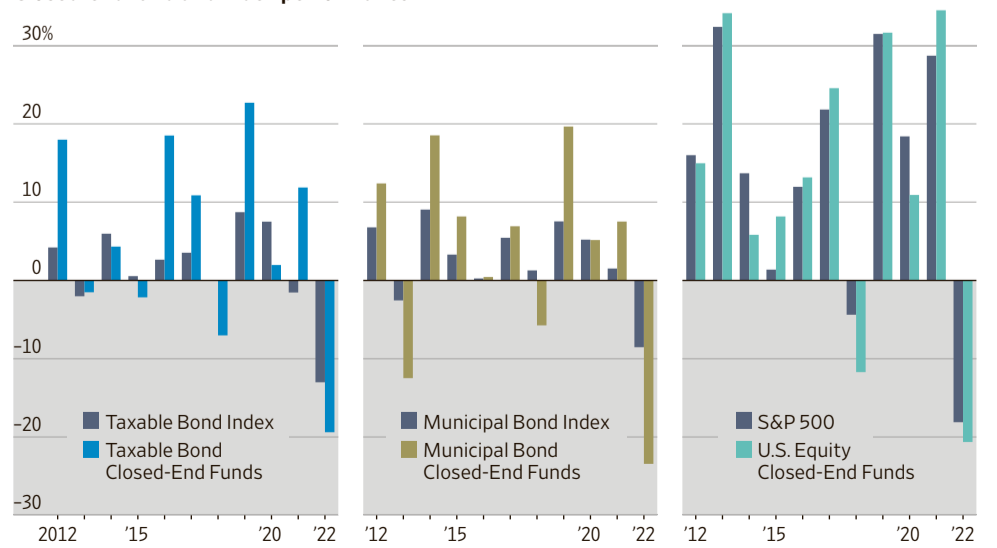


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## Conoco, Venezuela In Talks

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mitted to pursuing all available legal avenues to protect our rights and obtain a full and fair recovery of the awards in recognition of our fiduciary responsibility to our shareholders," ConocoPhillips said.

In a statement, the State Department didn't answer questions about ConocoPhillips, instead saying U.S. policy is to "implement and enforce our Venezuela sanctions in support of a return to democracy in Venezuela."

The possibility of a deal between PdVSA and ConocoPhillips comes after the Biden administration issued a license in November to Chevron Corp. to restart oil production and exports from existing joint ventures with PdVSA, marking the first significant easing of U.S. sanctions against Venezuela President Nicolás Maduro's

## \$10B

Amount ConocoPhillips says it is owed by Venezuela

government. The Trump administration had barred most Western companies from operating in Venezuela in an effort to dislodge Mr. Maduro from power. He survived with the help of China, Russia and Iran.

Now, with Chevron having won a license and starting to load crude, those companies are trying to resume suspended production or expand the limited operations they have maintained in Venezuela.

At least a handful of oil-and-gas companies are exploring Venezuelan deals and holding talks with PdVSA, some of which are seeking authorization

from the U.S. State and Treasury departments to negotiate, according to people close to some of the firms. Among those pressing for U.S. approval to expand operations in Venezuela are Spain's Repsol SA and Italy's Eni SpA, which produce modest amounts of gas off Venezuela's coast. Representatives for the two companies didn't respond to requests for comments.

Elliott Abrams, who served as envoy to Venezuela in the Trump administration, said those European companies want fair treatment from U.S. regulators. "The question is, why is that fair if you're Repsol [or] Eni?" Mr. Abrams said. "Ultimately these other companies are going to have to be treated equally by the Biden administration."

In exchange for the Chevron license, Venezuela agreed to discuss a path to free and fair elections in 2024 with the opposition and to clear the way for a \$3 billion United Nations-administered humanitarian aid program, which has yet to be implemented. Chevron chose to stay in Venezuela despite the wave of expropriations under Mr. Maduro's predecessor, Hugo Chávez.

ConocoPhillips pulled out and later won nearly \$10 billion in total international arbitration awards against the Venezuelan state and PdVSA over the seizure of its oil projects.

The awards make ConocoPhillips the largest private-sector creditor of Venezuela. For years, the company has aggressively pursued enforcement of its claims by imposing liens on Venezuelan assets around the world. Under a 2018 settlement agreement for a \$2 billion award, PdVSA paid ConocoPhillips \$774 million before halting payments, blaming sanctions.

ConocoPhillips isn't considering going back into Venezuela to pump oil, at least for now, despite opportunities floated by PdVSA, including gas deals, according to the people familiar with the talks. Venezuela has a limited volume of oil to export unless it can attract more investment to fix long-neglected oil fields, pipelines and port infrastructure.

—Kejal Vyas  
contributed to this article.

Deliveries declined at all other brands. Sales at Porsche, which VW listed on the market in September, rose 2.6% to 309,900 vehicles.

The group of mass-market brands that VW calls its "vol-

ume brands"—VW, Skoda, Seat and VW utility vehicles—reported a 9% decline in sales to just over six million vehicles.

Audi, the company's luxury brand, sold 1.6 million vehicles last year, down 3.9% from a year earlier, and well behind its main rivals, Bayerische Motoren Werke AG and Mercedes-Benz Group AG.

Heading into the new year, Hildegard Wortmann, VW's sales chief, said the company had a strong backlog of orders for new vehicles to fill.

"That gives us confidence for 2023, despite the weakening economy and ongoing supply bottlenecks," she said, adding that supply chains should ease during the course of the year.

In China, sales fell nearly

4% to 3.2 million vehicles last year. In Western Europe, its second-largest market, sales fell 5% to 2.9 million vehicles.

In North America, VW sales totaled 842,600 vehicles, down 7% from a year earlier.

Mercedes-Benz Group earlier this week said vehicle retail sales fell 1% to two million vehicles, while sales of fully electric cars rose 124% to 117,800 vehicles.

BMW, the Munich-based luxury-car maker, said global new car sales fell 5% to 2.4 million vehicles but that sales of electric models more than doubled to 215,755 vehicles.

plunged 33% in the region to 441,900 vehicles.

The company posted no growth in sales in any of its major markets with the exception of parts of the Asia-Pacific region, where sales rose 8% to 329,500 vehicles.

VW said it sold 572,100 fully electric vehicles worldwide last year, up 26%, with the strongest growth in China.

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## BUSINESS & FINANCE



Lucid made 7,180 Air sedans at its Arizona facility in 2022, but delivered only 4,369 to customers. Shares rose 4.8% Thursday but the stock is down about 70% from when the company went public.

## Lucid Tops Output Target, Struggles With Deliveries

By SEAN MCLAIN

Luxury electric-vehicle maker Lucid Group Inc. said it surpassed its production target for 2022, but only got about 60% of those EVs into the hands of buyers as the company had logistics issues.

Lucid last year produced 7,180 of its Air sedans at its factory in Casa Grande, Ariz., and delivered 4,369 of them to customers.

The company had said it aimed to produce 6,000 to 7,000 vehicles in 2022. The EV startup had originally planned to produce double that amount

but slashed its outlook in February after running into supply-chain and production issues.

The gap between Lucid's ability to produce vehicles and get them into the hands of buyers underlines a key challenge in its business, one shared by rivals.

EV makers have embraced a direct-sales model pioneered by Tesla Inc., which eschews the franchise-dealership model used by traditional car makers.

Instead of buying an available vehicle off a dealer lot, people order an EV and then the companies build them and deliver them months later.

Lucid shares rose 4.8% to \$8.31 in Thursday's trading. The stock remains down around 70% from when the company went public through a merger with a special-purpose acquisition company in 2021.

The struggles of Lucid and other EV startups to not only increase production but get those vehicles to buyers takes on greater urgency this year. Car makers say supply-chain issues that hamstrung vehicle production are easing, but competition from traditional auto makers look set to heat up.

Lucid is due to report its full-year results on Feb. 22.

## VW Sales Declined Last Year

Continued from page B1  
€7.3 billion.

Only Porsche, Lamborghini, Bentley, Traton, VW's truck business and Navistar, its U.S. truck unit, posted sales growth.

Deliveries declined at all other brands. Sales at Porsche, which VW listed on the market in September, rose 2.6% to 309,900 vehicles.

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ume brands"—VW, Skoda, Seat and VW utility vehicles—reported a 9% decline in sales to just over six million vehicles.

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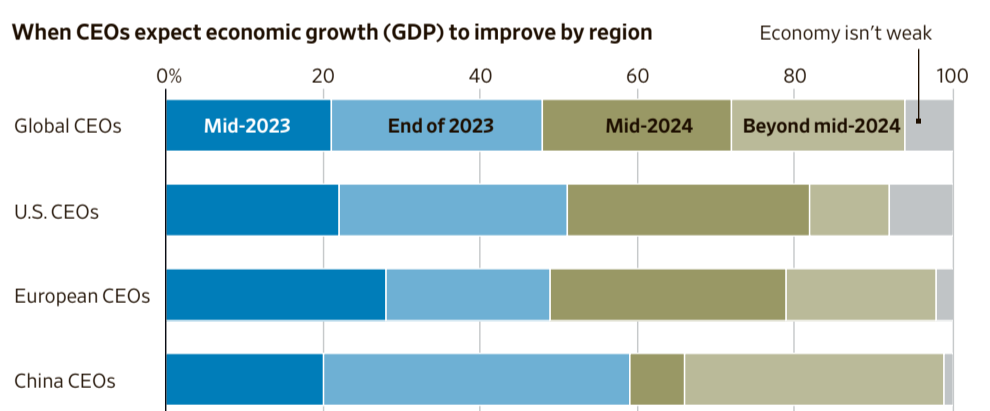
## CEOs Anticipate Recession

Continued from page B1  
from the persistently tight labor market in many industries, Ms. Peterson added. "If the bottom's really falling out, businesses probably will think about more dramatic measures," she said.

The labor market remains historically tight despite the cooling economy. The unemployment rate stood at 3.5% in December, and many employers say they continue to face challenges filling some positions.

Job cuts so far have largely focused on white-collar employees, particularly in the tech sector, as demand for goods and services remains too strong for many companies to consider laying off front-line workers.

