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# WSJ

THE WALL STREET JOURNAL **WEEKEND**



STEPHANIE SEYMOUR  
WSJ. MAGAZINE

DOW JONES | News Corp \*\*\*\*\* SATURDAY/SUNDAY, FEBRUARY 11 - 12, 2023 ~ VOL. CCLXXXI NO. 34 **WSJ.com** ★★★★★ \$6.00

## What's News

### World-Wide

**The U.S. military downed** a “high-altitude object” spotted in the sky over Alaska, the White House said, the second time in less than a week that an Air Force jet fired on a craft that had intruded into U.S. airspace. **A1**

◆ **The U.S. blacklisted** six Chinese companies that it said were involved in Beijing’s surveillance-balloon program, a move taken in retaliation for the suspected spy balloon that traversed the U.S. **A4**

◆ **Russia said** it plans to cut oil output by about 5% next month, making good on Putin’s threat to retaliate against sanctions but also showing the limits of his leverage in global energy markets. **A1**

◆ **Aid poured** into Turkey on Friday, the fifth day after quakes killed over 23,700 people, as Turks and Syrians gathered for traditional prayers, buried the dead and reflected on their loss. **A1, A9**

◆ **The FBI removed** several documents, including one with classified markings, during a search of Pence’s Indiana home, according to a spokesman for Pence. **A5**

◆ **The House’s top** tax legislator criticized an international agreement to raise minimum taxes on corporations, saying Republicans in Congress wouldn’t accept the deal. **A4**

### Business & Finance

◆ **The S&P 500, Nasdaq** and Dow closed out a mixed Friday session with weekly losses of 1.1%, 2.4% and 0.2%, respectively, capping a week in which this year’s investor optimism about the direction of the economy faced its first test. **A1**

◆ **Adidas shares fell** 14% in Frankfurt after the company said it could swing to a loss this year following the termination of its Yeezy partnership with Kanye West. **B1**

◆ **Tether Holdings**, the owner of stablecoin tether, is using Cantor Fitzgerald to help oversee its \$39 billion bond portfolio, according to people familiar with the matter. **B1**

◆ **The SEC is investigating** the Mormon Church’s past efforts to keep its giant investment portfolio a secret, a practice that ended after a former employee revealed in 2019 that the church had amassed \$100 billion of holdings. **B11**

◆ **The Florida Senate** approved a bill that would dramatically alter the governance of a special tax district that has allowed Disney to self-govern the land that houses its theme parks. **A3**

◆ **Bed Bath and Beyond’s** Canadian division will shut its stores under court protection after the company received a lifeline to save its U.S. operations from bankruptcy. **B3**

### NOONAN

Biden’s Speech Was Trumpian **A13**

<b>CONTENTS</b>	Obituaries..... A10
Books..... C7-12	Opinion..... A11-13
Business News..... B3	Sports..... A14
Food..... D6-7	Style & Fashion D2-3
Gear & Gadgets D9-11	Travel..... D4-5
Heard on Street...B12	U.S. News..... A2-5
Markets..... B11	World News..... A6-10



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## Ukrainians Take Shelter as Moscow’s Onslaught Continues



VAGHESLAV RATNISKY/REUTERS

**REFUGEE:** A teacher conducts a class in a Kyiv Metro station Friday as Russia unleashed a wave of missile strikes. Moldova said a Russian missile entered its airspace en route to a target, adding to fears of the war spilling over Ukraine’s borders. **A6**

## Russia to Cut Oil Production To Strike Back at Sanctions

By GEORGI KANTCHEV AND PAUL HANNON

Russia said it plans to cut oil production by about 5% next month, making good on a threat by Russian President Vladimir Putin to retaliate against Western oil sanctions but also showing the limits of his leverage in global energy markets.

Prices jumped on the move, but pared back some of those gains later in the day. Analysts said the relatively small size of the cuts isn’t likely to lead

to sustained higher prices for consumers, especially considering the lackluster economic picture for big chunks of the oil-fueled global economy.