The top external concerns for U.S. survey respondents were recession, inflation and labor shortages. A year ago,



the top three were labor shortages, inflation and supply-chain disruptions, with recession ranking sixth, the Conference Board found at the time.

A separate quarterly survey of more than 1,300 executives by recruiting firm Russell Reynolds Associates also found that concern about economic growth rose sharply at the end of last year, with two-thirds of respondents ranking it among their five biggest external concerns, roughly matching their concern over the availability of key talent and skills.

Worries about borrowing costs surged over the past year in the U.S., as the Federal Reserve has implemented a series of sharp interest-rate increases to tame inflation. The cost of borrowing was the fourth-biggest worry among American CEOs and the 10th-biggest worry globally, the Conference Board said. A year ago, borrowing costs ranked 25th in the U.S. and 22nd globally.

By contrast, supply-chain concerns have eased, with a third of CEOs globally and 44% in the U.S. saying they don't plan to alter supply

chains in the next three to five years. Concerns about Covid were also generally waning outside China and Japan.

Russia's invasion of Ukraine ranked as a top worry primarily for European CEOs, who put the war among their top five concerns.

Executives outside the U.S. and Europe are more cautious about the pace of economic recovery.

About a third of Chinese- and Japanese-company CEOs and 29% in Latin America said they expect growth to resume after mid-2024, according to the survey.

## Southwest Hires Firm For Fix

Continued from page B1  
version of a crew scheduling system it uses to help it reassign pilots and flight attendants after a disruption like a storm, with new capabilities that the airline hopes would help it if it encounters a similar situation. That system, which Southwest refers to as SkySolver, was updated several times over the past year, Mr. Jordan said.

However, it wasn't designed



The airline's crew-scheduling meltdown led to thousands of canceled flights and outrage from fliers.

to address the situation Southwest encountered during the severe winter storm, he said. The widespread cold, wind

and ice resulted in huge numbers of flight cancellations, triggering waves of crew reassignments that cascaded

throughout the airline's network. The software was faced with an onslaught of new problems to solve before it

had finished working through the last batch, Mr. Jordan said. As a result, the airline had to revert to tedious manual processes that made it harder to catch up.

"We're moving quickly through a new version with GE that would allow us to fall into that situation again—the software could solve those past problems and clean them up," Mr. Jordan said.

A GE spokesman said the tool Southwest uses "performed as designed throughout the event" and said it is working with the airline to "define new functionality as they improve their crew scheduling capability."

The upgrade is among a series of steps Southwest is taking to prevent a repeat of that

incident, which has sparked sharp criticism from lawmakers and regulators in addition to outrage from customers. The airline has realized it doesn't have enough engine covers in some locations. In Denver, some aircraft that were left outside overnight in the cold froze and were rendered unusable well into the following day. The airline is also looking at its deicing equipment and procedures.

"There are obvious things that we learned during the event that we can go do now," Mr. Jordan said.

Southwest is about 90% through processing refunds of flights, and nearly all of the bags that were separated from customers during the disruption have been returned, he said.



## BUSINESS NEWS

# Bed Bath Faces Feb. 1 Due Date On Debt Interest

By SOMA BISWAS

**Bed Bath & Beyond Inc.** faces payments on \$28 million in debt on Feb. 1, as its cash dwindles.

The coming payments are the next big hurdle the beleaguered housewares retailer faces as it looks for ways to keep its business going. Bed Bath & Beyond has coupons due on all of its \$1.2 billion in bonds outstanding as of August, and while it has more than enough cash on hand to make the payments, it will face a difficult choice between staying current on its debts and conserving its cash as it charts its future course.

The housewares retailer, which warned last week it may have to file for bankruptcy, burned over \$300 million in cash in the quarter ended Nov. 26 and reported having \$500 million in cash and credit lines to draw on for additional funds.

"That means they have enough liquidity to fund themselves for one or two quarters," said Brad Thomas, equity analyst at KeyBank Capital Markets.

Typically, once a struggling retailer's liquidity reaches such a low point, vendors tend to stop selling goods to them, and bankruptcy becomes an inevitability, Mr. Thomas added.

If it does miss the interest payment, Bed Bath & Beyond would have a 30-day grace period during which it can come forward with funds before the company would be considered as being in default and before

its bondholders and other creditors can take legal action.

Bed Bath has said it is exploring raising debt or equity, as well as filing for bankruptcy. On Tuesday, the company said it plans to make as much as \$100 million in cost cuts, including through layoffs.

The company's shares have quadrupled so far this week to \$5.24 amid a resurgence of meme-stock investors.

The company may also try to negotiate for fresh credit lines to be used either in or outside of bankruptcy from existing lenders and ranking ahead of the bondholders owed interest on Feb. 1.

Each of the three series of Bed Bath & Beyond senior notes are trading under 10 cents on the dollar of face value, according to MarketAxess, reflecting investors' expectations that the company won't pay the debt back in full.

Bed Bath has yet to release earnings for the current quarter, and its performance over the Christmas holidays could buy it slightly more time.

On Tuesday the company reported its revenue for the third quarter declined by one-third to \$1.26 billion and its losses widened to \$393 million, compared with \$276 million during the same quarter last year.

Last week Bed Bath also ended debt exchanges it had launched last year to push out the maturities on its senior notes, which range from 2024 to 2044, and to pare the size of the debt.



The carrier said revenue in the most recent quarter would be higher than its previous guidance, after a strong holiday travel season.

# American Airlines Boosts Its Outlook as Demand Holds Up

By WILL FEUER

**American Airlines Group Inc.** raised its revenue guidance for the recently ended quarter as demand for air travel remained strong through the holiday season, even as travelers contended with higher fares.

The guidance update offers one of the first looks at how a U.S. airline fared during a critical holiday travel period that saw thousands of canceled flights amid winter storms.

Fort Worth, Texas-based American Airlines had already expected fourth-quarter sales to be above prepandemic levels. On Thursday, the company said revenue would be 16% to

17% higher than the fourth quarter of 2019, up from its previous guidance of an increase of 11% to 13%.

Shares of American rose almost 10% to \$16.83 on Thursday. Shares of other U.S. airlines rose, too. **Delta Air Lines Inc.** stock climbed 3.7%, **United Airlines Holdings Inc.** jumped 7.5% and **Southwest Airlines Co.** closed up about 2.8%.

American's revenue per available seat mile for the quarter is expected to be up 24% versus 2019 levels, topping prior guidance. Airlines have raised prices from 2019 levels as they faced surging fuel and labor costs. Those higher prices helped boost

American Airlines' profit in the recently ended quarter.

Adjusted earnings for the fourth quarter are expected to be \$1.12 a share to \$1.17 a share, above the 50 cents a share to 70 cents a share that the company had previously expected. Costs, excluding fuel and special items, are seen rising 10% above 2019 levels, reaching the high end of the company's guidance that was issued in October.

The company said it flew 6.1% less than in the same period in 2019, compared with the 5% to 7% lower capacity that it had expected.

American also said it has now achieved more than half of its goal to reduce debt by

\$15 billion before the end of 2025. Devon May, a company veteran, took over as American Airlines' new chief financial officer earlier this month.

Delta Air Lines is slated to report fourth-quarter results on Friday.

U.S. airlines have contended with a series of disruptions in recent weeks. Winter storms sparked thousands of cancellations last month, and issues with Southwest's crew-scheduling system led to thousands more. On Wednesday, the Federal Aviation Administration ordered a nearly two-hour-long nationwide "ground stop" that halted U.S. departures due to an outage with a federal pilot-alert system.

# Lacoste Owner Seeks to Add More Brands

By NICK KOSTOV

PARIS—The parent company of Lacoste is on the hunt for acquisitions to expand its portfolio of brands after the up-market French label reported record annual sales.

Sales at Lacoste, best known for its crocodile-logo polo shirts embraced by tennis stars, rose 26% to more than €2.5 billion, about \$2.69 billion, last year, Chief Executive Thierry Guibert said in an interview. He credited the gain to attracting younger consumers in part through a more fashionable offering and buzzy collaborations with musicians and artists in recent years.

Now, Mr. Guibert is looking to do deals, hoping to repeat the rejuvenation of Lacoste elsewhere. He didn't disclose specific targets but said he was looking for brands that transcended borders and had at least €500 million in annual sales. Targets don't necessarily need to be in fashion, and could be in areas like hospitality or experience, but do need to be upmarket, he said.

"What we want is to add to our portfolio of brands," said Mr. Guibert, who is also the CEO of **MF Brands Group**, the closely held Swiss company that owns Lacoste.

MF Brands' stable of businesses already includes Gant, Aigle and the Kooples, alongside Lacoste. The company is owned by the descendants of Léon Nordmann and Ernest and Henri Maus, who first opened a department store in Lucerne, Switzerland, more than a century ago.



Lacoste closed smaller stores in favor of larger flagships in key locations like the Champs Elysees in Paris and Regent Street in London.

Looking ahead, Mr. Guibert said Lacoste was targeting sales growth of 10% this year, aiming for sales of €3 billion by 2024, up from €1 billion in 2015. Mr. Guibert said some big U.S. retailers had been more prudent on orders for this year, but he expected a return of Chinese tourists to Europe to boost Lacoste's sales in the second half of the year.

"This year will be challenging but there are reasons for hope," Mr. Guibert said.

MF Brands has sold off assets including the Swiss DIY chain Jumbo-Markt AG and sporting-goods retailer Athletikum Sportmarkets AG in recent years to focus on affordable luxury. The group's strategy resembles that of Gucci owner **Kering SA**, which during the 2000s jettisoned once-core re-

tail divisions to focus entirely on consumer and luxury brands.

"It's true that it looks a lot like what Kering did, on a smaller scale," said Mr. Guibert, who previously worked at the luxury giant for 14 years, including in its M&A department. "We've sold almost all of the Swiss assets, all the mass market ones," he said. "We felt value creation would come through brands and the acquisitions of brands."

MF Brands bought Lacoste in 2012 and Mr. Guibert has himself led something of a turnaround since joining the brand 2015.

Lacoste was founded in 1933 by René Lacoste, a top tennis player nicknamed "the Crocodile" by fans because of his tenacity on the court. Mr. La-

coste reinvented traditional tennis whites when he started wearing open-necked, short-sleeved cotton shirts on court. The brand retains a strong connection to tennis, sponsoring stars like Novak Djokovic and Venus Williams.

Under Mr. Guibert's leadership, the brand has bought back licenses for sneakers, leather goods and underwear, and put more emphasis on its own retail stores rather than wholesale to give the brand greater control.

Lacoste also has invested heavily in digital—it generated about one-quarter of its sales online last year versus 4% in 2015—and has closed smaller stores in favor of larger flagships in key locations like the Champs Elysees in Paris and Regent Street in London.

# HBO Max Raises Price of Ad-Free Plan

By WILL FEUER

**Warner Bros. Discovery Inc.** is raising the monthly price for the ad-free tier of its HBO Max streaming service amid an industry slowdown in subscriber growth and a rising emphasis on profits.

The price for the ad-free tier of the app in the U.S. will rise almost 7% to \$15.99 a month from \$14.99 a month, the company said. Current subscribers will see the increase in their next billing cycle.

The move, HBO Max's first price increase since it was launched in May 2020, also comes ahead of the expected merger of the HBO Max platform with Warner Bros. Discovery's other streaming service, Discovery+. The company expects to launch a service that combines the two streaming platforms in the spring.

The price increase will allow Warner Bros. Discovery to invest in creating more original programming, the company said. The price of the annual ad-free HBO Max subscription will remain \$149.99, a spokeswoman for Warner Bros. Discovery said. The ad-supported tier costs \$9.99 a month or \$99.99 a year.

As its own streaming service, Discovery+ costs \$6.99 a month without ads or \$4.99 a month with ads.

As of Sept. 30, Warner Bros. Discovery had about 95 million subscribers across Discovery+, HBO and HBO Max. The company's direct-to-consumer

business, which includes those platforms, posted third-quarter revenue of \$2.32 billion, down 6% from a year earlier, while costs rose 7% to \$2.95 billion.

The price for HBO Max was already at the high end of streaming. **Netflix Inc.** offers various ad-free options that range from \$9.99 a month to \$19.99 a month. Its recently launched ad-supported option costs \$6.99 a month. **Walt Disney Co.**-owned Hulu charges \$14.99 a month without ads and \$7.99 a month with ads, while Disney+ costs \$10.99 a month without ads or \$7.99 a month with ads. Apple TV+, which doesn't offer an ad-supported option, costs \$6.99 a month. **Paramount Global's** Paramount+ starts at \$4.99 with ads and costs \$9.99 without.

Warner Bros. Discovery executives had previously suggested that they would increase the price for HBO Max. Chief Financial Officer Gunnar Wiedenfels said last week at a conference hosted by Citigroup Inc. that many streaming products "are priced way too low."

Warner Bros. Discovery is facing mounting restructuring charges after the combination of Discovery Inc. and **AT&T Inc.'s** WarnerMedia unit. The company slashed costs by laying off employees and canceling shows and movies.

Shares of Warner Bros. Discovery closed up 4.4% at \$13.15 on Thursday. The stock has fallen about 55% over the past 12 months.

# Beyond Meat's Chief Brand Officer Leaves the Company

By JESSE NEWMAN

**Beyond Meat Inc.** executive Beth Moskowitz, who led the plant-based burger maker's branding efforts, is leaving, according to internal company communications.

Ms. Moskowitz's departure is the latest shake-up to Beyond's executive ranks and follows a tumultuous year for the faux-meat pioneer, during which the company shed several top executives and hundreds of employees as it took steps to stabilize its business.

Ms. Moskowitz told Beyond employees Wednesday that day would be her last, and said

she remains a strong supporter of the company.

"I look forward to returning to my roots as an investor, advisor, and creative partner, but most importantly, the opportunity to be totally present for the many milestones my family will celebrate in 2023 and the coming years," Ms. Moskowitz said in an internal company email.

A Beyond spokeswoman declined to comment on Ms. Moskowitz's departure. The spokeswoman said Beyond hired an executive to lead global marketing for the company, who will begin work in early February.

Ms. Moskowitz didn't respond to requests to comment. She served as the California company's chief brand officer. She joined Beyond in 2019 and previously served as its chief creative officer and head of special projects.

Beyond's Chief Executive Ethan Brown said in internal company communications this week that Ms. Moskowitz was important in building Beyond's brand and celebrity partnerships.

In November, Mr. Brown said on a conference call that a key pillar of Beyond's strategy would be to focus its messages around taste, health and the

planet, targeting consumers who would be the most receptive during more difficult economic times.

"Where we need to do better and will do better is in connecting with the right consumer at the right time," Mr. Brown said.

Beyond has been struggling with slumping sales of its imitation meat products while losses for the company mount, and its stock is down 77% in the past 12 months.

Some current and former employees have said Mr. Brown has struggled to manage the company's growth, while others have praised Mr.

Brown's leadership.

Last fall, Beyond outlined plans to significantly reduce expenses and move toward "cash-flow positive operations" in the second half of 2023.

The company in October laid off approximately 200 employees, or nearly 20% of its workforce, the second round of staff reductions in 2022.

## Watch a Video

Scan this code for a video on what went wrong at Beyond Meat.



BIDDING NOTICE

PROCESS No. 12066506/2021

ORIGINATING FROM CIPP

ELECTRONIC AUCTION No. 20220006

The Secretary of the Civil House makes

public the rescheduling of the Electronic

Auction No. 20220006 of interest to

Peccim Industrial And Port Complex

Development Company - CIPP, whose

OBJECT is: Acquisition of Cone-type

Marine Fenders, Adapters, Extenders

and Services to enhance mooring berths

to support ships with a capacity of

180,000 ton of total gross weight, through

Electronic Auction International.

REASON: Changes to the notice.

RECEIPT OF VIRTUAL PROPOSALS: At

the address [www.comprasnet.gov.br](http://www.comprasnet.gov.br)

through Nº 3762022, until 01/27/2023 at

2:30 pm (Brasilia time - DF). OBTAINING

THE NOTICE: At the above email

address or on the website

[www.seplag.ce.gov.br](http://www.seplag.ce.gov.br)

State Attorney General, in Fortaleza,

January 09, 2023.

JOSÉ CÉLIO BASTOS DE LIMA

CALLMAN



TECHNOLOGY

WSJ.com/Tech

# TSMC Warns of Possible Fall In Revenue and Spending Cut

By YANG JIE

**Taiwan Semiconductor Manufacturing Co.** said its revenue could drop as much as around 5% in the current quarter and it could cut this year's capital expenditures compared with last year, citing weak demand.

TSMC, which reported record full-year revenue in 2022, said Thursday it expected to post between \$16.7 billion and \$17.5 billion in revenue in the January-to-March quarter, compared with the \$17.57 billion from a year earlier. The last time TSMC's quarterly revenue declined year-over-year was in the first quarter of 2019, according to data from S&P Global Market Intelligence.

The world's biggest contract chip maker has set this year's capital-expenditures budget between \$32 billion to \$36 billion, compared with last year's record \$36.3 billion. Some 70% would go to building up capacity for the most advanced chips, the company said Thursday.

The possible drop and cut—even if relatively slim—are a sign that TSMC, a major supplier to the world's most important chip developers including Apple Inc., is running out of steam, and underscore the headwinds faced by the semiconductor industry after a period of strong expansion that started in 2020.

The pandemic triggered an increased demand for devices such as smartphones and data centers as many people worked from home, leading to a semiconductor shortage. In recent quarters, chip makers have been grappling with weakening demand and higher costs from inflation.

Chief Executive C.C. Wei, in an earnings call with analysts, said he forecasts a sharp drop in inventory in the semiconductor supply chain through the first half of this year. That



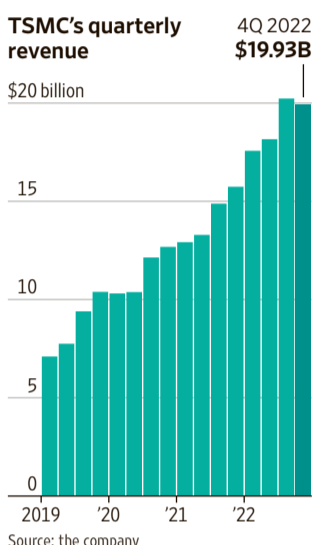
A ceremony marking the beginning of production of a chip at Taiwan Semiconductor Manufacturing.

would likely be followed by a recovery in the second half of the year, he said.

For the full year, Mr. Wei said: "We expect the whole industry to drop slightly but TSMC to grow slightly." He said he projects the global semiconductor industry, excluding memory chips, to post a 4% revenue decline in 2023.

Many semiconductor makers have slowed investment or cut employees. Memory-chip maker Micron Technology Inc. said last month it would be laying off around 10% of its workforce.

TSMC is in the midst of a global expansion, building new semiconductor-fabrication plants in Arizona and Japan. Its executives said it would steadily increase production capacity outside of Taiwan, where it currently builds most of its chips, to address concerns from its clients over production concentration in the self-ruled island that China claims as its own, as tensions between the U.S. and



China grow over Taiwan. TSMC is considering a second factory in Japan, Mr. Wei said, confirming an earlier Wall Street Journal report. It is studying the feasibility of building new facilities in Europe, especially for auto makers, he said. Last month, TSMC said that

it would more than triple its investment in Arizona to \$40 billion and that it planned to make 3-nanometer chips there, the most advanced so far in the industry.

Building such facilities in the U.S. costs four to five times more than building similar facilities in Taiwan, TSMC's Chief Financial Officer Wendell Huang said in the earnings call.

TSMC said its net income for the quarter ended Dec. 31 rose by a record 78% from the same period a year earlier to 295.90 billion New Taiwan dollars, equivalent to \$9.72 billion. Fourth-quarter revenue increased 43% from a year earlier to NT\$625.53 billion. For the full-year, the company posted NT\$2.264 trillion in revenue and NT\$1.017 trillion in net profit—both highest on record.

—Kosaku Narioka contributed to this article.