“The global demand picture is quite weak,” said Robin Brooks, chief economist at the Institute of International Finance, a financial industry association. “That’s a big challenge for Putin if his goal here is to instill fear in Western leaders with high oil prices.”

Some oil-market experts, meanwhile, saw the cuts as less saber-rattling and more

an acknowledgment by Moscow that recent Western-crafted restrictions on the sale of Russian crude are making it harder to peddle its oil. Western capitals came up with a recently enacted price cap for Russian crude aimed at curtailing Moscow’s revenue but not restricting exports so much that they would rock global markets.

Western officials said the cuts Friday weren’t big enough to threaten major disruptions.

Moscow and the West are

engaged in a broad economic battle in parallel with the real war in Ukraine. The U.S. and its allies have responded to last year’s invasion with a bevy of economic sanctions. Moscow, meanwhile, has fought back by depriving, or threatening to deprive, the West of its prodigious energy and commodities output.

Last year, Russia throttled back and then halted most exports of natural gas to Europe in response to sanctions. But Europe has largely navigated

*Please turn to page A6*

## Drop in Funding Spurs U-Turn for Biotechs

By JOSEPH WALKER

The joy ride for biotech is over.

For a decade, the companies flourished, flush with cash, and fueled by excitement over new technologies such as cell therapy, gene editing and messenger RNA.

But biotechs have laid off thousands of staffers in recent months, and several have shut down. Stock offerings have flagged, while the index of publicly traded biotech stocks has plunged.

“What you’re now seeing is a filtering of the haves and

have nots, between companies that have great assets and pipelines with the ability to raise capital and companies with bleaker prospects that struggle to raise capital and stay in business,” said Michael Yee, a Jefferies analyst.

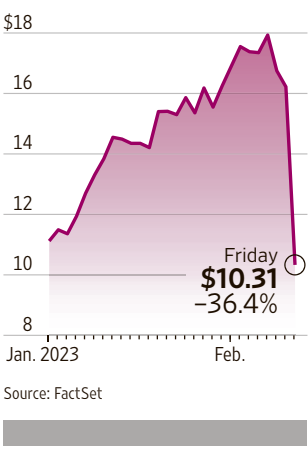
In recent weeks, Finch Therapeutics Group Inc. said it was halting development of its most advanced drug, making arrangements to sell its other assets and laying off 95% of its staff. In addition, privately held Goldfinch Bio Inc. shut down after failing to raise money. Vyant Bio Inc. said it was seek-

*Please turn to page A5*

## Lyft’s Stock Is Pummeled

Investors hit the road after surprise quarterly loss. **B3**

Lyft’s share price this year



## Markets Pull Back As Optimism Fades

By CHARLEY GRANT AND ANNA HIRTENSTEIN

U.S. stocks swung between small gains and losses Friday, capping a week in which this year’s investor optimism about the direction of the economy faced its first test.

The S&P 500 fell in early trading, then inched up before moving in a tight range for the rest of the day. It rose 8.96 points, or 0.2%, to 4090.46. But the index still turned in a 1.1% weekly decline, its worst weekly performance so far in 2023.

Markets seemed to be di-

## U.S. Jets Down Object Over Alaska

Origin of flying craft isn’t known but action follows similar move on Chinese balloon

WASHINGTON—The U.S. military downed a “high-altitude object” spotted in the sky over Alaska, the White House said Friday, the second time in less than a week that an Air Force jet fired on a craft that had intruded into U.S. airspace.

By Andrew Restuccia, Nancy A. Youssef and Doug Cameron

The object was flying at an altitude of 40,000 feet and posed a “reasonable threat to the safety of civilians,” John Kirby, the National Security Council coordinator for strategic communications, told reporters at the White House.

U.S. officials said the Biden administration didn’t yet know who owned the object.