◆ Heard on the Street: TSMC plans for downturn..... B11

# Apple Chief Cook Takes 40% Cut In Compensation

By AARON TILLEY

**Apple Inc.** Chief Executive Tim Cook has asked for a big cut in compensation this year.

Mr. Cook's total compensation target for 2023 will be \$49 million, the company said in a Thursday filing. It said that is more than 40% lower than his target compensation of 2022.

The iPhone giant said its board committee on executive compensation took into consideration shareholder feedback as well as a recommendation from Mr. Cook in making the adjustment.

The changes "are responsive to shareholder feedback, while continuing both to align pay with performance and to recognize Mr. Cook's outstanding leadership," the filing said.

Mr. Cook's pay package has come under criticism before.

Last year, proxy advisory firm Institutional Shareholder Services recommended that investors block Mr. Cook's pay. Nevertheless, investors voted to approve the compensation.

Apple is one of the highest-valued public companies in the world, and Mr. Cook's compensation is still well above the average. The median compensation for CEOs of the largest U.S. companies was \$14.7 million in 2021.

There are, however, higher-paid tech leaders. Business technology provider Oracle Corp.'s chairman, Larry Ellison, and chief executive, Safra Catz, were each paid more than \$138 million in total compensation in the company's fiscal year through May last year.

In the quarter through September, Apple's overall sales rose 8% from a year earlier a record for that quarter.

# Biotech Startups Search For More Collaborations

By BRIAN GORMLEY

Biotech startups and venture capitalists are regrouping following a difficult year and see collaborations with larger companies as part of the solution to the industry's struggles.

"It's going to be a rough year," said Jonathan MacQuitty, sector head for life sciences at venture firm Lightspeed Venture Partners. "The good will survive, but it's going to be a little Darwinian."

That disquiet was echoed by a number of investors, entrepreneurs and executives from across the life sciences at this week's J.P. Morgan Healthcare Conference, which ended Thursday. The yearly confer-

ence has long been used to kick-start deals, and some hoped it might spur collaboration between startups and the larger companies.

Following an explosion in 2021, biotech venture funding retreated in 2022 as startups struggled to go public or be acquired. U.S. and European biotech raised \$29.47 billion in 2022, down from the record \$38.65 billion in 2021, according to Silicon Valley Bank.

Globally, 19 venture-backed biotech went public last year, compared with 96 in 2021, and nine private biotech were acquired in transactions in which at least \$75 million was paid upfront, down from 15 such deals in 2021, according to SVB.

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BUSINESS & FINANCE

# Climate Startup Removes Carbon From Open Air

By AMRITH RAMKUMAR

One of the most important technologies to address climate change got a boost Thursday when a startup said it pulled carbon dioxide from the open air and stored it underground. The company has cashed in on the effort, potentially creating a viable business model that could kick-start a new industry.

**Climeworks AG** is a leader in the race to remove carbon dioxide from the atmosphere, using a process known as direct-air capture. Customers, including **Microsoft Corp.**, paid a significant premium to buy carbon credits generated by Climeworks, allowing them to effectively offset their own emissions.

Climeworks and others have long promised that using vacuum-like devices to pull in air, filter it and bury carbon underground can help mitigate environmental damage caused by human activities. This is the first time a company has actually done it at a meaningful scale using a third-party verified process.

“We hope we are growing from a teenager to a grown-up in this industry,” Christoph Gebald, co-chief executive of Climeworks, said in an interview.

Founded in 2009, Climeworks is effectively carrying out what trees do by taking carbon dioxide out of the atmosphere. The process promises to store the carbon in the earth for thousands of years. The company makes money by removing the carbon on behalf of businesses that can claim they are becoming carbon neutral.

Microsoft, e-commerce company **Shopify Inc.** and payments firm **Stripe Inc.** have prepaid or agreed to pay hundreds of dollars per credit, each of which represents one metric ton of carbon removed. Other carbon credits tied to projects such as keeping trees standing have often been criticized because the projects often don’t reduce emissions as much as promised.

Companies pay a premium, sometimes 100 times as much as basic credits, for the credits from Climeworks because there is more certainty they remove carbon from the atmosphere. The companies also are willing to pay more to help jump-start the industry, hoping that costs decline rapidly.

“This is an important inflection point in the development of direct-air capture,” said Stacy Kauk, Shopify’s head of sustainability. “It isn’t just science fiction. It’s reality.”

The promise of the technology has prompted established businesses such as **Occidental Petroleum Corp.** to develop their own direct-air capture strategies.

Climeworks operates one of the world’s only operational direct-air capture plants in

Iceland, which is capable of removing about 4,000 metric tons of carbon dioxide a year, roughly equivalent to the annual emissions of about 800 passenger cars. Other removals to this point had been done using methods such as burying carbon-rich plant material underground.

Climeworks declined to say how much carbon it removed. Businesses globally have agreed to purchase credits equivalent to more than 700,000 metric tons of carbon removal from it and other companies, according to data provider CDR.fyi. Scientists estimate billions of metric tons a year need to be removed annually by midcentury to avoid the worst effects of global warming.

Bigger companies and investors are flocking to the industry. Occidental recently said it aims to increase the number of planned direct-air-capture facilities it operates to 100 from 70 by 2035, aided by bolstered tax credits that are part of the climate, health and spending legislation known as the Inflation Reduction Act.

The tax credits are now up to \$180 per metric ton of removal. Occidental is working with a startup on its first large facility in the Texas Permian Basin. **Airbus SE** has committed to buy several hundred thousand credits of removal tied to the project.

Climeworks raised about \$650 million in equity from investors including Singapore sovereign-wealth fund GIC Pte. Ltd. and private-equity firm **Partners Group Holding AG** early last year. It also has raised debt from Microsoft’s \$1 billion climate-innovation fund.

The company is building a second facility in Iceland that will be capable of removing about 36,000 metric tons a year.

It is eyeing U.S. expansion with the government doling out about \$3.5 billion through the 2021 infrastructure bill to develop four regional direct-air capture hubs. The European Union also is taking steps to grow the sector.

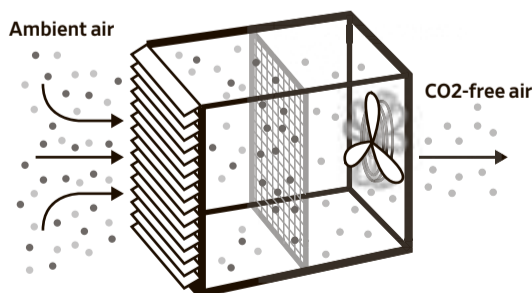
“The support that governments have provided is a game changer,” said Zeke Hausfather, Stripe’s climate-research lead.

Skeptics question using huge amounts of energy and resources to build massive machines in the name of fighting climate change. Climeworks’ Iceland facility runs on renewable geothermal energy—meaning its associated emissions are minimal—and a different startup pumps the carbon underground after dissolving it in vast amounts of water.

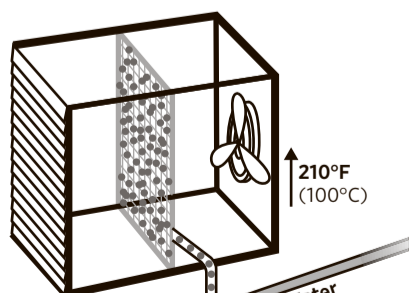
Industry executives say that direct-air capture is one of the few solutions for large-scale carbon removal that can mitigate unavoidable emissions and that costs will come down as the industry matures.

## How Climeworks uses direct-air capture

- 1 Large devices containing fans and spongelike filters pull in massive amounts of air to trap carbon dioxide on the filter material.



- 2 After the filter contains a lot of carbon dioxide, the device closes and is heated up to around 210 degrees Fahrenheit.



- 3 The trapped carbon dioxide is combined with water so that another startup, Carbfix, can pump it underground into stone for storage for thousands of years.



Source: Climeworks

Roque Ruiz/THE WALL STREET JOURNAL



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COMMODITIES

wsj.com/market-data/commodities

Futures Contracts

Metal & Petroleum Futures

Table with columns: Open, High, Low, Settle, Chg, Open interest. Rows include Copper-High, Gold, Palladium, Platinum, Silver, Crude Oil, Gasoline, Natural Gas, and Agriculture Futures.

Table with columns: Open, High, Low, Settle, Chg, Open interest. Rows include Oats, Soybeans, Soybean Meal, Soybean Oil, Rough Rice, Wheat, Wheat (KC), Cattle-Feeder, Cattle-Live, Hogs-Lean, Lumber, Milk, Cocoa, Coffee, Sugar-World, and Sugar-Domestic.

Interest Rate Futures

Table with columns: Open, High, Low, Settle, Chg, Open interest. Rows include Cotton (ICE-US), Orange Juice (ICE-US), and Treasury Bonds.

Currency Futures

Table with columns: Open, High, Low, Settle, Chg, Open interest. Rows include Japanese Yen, Eurodollar, and various international currency futures.

Table with columns: Open, High, Low, Settle, Chg, Open interest. Rows include Canadian Dollar (CME), British Pound (CME), Swiss Franc (CME), Australian Dollar (CME), Mexican Peso (CME), and Euro (CME).

Index Futures

Table with columns: Open, High, Low, Settle, Chg, Open interest. Rows include Mini DJ Industrial Average, Mini S&P 500, Mini S&P Midcap 400, Mini Nasdaq 100, and Mini Russell 2000.

Source: FactSet

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CLASS ACTION

LEGAL NOTICE

If You Bought A Cathode Ray Tube ("CRT") or CRT Product, A Class Action May Affect You.

CRT Products include Televisions or Computer Monitors that contain Cathode Ray Tubes

On August 1, 2022, the District Court certified a direct purchaser plaintiff class. A copy of the Order granting class certification is available on the class website at www.CRTDirectPurchaserAntitrustSettlement.com.

Samsung SDI Co., Ltd.; Toshiba America Consumer Products LLC; Toshiba America Consumer Products, Inc.; Toshiba America Electronic Components, Inc.; Toshiba America Information Systems, Inc.; Toshiba America, Inc.; Toshiba Corporation; Toshiba Display Devices (Thailand) Company, Ltd.; and Videcon Industries, Ltd.

The lawsuit alleges that Defendants and Co-Conspirators engaged in an unlawful conspiracy to fix, raise, maintain or stabilize the prices of CRTs. Plaintiffs further claim that direct purchasers of televisions and monitors that contain a cathode ray tube from the Defendants may recover for the effect that the cathode ray tube conspiracy had on the prices of televisions and monitors.

Who are the affiliates and subsidiaries mentioned in the class definition? Chungghwa Picture Tubes Fuzhou; Chungghwa Picture Tubes Taiwan; Daewoo Electronics America, Inc.; Hitachi Electronic Display (USA); Hitachi High-Technologies America, Inc. (f/k/a Nissei Sangyo America, Ltd.); Hitachi High-Technologies Corporation (f/k/a Nissei Sangyo Co., Ltd.); Irco Group New Energy Co., Ltd. (f/k/a Irco Group Electronics Co., Ltd.); LG Electronics Service Europe Netherlands B.V.; LG Electronics Wales Ltd.; LG Philips Displays; LG Philips Displays Brasil Ltda.; LG Philips Displays Holding B.V.; LG Philips Displays International Ltd.; LG Philips Displays Korea Co. Ltd.; LG Philips Displays of Mexico S.A. de C.V.; LG Philips Displays USA Inc.; MELCO Display Devices Mexico, S.A. de C.V.; Mitsubishi Display Devices America, Inc.; Mitsubishi Electric Sales America, Inc.; Mitsubishi Electric US Holdings, Inc.; Mitsubishi Electronics America, Inc.; Mitsubishi Electronics Industries Canada, Inc.; MT Picture Display Corporation of America (New York); MT Picture Display Corporation of America (Ohio); NEC-Mitsubishi Electric Visual Systems Corporation; NEC-Mitsubishi Electronics Display of America, Inc.; NM Visual Systems de Mexico S. A. de C.V.; Orion Electric Components, Co., Ltd.; Orion Engineering & Service, Inc.; Orion Mexicana, SA de CV; P.T. Tosummit Electronic Devices Indonesia; Panasonic AVC Networks America; Panasonic Sikuoku Electronics Corporation of America; PCB Integrated Manufacturing System, S.A. de C.V.; Philips Holding USA Inc.; PTMT Picture Display Indonesia; Samsung Electronics Co., Ltd.; Samsung SDI (Hong Kong), Ltd.; Samsung SDI America, Inc.; Samsung SDI Co. Ltd. (Korea); Samsung SDI Germany GmbH; Samsung SDI Hungary Ltd.; Samtel Color, Ltd.; Tatung Company of America, Inc.; TCL International Holdings Ltd.; TCL Thomson Electronics Corporation; Technologies Displays Mexicana, S.A. de C.V.; Tianjin Samsung SDI Co. Ltd.; TTK Technology, Inc.; and Zenith Electronics Corporation (a/k/a Zenith Electronics LLC).

Who are the Defendant and Co-Conspirator companies? Beijing-Matsushita Color CRT Company, Ltd.; Chungghwa Picture Tubes (Malaysia) Sdn. Bhd.; Chungghwa Picture Tubes, Ltd.; Daewoo Electronics Corporation (f/k/a Daewoo Electronics Company, Ltd.); Daewoo International Corporation; Daewoo-Orion Societe Anonyme; Hitachi America, Ltd.; Hitachi Asia, Ltd.; Hitachi Displays, Ltd.; Hitachi Electronic Devices (USA), Inc.; Hitachi Ltd.; Irco Display Devices Co., Ltd.; Irco Group Corporation; Koninkljkje Philips Electronics N.V. (n/k/a Koninkljkje Philips N.V.); LG Electronics Taiwan Taipei Co., Ltd.; LG Electronics USA, Inc.; LG Electronics, Inc.; LP Displays International, Ltd.; Matsushita Electric Corporation (Malaysia) Sdn. Bhd.; Mitsubishi Electric Corporation; Mitsubishi Electric US, Inc. (f/k/a Mitsubishi Electric & Electronics USA, Inc.); Mitsubishi Electric Visual Solutions America, Inc. (f/k/a Mitsubishi Digital Electronics America Inc.); (f/k/a Mitsubishi Consumer Electronics America, Inc.); MT Picture Display Co., Ltd. (f/k/a Matsushita Toshiba Picture Display Co., Ltd.); Orion Electric Co.; Panasonic Corporation (f/k/a Matsushita Electric Industrial Co., Ltd.); Panasonic Corporation of North America; Philips Consumer Electronics Co.; Philips da Amazonia Industria Electronica Ltda. (n/k/a Philips do Brasil, Ltda.); Philips Electronics Industries (Taiwan), Ltd. (n/k/a Philips Taiwan Limited); Philips Electronics Industries Ltd.; Philips Electronics North America Corporation; Samsung Electronics America, Inc.; Samsung SDI (Malaysia) Sdn. Bhd.; Samsung SDI Brasil Ltda.; Samsung SDI Co., Ltd. (f/k/a Samsung Display Device Company); Samsung SDI Mexico S.A. de C.V.; Shenzhen Samsung SDI Co. Ltd.; Shenzhen SEG Hitachi Color Display Devices, Ltd.; Technicolor SA (f/k/a Thomson SA); Technicolor USA, Inc. (f/k/a Thomson Consumer Electronics, Inc.); Technologies Displays Americas LLC (f/k/a Thomson Displays Americas LLC); Thai CRT Company, Ltd.; Tianjin

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COMMERCIAL REAL ESTATE

NOTICE OF SECURED PARTY PUBLIC AUCTION OF COLLATERAL INCLUDING 100% OF THE MEMBERSHIP INTERESTS IN CLAVEN NY LLC NOTICE IS HEREBY GIVEN that Jones Lang LaSalle, on behalf of BIG Real Estate Capital I, LLC, a Delaware limited liability company (the "Secured Party"), will offer for sale at public auction the following property: all right, title and interest of Secured Party in the Collateral, as such term is defined in that certain Mezzanine Loan Agreement, dated as of November 1, 2018, by and between the Debtor and the Secured Party, as to certain Pledge and Security Agreement, dated as of November 1, 2018, by and between the Debtor and the Secured Party, as such agreements may have been further amended or modified from time to time, including all of the Debtor's limited liability company membership interests in Claver NY LLC (the "Mortgage Borrower") (collectively, the "Collateral"). It is the understanding and belief of the Secured Party, but without any warranty or representation by the Secured Party as to accuracy or completeness, that the Collateral consists of, among other things, 100% of the membership interests of the Debtor in the Mortgage Borrower, the owner of the land and building known as '35 Claver Place, Brooklyn, New York. The public auction will take place on Friday, January 20, 2023 at 12:00 p.m., Eastern Standard Time in front of the Delaware Court of Chancery located at 500 North King Street, Wilmington, Delaware 19801. The sale will be conducted virtually via online video conference; provided, however, that if, at the time of sale, applicable state and city laws and rules permit the sale to be conducted in-person, and if relevant building management rules permit the sale to be conducted in-person in front of the Delaware Court of Chancery located at 500 North King Street, Wilmington, Delaware 19801. The URL address and password for the online video conference will be provided to all confirmed participants that have properly registered pursuant to the Terms of Sale. All interested prospective purchasers are invited to become "qualified bidders." Only qualified bidders and their duly appointed agents and representatives may participate at the public auction. The terms of sale may be obtained by contacting Brett Rosenberg, LLC, Capital Markets, T+1 212 812 5926, M+1 646 413 4861, e-mail Brett.Rosenberg@jml.com. Dated: January 3, 2023, SILLS CUMMIS & GROSS, P.C., Attorneys for Secured Party, Attn: Robert Hempstead, Esq., 101 Park Avenue, 28th Floor, New York, NY 10178, Tel: (973) 643-5689, Fax: (973) 643-6500, E-mail: thempstead@sillscurrumis.com

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Tracking Bond Benchmarks

Return on investment and spreads over Treasuries and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Table with columns: Total return close, YTD total return (%), Index, Yield (%). Rows include Broad Market Bloomberg Fixed Income Indices, U.S. Corporate Indexes Bloomberg Fixed Income Indices, and U.S. Agency Bloomberg Fixed Income Indices.

Table with columns: Total return close, YTD total return (%), Index, Yield (%). Rows include Mortgage-Backed Bloomberg Fixed Income Indices and Global Government J.P. Morgan.

Global Government Bonds: Mapping Yields

Yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose (▲) or fell (▼) in the latest session

Table with columns: Coupon (%), Maturity, in years, Latest, Yield (%), Spread Under/Over U.S. Treasuries, in basis points. Rows include U.S. 2, 10, and 30-year bonds, and various international government bonds.

Corporate Debt

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

Investment-grade spreads that tightened the most...

Table with columns: Issuer, Symbol, Coupon (%), Yield (%), Maturity, Spread, in basis points. Rows include Ally Financial, Royal Bank of Canada, ING Groep, Credit Suisse, Societe Generale, UBS, Morgan Stanley, Westpac Banking.

...And spreads that widened the most

Table with columns: Issuer, Symbol, Coupon (%), Yield (%), Maturity, Spread, in basis points. Rows include Toronto-Dominion Bank, Intesa Sanpaolo, Apple, KeyCorp, Mercedes-Benz Finance North America, Westpac Banking, Blackstone Private Credit Fund, Nordea Bank.

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

Table with columns: Issuer, Symbol, Coupon (%), Yield (%), Maturity, Bond Price as % of face value. Rows include Navient, Telecom Italia Capital, Ford Motor, Teva Pharmaceutical Finance Netherlands, Nokia, Toyota Motor Credit, Sprint Capital.

...And with the biggest price decreases

Table with columns: Issuer, Symbol, Coupon (%), Yield (%), Maturity, Bond Price as % of face value. Rows include Carnival, Rakuten, Bausch Health, Dish DBS, OneMain Finance, ADF Security, Seagate HDD Cayman, Teva Pharmaceutical Finance Netherlands.