Mr. Kirby said the object was about the size of a car, smaller than the suspected Chinese spy balloon that the U.S. downed on Feb. 4. The balloon was about 200 feet long and carried a payload roughly the size of a jetliner, Pentagon officials said. Pentagon spokesman Air Force Brig. Gen. Pat Ryder later said that the object was the size of a small car.

Separately on Friday, the U.S. Commerce Department added to its so-called entity list six Chinese companies it

*Please turn to page A4*

## Group Guards Holy Grail of Cactus World

\* \* \*

Crested Saguaro Society keeps a rare cactus under wraps

By ELIZA COLLINS

PIMA COUNTY, Ariz.—Millions of saguaro cactuses grow in the Sonoran Desert. Yet only an estimated one in 200,000 exhibits the spectacular crown of the crested saguaro.

Its rare beauty spawned the needle-in-a-haystack mission of Arizona’s secretive Crested Saguaro Society. With the zeal of birders, the society’s 10 members are out to find as

*Please turn to page A10*

## After Turkey’s Earthquake Comes the Reckoning

President Erdogan faces rising anger ahead of national elections

KAHRAMANMARAS, Turkey—After an earthquake killed thousands near Istanbul in 1999, a young Islamist who had served as the city’s mayor boosted his political career by taking tea with survivors in their tents and asking, where is the state?

By Drew Hinshaw, Thomas Grove and Joe Parkinson

Now as Turkey’s president, Recep Tayyip Erdogan is facing his own earthquake test. Five days after twin quakes left more than 20,000 people dead, Turkey’s grief is turning into anger—much of it directed against Mr. Erdogan’s government, which has spent years consolidating control over Turkey’s institutions, including the country’s disaster-relief organizations.

In Kahramanmaraş—near the epicenter of Monday’s largest tremor, registering magnitude 7.8—bank security guard Cumali Koyce said that for the first 48 hours he could hear voices coming from the seven-story apartment building where his daughter and her two infant children lived. He tried in vain to unearth them by hand. By Friday, there were four excavators clearing debris on his block alone, but by then there were nothing but bodies to be found.

Nearby, pounding her fists into the debris, a neighbor screamed in horror at the exhumation of her 4-year-old son and 6-year-old daughter: “God, please take my life too.”

“Everybody who is standing here is just

*Please turn to page A9*

◆ Turkey, Syria mourn as death toll rises..... A9

## EXCHANGE



### LOUIS VUITTON’S AMBITION

The world’s biggest luxury brand aims to be both exclusive and everywhere. **B1**



# U.S. NEWS

THE NUMBERS | By Josh Zumbrun

## Plan on Living Past Your Life Expectancy



Here are two numbers that people ought to know but often don't: how many more years they are likely to live and the probability of living much, much longer.

The good news is that many Americans live a lot longer than they expect. The bad news is that this often leads to financial regret as they realize, sometimes too late, they might have claimed Social Security too early, passed up the opportunity to buy annuities or long-term-care insurance, or simply undersaved for all those added years of retirement.

Demographers and actuaries make this distinction between life expectancy and longevity: Life expectancy refers to the average number of years someone will live from a given age, whereas longevity refers to how long he or she might live if everything goes well, typically expressed as the probability of living beyond a certain age such as 85, 90 or even 100.

A growing body of evidence shows that many people are ignorant of their so-called longevity risk—the probability of living a very

long time—and the complications that presents.