\*Estimated spread over 2-year, 3-year, 5-year, 10-year or 30-year hot-run Treasury, 100 basis points=one percentage pt.; change in spread shown is for Z-spread. Note: Data are for the most active issue of bonds with maturities of two years or more Source: MarketAxess

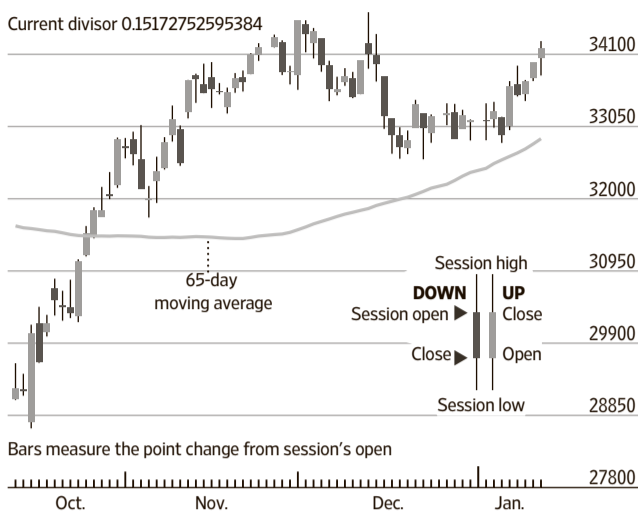


MARKETS DIGEST

EQUITIES

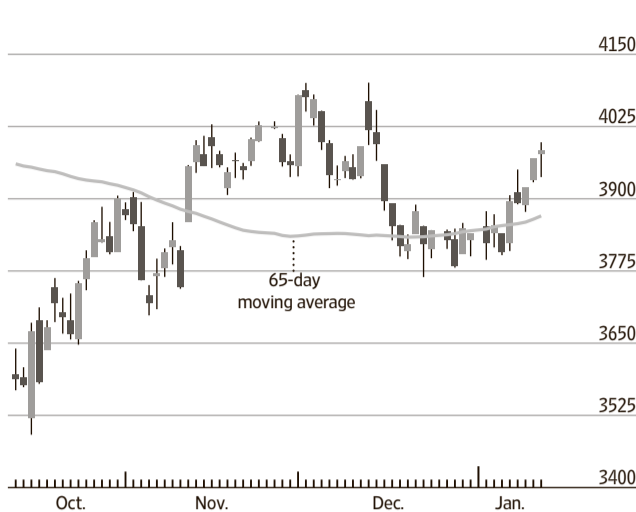
Dow Jones Industrial Average

34189.97 ▲ 216.96, or 0.64%
High, low, open and close for each trading day of the past three months.



S&P 500 Index

3983.17 ▲ 13.56, or 0.34%
High, low, open and close for each trading day of the past three months.



Nasdaq Composite Index

11001.10 ▲ 69.43, or 0.64%
High, low, open and close for each trading day of the past three months.



Major U.S. Stock-Market Indexes

Table with columns: Index Name, High, Low, Close, Net chg, % chg, 52-Week High, Low, % chg, YTD, % chg 3-yr. ann. Includes Dow Jones, Nasdaq Stock Market, S&P, and Other Indexes.

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6 p.m. ET as reported by electronic trading services...

Most-active issues in late trading

Table of most-active issues in late trading with columns: Company, Symbol, Volume (000), Last, Net chg, After Hours % chg, High, Low.

Percentage gainers...

Table of percentage gainers with columns: Company, Symbol, Latest Session Close, Net chg, % chg, 52-Week High, Low, % chg.

Trading Diary

Volume, Advancers, Decliners

Table of trading diary statistics including Total volume, Adv. volume, Decl. volume, Issues traded, Advancers, Declines, Unchanged, New highs, New lows, Closing Arms, and Block trades.

International Stock Indexes

Table of international stock indexes with columns: Region/Country, Index, Close, Net chg, Latest % chg, YTD % chg.

Percentage Gainers...

Table of percentage gainers with columns: Company, Symbol, Latest Session Close, Net chg, % chg, 52-Week High, Low, % chg.

Most Active Stocks

Table of most active stocks with columns: Company, Symbol, Volume (000), % chg from 65-day avg, Latest Session Close, % chg, 52-Week High, Low.

Percentage Losers

Table of percentage losers with columns: Company, Symbol, Latest Session Close, Net chg, % chg, 52-Week High, Low, % chg.

Volume Movers

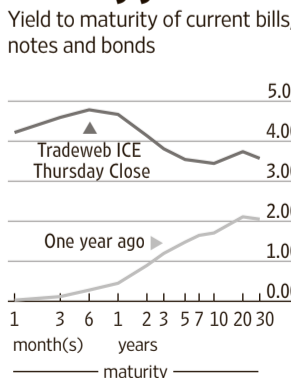
Table of volume movers with columns: Company, Symbol, Volume (000), % chg from 65-day avg, Latest Session Close, % chg, 52-Week High, Low.

CREDIT MARKETS

Consumer Rates and Returns to Investor

Table of consumer rates and returns to investor including U.S. consumer rates, Selected rates, and Interest rate trends.

Treasury yield curve



Forex Race



Corporate Borrowing Rates and Yields

Table of corporate borrowing rates and yields with columns: Bond total return index, Close, Yield (%), 52-Week High, Low, Total Return (%).

CURRENCIES & COMMODITIES

Currencies

Table of U.S.-dollar foreign-exchange rates in late New York trading for various countries and currencies.

Commodities

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



BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE.

Footnotes:

1-New 52-week high. 2-New 52-week low. 3-Indicates loss in the most recent four quarters. 4-Indicates loss in the most recent four quarters.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldface quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Table of stock data with columns: Stock, Sym, Close, Net Chg, % Chg. Includes stocks like Capri, CardinalHealth, Carlisle, Carlyle, 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.

Thursday, January 12, 2023

Main table of stock data with columns: Stock, Sym, Close, Net Chg, % Chg. Includes stocks like AmerisourceBsn, Ametek, Amgen, etc.

Table of stock data with columns: Stock, Sym, Close, Net Chg, % Chg. Includes stocks like Dover, Dow, DrReddyLab, etc.

Table of stock data with columns: Stock, Sym, Close, Net Chg, % Chg. Includes stocks like GoldFields, GFI, LamarAdv, etc.

Table of stock data with columns: Stock, Sym, Close, Net Chg, % Chg. Includes stocks like NISource, Nokia, NomuraHoldings, etc.

Table of stock data with columns: Stock, Sym, Close, Net Chg, % Chg. Includes stocks like OGE Energy, ONEOK, Oracle, etc.

Table of stock data with columns: Stock, Sym, Close, Net Chg, % Chg. Includes stocks like M&T Bank, M&M Resources, M&M Instruments, etc.

Table of stock data with columns: Stock, Sym, Close, Net Chg, % Chg. Includes stocks like JDM.com, Johnson & Johnson, Jabil, etc.

Table of stock data with columns: Stock, Sym, Close, Net Chg, % Chg. Includes stocks like DCP Midstream, DTE Energy, Danaher, etc.

Table of stock data with columns: Stock, Sym, Close, Net Chg, % Chg. Includes stocks like Iron Ore, Shredded Scrap, Steel, HRC USA, etc.

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Table of stock data with columns: Stock, Sym, Close, Net Chg, % Chg. Includes stocks like BMLpH, BACqE, BMLpL, etc.

Dividend Changes

Table of dividend changes with columns: Company, Symbol, Yield, Amount, New/Old, Freq, Payable/Record.

ETF

Table of ETF data with columns: ETF, Symbol, Price, % Chg, YTD.

Cash Prices

Table of cash prices with columns: Energy, Metals, Gold, Silver, etc.

Thursday, January 12, 2023

Table of market data with columns: Stock, Sym, Close, Net Chg, % Chg. Includes stocks like Wheat, Beef, Food, etc.

New Highs and Lows

Table of new highs and lows with columns: Stock, Sym, Hi/Low, Chg, % Chg.

Exchange-Traded Portfolios

Table of exchange-traded portfolios with columns: ETF, Symbol, Price, % Chg, YTD.

Highs

Table of high prices with columns: Stock, Sym, Hi/Low, Chg, % Chg.

ETF

Table of ETF data with columns: ETF, Symbol, Price, % Chg, YTD.

Table of stock data with columns: Stock, Sym, Close, Net Chg, % Chg. Includes stocks like Robinhood, Roblox, RocketCo, etc.

Table of stock data with columns: Stock, Sym, Close, Net Chg, % Chg. Includes stocks like OGE Energy, ONEOK, Oracle, etc.

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BANKING & FINANCE



The bank said it would stop making loans through intermediaries and sell much of its mortgage servicing portfolio.

Wells Plans Significant Exceptions To Cutbacks in Mortgage Business

By BEN EISEN

Wells Fargo & Co. said Tuesday that it was dramatically narrowing its mortgage business to focus on existing customers.

The bank sent a notice to real-estate agents, home builders, nonprofits and others that refer mortgage business to Wells Fargo saying it wanted to clarify its message.

"We're here to serve you and your homebuyers," the notice said.

Referral partners are "the lifeblood of our Retail mortgage business," according to the message, which was reviewed by The Wall Street

Journal.

The notice suggests significant exceptions to the policy announced a day earlier—and just how tricky it is to scale back such a large business.

The bank had said that going forward, it would primarily lend to people who already banked with Wells Fargo or who were among underserved groups.

Referrals are a common way mortgage bankers find new customers. Some home buyers that find Wells Fargo through a real-estate agent or builder may already be customers of the bank, while many aren't.

A spokeswoman for the bank, who confirmed the authenticity of the message, said

in a statement: "Customers often come to us through trusted referral partners. As such, it was important that we communicated with those partners. We clearly articulated this go-forward strategy in the bullet points."

"Wells Fargo continues to be committed to the Retail mortgage business along with our referral partners," the notice said.

Wells Fargo, once the nation's largest mortgage lender, has been trimming that business after a string of scandals stemming from the revelation that it created perhaps millions of fake accounts.

Chief Executive Charles Scharf began to reassess the business after he joined the

firm in late 2019. Regulators have recently fined the bank for failures in its mortgage unit.