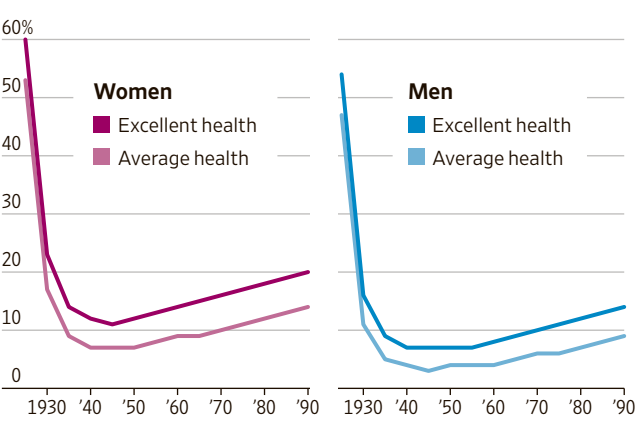
“A lot of people are thinking about life expectancy, but the extent to which people are asking questions about longevity is much lower,” said Abigail Hurwitz, a professor at the Hebrew University of Jerusalem who studies pensions and behavioral finance.

Or, as Olivia Mitchell, a University of Pennsylvania professor and co-author on a pair of recent papers, put it: “The chance you might live a very long time in retirement and run out of money is something we haven’t focused enough on at all.”

Financial advisers say both Social Security and personal savings are necessary for a comfortable retirement, and that many people outlive the latter. Among those ages 65-69, 18% receive over 90% of their income from Social Security. By age 80, that rises to 33%, according to a 2017 study.

Drs. Hurwitz and Mitchell note that retirement calculators provide information about average life expectancy but not longevity. They have found that about five times as many Census Bureau publications relate to life expectancy as longevity. Thus, peo-

Probability of someone alive today reaching 100 years of age



Note: Data for nonsmokers shown.  
Source: American Academy of Actuaries and Society of Actuaries, Actuaries Longevity Illustrator

ple who have planned appropriately for their life expectancy might miss how likely they are to live longer.

People can look up their longevity risk with an online Longevity Illustrator maintained by the American Academy of Actuaries and Society of Actuaries, based off the latest mortality data from the Social Security Administration.

They might be surprised, especially by the probability that one member of a couple could live a very long time, said James Poterba, a Massachusetts Institute of Tech-

nology economics professor who has long studied retirement-savings patterns.

Dr. Poterba provides the following example: “If Joe and Jane are 65, have just retired, don’t smoke, and are both in excellent health, there is a 46% chance that at least one of them will still be alive in 30 years.” (That is, one would be 95 years old.)

For sure, there is always uncertainty about death. The pandemic is a reminder of that. After decades of improvement, life expectancy dropped in 2020 and 2021, according to the Centers for Disease Control and Preven-

tion. Life expectancy at birth for men has dropped to about 73 years in 2021 from 75 before the pandemic, and for women, to about 79 from 81.

Yet this isn’t the most relevant figure to track. In fact, it is a somewhat odd calculation, derived by calculating how long a hypothetical infant would live if the age-specific death rates in the year 2021 prevailed throughout that infant’s life.

What matters for most people is the life expectancy and longevity risk of their specific age group going forward. (If you’re 65, the death rates of people ages 0 to 64 are no longer part of your calculation.) Of course, pandemics, other health risks and medical advances might alter these calculations, but consider where things stand now.

According to the latest data from the Social Security Administration, the oldest members of Generation X, born in 1965, will reach their full Social Security retirement age of 67 in 2032. From that point forward, healthy, nonsmoking males would have a 47% chance of living to age 90, while females would have a 57% chance, the actuaries project. (Social Security funding is

a separate question.)

The mismatch between what ordinary people and actuaries expect emerges from the University of Michigan’s Health and Retirement Study, which has followed a representative sample of about 20,000 people since 1992. It asks respondents, “What is the percent chance that you will live to be 75 or more?” and then followed them over time to find out.

Todd Elder of Michigan State University studied the outcomes of participants in that study, and found that people systematically understated their chances of living to 75 by 10 percentage points or more.

Many people find planning for death difficult. As a result, they avoid the topic entirely.

Yet if they did take the time to objectively assess their prospects, they could well find death is much further away than they thought. This could be a source of an entirely different type of stress. But done soon enough, it doesn’t have to be. Drs. Hurwitz and Mitchell have shown that when people are objectively informed of this longevity risk, they start to plan accordingly.

## U.S. WATCH

### CONSUMER SAFETY

#### Warning Issued After Baby Dies in Stroller

Stroller maker Baby Trend is warning buyers that two of its stroller models have entrapment hazards after a baby died from asphyxiation. The 14-month-old’s neck got caught between the canopy and the stroller’s arm rest, Baby Trend said in a joint statement Thursday with the U.S. Consumer Product Safety Commission.

The safety notice is for Sit N’ Stand Double Stroller Model SS76 and Sit N’ Stand Ultra Stroller Model SS66 strollers. The products have been sold in the U.S. since 2009.

The strollers “are completely safe when used as intended and in accordance with the company’s operating instructions,” Baby Trend said.

Baby Trend and the CPSC said consumers should remove and store the canopy when not in use out of an abundance of caution. Children shouldn’t be allowed to play on the strollers and should be fully secured when they are in the strollers, they added.

A 17-month-old baby was in-



STOPOVER: Migratory snow geese take off from the Middle Creek Wildlife Management Area, near Kleinfeltersville, Pa. The area usually sees at least 100,000 snow geese a year.

jured after not being fully secured in a stroller, Baby Trend and the CPSC said. This baby’s neck was also caught between the canopy and the stroller’s arm rest, resulting in neck bruises, they said.

They didn’t disclose when the two accidents occurred.

—Joseph De Avila

### OHIO

#### Train Was on Fire Before Derailment

A Norfolk Southern Corp. train appears to have been on fire miles before it derailed in eastern Ohio, putting scrutiny on the safety detectors along

tracks that are supposed to alert crews to such hazards.

A manufacturer in Salem, Ohio, posted a clip Friday on its Facebook page of video from a surveillance camera, which showed a fire under one of the cars being pulled by the Norfolk locomotive as it passed its facility. The video surveillance foot-

age was earlier reported by the Pittsburgh Post-Gazette.

Norfolk Southern and rail-safety officials declined to comment on the video, citing the ongoing investigation.

Salem is around 20 miles away from East Palestine, where the train containing hazardous chemicals derailed Feb. 3 and resulted in authorities calling for residents to temporarily leave the area.

—Esther Fung

### WASHINGTON, D.C.

#### Sen. Fetterman Leaves Hospital

Sen. John Fetterman (D., Pa.) was discharged from the hospital on Friday and plans to return to work in the Senate on Monday, his spokesman said.

Mr. Fetterman had been taken to the George Washington University Hospital on Wednesday after feeling lightheaded. He had suffered a stroke last year during his Senate campaign and had a pacemaker with a defibrillator implanted. Various tests this week ruled out a new stroke, and his EEG test results came back normal, with no evidence of seizures, the spokesman said.

—Siobhan Hughes

## Investor Optimism Wanes

Continued from Page One grows, said Bill Merz, head of capital markets research at U.S. Bank Wealth Management. “We see reason for some degree of caution.”

Some investors said this week that the Feb. 3 jobs report raised the possibility that tightening could last longer than they had hoped. The U.S. added 517,000 jobs last month, far more than analysts were expecting, and the unemployment rate of 3.4% was the lowest since 1969.

A strong jobs report is usually good news, but in the topsy-turvy world of Wall Street, it can be bad news for stocks. A robust labor market could encourage the Fed to keep rates higher for longer to curb the economy.

Fed Chair Jerome Powell said Tuesday that the process of lowering inflation to the central bank’s goal of 2% “is likely to take quite a bit of time.” Markets rallied on Tuesday after his speech but have since declined.