A market downturn has also limited demand for new mortgages. The bank has been cutting staff in its mortgage division and is expected to keep doing so.

Wells Fargo was the third-biggest originator of mortgages in the first nine months of 2022, according to industry research firm Inside Mortgage Finance.

Wells Fargo also said that as part of its efforts to shrink its mortgage business, it would stop making loans through intermediaries and sell much of its mortgage servicing portfolio.

Equity Firm EIG Adds to Bets on Liquefied Gas

By LUIS GARCIA

EIG Global Energy Partners is one of the few private-equity firms still investing billions of dollars in fossil fuel-related assets, as it bets on continued global demand for liquefied natural gas before the world can fully rely on renewable energy.

"We don't know exactly how the energy transition will play out, but there are some big trends that we see and that's really what we've tried to take advantage of with our most recent transactions," said Blair Thomas, chairman and chief executive at Washington, D.C.-based EIG.

One of those trends is rising demand for LNG, he added. MidOcean Energy LLC, an LNG operator backed by EIG, in October agreed to acquire stakes in four Australian LNG plants from Japanese natural-gas utility Tokyo Gas Co. for a total of \$2.15 billion.

In November, MidOcean and investment firm Brookfield Asset Management Ltd. made a bid to take Origin Energy Ltd. private in a transaction with an enterprise value of 18.4 billion Australian dollars, equivalent to \$12.68 billion. The proposed deal, which is pending regulatory approval, would allow MidOcean to acquire Origin's integrated-gas unit, including a stake in the Australia Pacific LNG project in Queensland state. Meanwhile,

Brookfield would take over the Australian energy company's electricity business.

LNG trade is increasing worldwide as European countries try to reduce their reliance on Russia's natural gas and Asian economic growth drives more energy demand in the region. Europe imported nearly 95 million metric tons of LNG last year through September, accounting for 32% of total world's imports, up from 21% a year earlier, according to financial-information provider S&P Global Inc.

MidOcean's recent deals in Australia are part of EIG's strategy to turn the business into a "globally diversified, pure-play LNG company," Mr. Thomas said. He added that the Washington-based company, which EIG formed last year, has initially focused on Australian assets because of their proximity to Asia, the world's largest LNG market. Origin-backed Australia Pacific LNG Pty Ltd. has supply contracts with large customers in Asia, including China's energy company China Petroleum & Chemical Corp., or Sinopec, which also owns a stake in the LNG-project operator.

"You have to plant your flag in the biggest [LNG] market and that's Asia," Mr. Thomas said. "Then you grow from there."

In 2021, China consumed a record daily average of 35.5 billion cubic feet of natural gas, nearly triple the levels of a decade ago.

Bankman-Fried Site Offers His FTX Take

By CAITLIN OSTROFF

Sam Bankman-Fried is back online, using a new public forum to rally his defense.

The founder of FTX launched "SBF's Substack" on Thursday, giving his take on the events leading to the crypto exchange's collapse. Mr. Bankman-Fried is under house arrest at his parents' California home as he faces federal fraud charges. He has pleaded not guilty.

"I didn't steal funds, and I certainly didn't stash billions away," he wrote in a post.

His arguments, which appear to be an outline of his coming legal defense, mirror those Mr. Bankman-Fried posted on Twitter in the weeks before his arrest.

Mr. Bankman-Fried wrote on his Substack:

—The collapse of Mr. Bankman-Fried's hedge fund, Alameda Research, stemmed from a broad crypto market meltdown.

—He didn't run Alameda's hedge funds.

—FTX could have raised

fresh investor cash and made customers whole if it wasn't forced into bankruptcy.

—Alameda's insolvency stemmed from failure to hedge its positions and actions by rival exchange Binance.

—Alameda's contagion spread to FTX.

He compared FTX and Alameda's problems to those of Credit Suisse AG, whose shares plummeted last fall. "At the end of the day, its run on the bank fell short. FTX's didn't."

Some of his assertions contradict federal prosecutors and Mr. Bankman-Fried's own former associates. At the end of the post, Mr. Bankman-Fried wrote, "All of which is to say: no funds were stolen. Alameda lost money due to a market crash it was not adequately hedged for."

The Wall Street Journal has previously reported that FTX lent billions of dollars' worth of customer assets to fund risky bets by Alameda and that the hedge fund's chief executive and senior FTX officials knew about that decision to send user funds to Alameda.

SEC Sues Crypto Companies

Continued from page B1

Genes feuding since Genesis abruptly paused withdrawals from the program on Nov. 16 after it couldn't meet client redemption requests in the wake of crypto exchange FTX's collapse. At the time, Genesis held about \$900 million in assets from 340,000 Gemini Earn customers, according to the SEC.

The SEC's lawsuit seeks fines and the return of profits that were illegally earned.

"We look forward to defending ourselves against this manufactured parking ticket. And we will make sure this doesn't distract us from the important recovery work we are doing," Tyler Winklevoss,



Gemini Trust co-founders Tyler and Cameron Winklevoss

co-founder of Gemini with his brother, Cameron, wrote in a tweet in response to the SEC suit. A spokeswoman for Genesis didn't comment.

Since Genesis paused redemptions, Gemini has banded together with other creditors of Genesis, saying it wants to find a way for the crypto lender to return owed assets.

In recent days, Cameron Winklevoss has ratcheted up

the pressure on Genesis and its parent company, Digital Currency Group. Cameron Winklevoss traded barbs with Barry Silbert, chief executive of DCG, on Twitter last week. Mr. Winklevoss accused Mr. Silbert of "bad faith stall tactics" and called for Mr. Silbert's removal as CEO of the firm. A DCG spokeswoman has called Mr. Winklevoss's letters a "desperate and unconstructive publicity stunt."

New Highs and Lows

Table with columns: Stock, 52-Wk % Chg, Stock, 52-Wk % Chg, Stock, 52-Wk % Chg, Stock, 52-Wk % Chg. Lists various stocks like GreenlightCapRe, GREB, GFEF, etc.

Table with columns: Stock, 52-Wk % Chg, Stock, 52-Wk % Chg, Stock, 52-Wk % Chg, Stock, 52-Wk % Chg. Lists various stocks like NewJerseyRscs, NJR, NVSA, etc.

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Mutual Funds

Table with columns: Fund, Net YTD %Chg, Fund, Net YTD %Chg, Fund, Net YTD %Chg, Fund, Net YTD %Chg. Lists various mutual funds like American Century Inv, Ultra, etc.

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MARKETS

# Stocks Advance as Inflation Cools Off

### Energy is top performer among 11 sectors of S&P 500 as oil prices increase

Stocks climbed after the latest inflation data showed cooling price pressures for the sixth consecutive month, likely

By Eric Wallerstein, Akane Otani and Joe Wallace

keeping the Federal Reserve on track to slow its pace of interest-rate increases.

The S&P 500 added 13.56 points, or 0.3%, to 3983.17, while the Dow Jones Industrial Average gained 216.96 points, or 0.6%, to 34189.97. The technology-heavy Nasdaq Composite rose 69.43 points, or 0.6%, to 11001.10.

The indexes bobbed between gains and losses early in the session before gaining steam midday.

Consumer-price inflation slowed to 6.5% in December, down from 7.1% in November, the Labor Department said. Despite landing largely in line with economists' expectations, one measure of services inflation—excluding energy services and the cost of owning or renting a home—offered encouragement that tighter monetary-policy is proving effective.

Supercore inflation, flagged

by Federal Reserve Chairman Jerome Powell as especially important given its sensitivity to labor costs, rose at a 3% annualized rate, well below the pace seen last year. Many economists have noted it is normal to see a delay in housing prices falling substantially.

In response to the data, traders grew more confident that the Fed is on course to slow its pace of tightening at its coming meeting. Wall Street widely expects the central bank to raise its benchmark rate target by a quarter of a percentage point to a range between 4.5% and 4.75% on Feb. 1.

The data were "a mixed bag when you dig into the nuance," said Andrew Patterson, senior economist at Vanguard. Mr. Patterson added he will be closely watching Fed officials' comments between now and the end of the month to get a better sense of where the Fed might be headed.

Thursday's rally extends the S&P 500's gains for the month to 3.7%. Energy stocks fared best of the index's 11 sectors, rising 1.9% alongside higher oil prices. Brent crude-oil futures gained 1.6% to \$84.03 a barrel.

Investors scooped up Treasuries, lifting bond prices and weighing on yields.

The yield on the 10-year U.S. Treasury note slipped to 3.446% from 3.553% late Wednesday, while the yield on the two-year note—which is more sensitive to monetary-policy expectations—fell to

4.138% from 4.226%.

Market-based expectations are for the Fed to cut rates by roughly a half-percentage point in the latter half of the year, according to derivatives prices via FactSet.

Yet some policy makers have pushed back on the chance of any rate decreases in 2023, saying borrowing costs will have to stay high for some time to bring down inflation.

"The market is battling against them," said Lyn Graham-Taylor, senior rates strategist at Rabobank. "It's easing financial conditions," when Fed officials want the opposite, he said.

Global investors wagered that a less-aggressive Fed would be a boon for assets that had suffered from the support rising rates provided for the dollar.

The yen rose 2.5% against the greenback, supported by speculation that the Bank of Japan could retreat from its ultra-lenient monetary policy. Front-month gold futures jumped 1.1% to \$1895.50 a troy ounce, their highest close since April 2022.

The dollar extended recent declines. The WSJ Dollar Index dropped 0.9%, falling roughly 9% over the past three months.

Speculators have piled into bets against the dollar and in favor of gold lately, hoping for a reversal of 2022's performances.

Options traders took a breath of air after the report, seeing fewer catalysts to jostle



Wall Street expects the Fed to raise its benchmark rate target by a quarter of a percentage point.

stocks on the horizon.

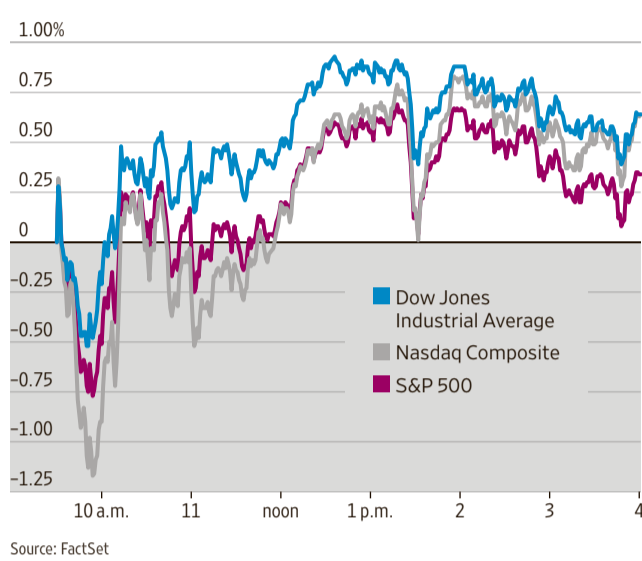
The Cboe Volatility Index, or the VIX, extended its longest lull since late 2021 by falling below 20—a key level typically seen as signifying lack of worry or complacency.

Elsewhere, airline stocks received a boost from American Airlines' improved earnings guidance, which sent shares up \$1.49, or 9.7%, to \$16.83.

Overseas markets were broadly higher. The Stoxx Europe 600 extended its strong start to the year, rising 0.6%.

Early Friday, Japan's Nikkei 225 was down 1.2%, but Hong Kong's Hang Seng Index was up 0.4%, the Shanghai Composite was up 0.5% and South Korea's Kospi was up 0.8%. S&P 500 futures were down 0.2%.

### Index performance Thursday



# Goldman Raises \$15.2 Billion for Junior Credit Deals

By Rod James

Goldman Sachs Group Inc.'s asset-management arm said it has rounded up \$15.2 billion to make junior debt investments in companies backed by private-equity firms, the latest pool targeting mezzanine financing.

New York-based Goldman Sachs Asset Management said its West Street Mezzanine Partners VIII LP fund includes

\$11.7 billion of equity capital and \$3.5 billion in expected long-term financing, according to a news release.

Higher inflation and rising interest rates are leading limited partners to turn to income-generating assets and strategies that preserve capital, trends that helped fund-

raising for the new mezzanine vehicle, said Julian Salisbury, Goldman's chief investment officer for asset &

wealth management.

Holders of mezzanine debt typically rank higher in line for repayment than holders of equity but below senior lenders in the event of a default. Such junior credit arrangements are often structured with warrants which, if exercised, allow the lender to acquire an equity stake in the business later.

One of the nation's largest institutional investors, the

\$450 billion California Public Employees' Retirement System, committed \$2 billion to the latest mezzanine debt vehicle as well as \$600 million for co-investments alongside the fund, according to WSJ Pro Private Equity's LP Commitments database. Calpers's commitment to the main fund is among the largest the pension system has ever made to a private investment pool, according to its website.

Mezzanine debt funds collected \$11.0 billion globally in the first six months of 2022, compared with \$15.1 billion in all of 2021 and \$26.1 billion in 2020, according to research provider PitchBook Data Inc.

Rising interest rates and inflationary pressure also have made it more difficult to obtain the desired amount of senior debt for many borrowers. That situation has bur-

nished the attractiveness to private-equity managers of more expensive junior debt, such as mezzanine financing.

The Goldman Sachs unit has already invested about \$4 billion across 13 companies from the new fund. It had raised \$13 billion, including leverage, for a predecessor mezzanine fund when it closed in 2018, according to people familiar with the matter.



A unit of Dalian Wanda Commercial Management, which operates malls such as this one in Nanning, sold bonds with a yield over 12%.

# Market for Junk Bonds in China Creaks Open With \$400 Million Sale

By Frances Yoan

HONG KONG—A Chinese commercial property company sold U.S. dollar bonds on Thursday with yields topping 12%, reopening the market for junk debt from the country after a wave of defaults last year.

Dalian Wanda Commercial Management Group Co., which operates shopping malls across China and is controlled by Chinese billionaire Wang Jianlin, tested investors' appetite for risk this week with a two-year bond offering by one of its units.

The unit sold bonds with a \$400 million face value and an 11% coupon. The securities were sold at 97.6 cents on the dollar, which enabled the deal to be priced to yield 12.375%. The new debt was rated BB by Fitch Ratings and Ba3 by Moody's Investors Service, levels that sit in the highest category of speculative-grade ratings.

The transaction could inspire other Chinese real-estate firms to come back to the table

to discuss potential deals, some investment bankers predicted. But Leonard Law, a senior credit analyst at research firm Lucror Analytics, said investors should be wary about reading too much into the deal.

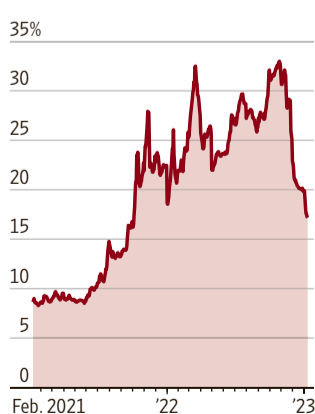
"I can't definitely say that the offshore bond market has reopened for property developers," Mr. Law said.

Many investors dumped Chinese high-yield dollar bonds last year, after residential-property giants China Evergrande Group, Kaisa Group, Sunac China and many of their peers defaulted on their international debt. New junk-debt issuance slowed to a trickle as bond prices collapsed and yields soared, making it too costly for most companies to borrow.

The average yield on outstanding junk dollar bonds from Chinese companies that haven't defaulted hit a record high of 33% in October 2022, according to an ICE BofA index that tracks them.

In November, Chinese authorities unveiled a series of

### Average yield on speculative-grade dollar bonds of Chinese companies



Note: Shows the yield to maturity of the ICE I Asian Dollar High Yield Corporate China Issuers Index. Source: ICE Data Services

measures designed to help surviving property developers obtain access to financing, lowering their default risk and sparking a junk-bond rally. That has taken the average yield for sub-investment-grade Chinese dollar bonds down to about 17%.

Dalian Wanda Commercial Management Group's business is different from that of apartment sellers such as Country Garden Holdings Co. and its peers. The former describes itself as the world's largest commercial-properties holding, managing and operating enterprise, that manages hundreds of Wanda Plazas across China. Proceeds from the debt sale, which was led by Credit Suisse, will help refinance the group's existing debt.

While sales of Asian investment-grade bonds have been on a tear so far this year, investors are likely to remain cautious when it comes to high-yield bonds, said Freddy Wong, head of Asia Pacific fixed income at Invesco. Any fresh issuance in the Chinese dollar junk-bond market will be skewed toward companies with stable fundamentals, he said. "For now, the market is not telling you that they are fully ready," Mr. Wong added.

—Matthew Thomas contributed to this article.

# Funds Cut Dividend Payments

Continued from page B1

varies, but it is often equivalent to a third of the fund's assets. When stock and bond prices tanked last year, returns on leveraged funds suffered disproportionately because they had invested money they didn't have to begin with.

Meanwhile, the steadily rising rates that led to the market's poor performance had additional consequences for leveraged funds: Their borrowing costs rose. That meant even more of the income from the underlying investments was being eaten up by leverage expenses, leaving less for investor payouts.

Closed-end funds present another difficulty in tough times. The funds issue shares that investors can trade among themselves the way public companies do.

But unlike with more common, open-end funds, investors can't add money to funds or redeem shares for cash equivalent to the market value of the underlying assets.

They can only sell shares to another buyer for whatever that person is willing to pay. U.S. equity closed-end funds traded at an average 4.5% discount relative to their underlying asset value as of Jan. 9, according to Morningstar Direct.

Muni closed-end funds are suffering some of the deepest cuts to payouts because the state and local government bonds they hold tend to throw off less income than other assets.

Interest on municipal debt is exempt from federal and often state taxes, so investors are willing to accept lower rates.

Closed-end funds that use leverage to drive up tax-exempt income appealed to many investors during the past decade. Now munis' low yields are making them particularly vulnerable to rising leverage costs.

"The borrowing costs are about the same as what the

muni bonds pay and so there is no extra income to be had," said Sangeeta Marfatia, senior closed-end fund strategist at UBS.

Since closed-end funds don't take in new investor cash, the only money that managers have to buy newly issued, higher rated bonds comes when debt in the funds matures or if managers sell older bonds at less-optimal prices, analysts said.

About four million U.S. households invest in closed-end funds, according to 2020 Investment Company Institute data. Nearly half of investors in all types of closed-end funds are retired. Their median age is 54, their median household income is \$135,000 and their median net worth is \$500,000.

Fund managers decide how and when to adjust monthly payouts. Several Nuveen muni funds have done three rounds of smaller cuts over the past year. The California Pimco fund—which cut the amount it pays out per share each month to 3.6 cents from 6.5 cents—was one of nine Pimco muni funds that reduced distributions by 20% or more this month after keeping those payouts steady during 2022.

### 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	\$166,529,821,600
Accepted bids	\$61,044,801,600
* noncompetitively	\$1,269,040,900
* foreign noncompetitively	\$0
Auction price (rate)	99.660111 (4.370%)
Coupon equivalent	4.446%
Bids at clearing yield accepted	10.63%
Cusip number	912796ZU6
The bills, dated Jan. 17, 2023, mature on Feb. 14, 2023.	

#### EIGHT-WEEK BILLS

Applications	\$151,049,773,300
Accepted bids	\$55,957,958,400
* noncompetitively	\$1,269,040,900
* foreign noncompetitively	\$295,000,000
Auction price (rate)	99.305444 (4.665%)
Coupon equivalent	4.559%
Bids at clearing yield accepted	77.89%
Cusip number	912796ZU6
The bills, dated Jan. 17, 2023, mature on March 14, 2023.	

#### 29-YEAR, 10-MONTH BONDS

Applications	\$44,109,278,700
Accepted bids	\$18,000,040,700
* noncompetitively	\$13,368,700
* foreign noncompetitively	\$0
Auction price (rate)	107.556697 (3.585%)
Interest rate	4.000%
Bids at clearing yield accepted	50.66%
Cusip number	912810T12
The bonds, dated Jan. 17, 2023, mature on Nov. 15, 2052.	