The Dow Jones Industrial Average rose 169.39 points, or 0.5%, to 33869.27. The Nasdaq Composite fell 71.46 points, or 0.6%, to 11718.12. All three indexes finished the week lower, the first time that has happened since December. The Nasdaq snapped a five-week

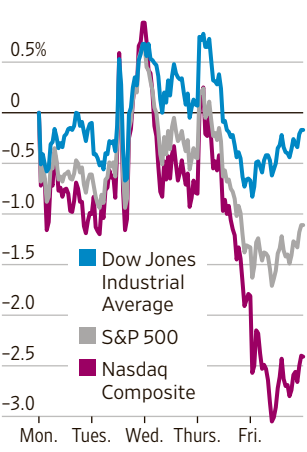
winning streak with its 2.4% weekly decline.

Stocks had enjoyed a strong start to the year. All three indexes finished January higher, including an 11% rise in the Nasdaq, in large part because investors had expected the Fed to end its campaign to raise interest rates and, eventually, lower them. This week’s moves signal investor doubts that the Fed can reduce inflation without slowing down the economy.

Derivatives markets reflected a shift in expectations. Investors who had wagered on the Fed cutting rates this year scaled back those bets.

“Sentiment has soured a bit,” said Sebastian Mackay, a multiasset fund manager at Invesco. “The market was confident that we would be looking at interest-rate cuts later this year, but the strong jobs data has thrown a spanner in the works.”

Index performance this past week, 15-minute intervals



Source: FactSet

Investors will soon receive more information about the health of the consumer and the direction of interest rates. Consumer-price data for January is expected next week, while

Coca-Cola Co., Marriott International and Kraft Heinz are among the companies scheduled to report quarterly results.

“The market is nervous about confirmation from the CPI report that more work needs to be done before the Fed can ease off the gas pedal,” said Keith Buchanan, portfolio manager at Globalt Investments.

So far this earnings season, 58 companies have issued a negative profit outlook for the first quarter, according to FactSet. Just 13 have issued a forecast that topped analyst expectations. About 70% of S&P 500 companies have reported results.

The yield on the benchmark 10-year Treasury note rose to 3.743% from 3.682% the previous day.

Oil prices rose after Russia said it plans to cut output by 500,000 barrels a day, starting

## CORRECTIONS & AMPLIFICATIONS

**The last name** of Sheriff Chad Bianco of the Riverside County Sheriff’s Office was misspelled as Bianco in a U.S. News article on Thursday about flower tourists in Lake Elsinore, Calif.

**Warner Bros. Discovery** Inc. is planning to keep Discovery+ as a stand-alone streaming service, while also including much of Discovery+ content in a coming app that would also feature HBO Max

content. Headlines in Thursday’s Business & Finance section incorrectly said a combination of the services had been called off.

**The Handy & Harman** base gold price on Thursday was \$1,879.10 per troy ounce, and the Handy & Harman fabricated gold price was \$2,085.80 per troy ounce. The Cash Prices table in Friday’s Business & Finance section incorrectly reversed

these values.

**A 1998 video installation** by the artist Sarah Sze is called “Untitled (Media Lab, Casino Luxembourg),” and another of her installations, “Timekeeper,” was completed in 2016. An article about Sze in the Spring 2023 Women’s Fashion issue of WSJ. Magazine incorrectly gave the 1998 work’s title as “Media Lab,” and it incorrectly said “Timekeeper” was completed in 2015.

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.

**THE WALL STREET JOURNAL**  
(USPS 664-880) (Eastern Edition ISSN 0099-9660)  
(Central Edition ISSN 1092-0935) (Western Edition ISSN 0193-2241)  
**Editorial and publication headquarters:**  
1211 Avenue of the Americas, New York, N.Y. 10036  
Published daily except Sundays and general legal holidays.  
Periodicals postage paid at New York, N.Y., and other mailing offices.  
**Postmaster:** Send address changes to The Wall Street Journal, 200 Burnett Rd., Chicopee, MA 01020.  
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U.S. NEWS

# Florida Senate Approves Disney District Overhaul

By **ARIAN CAMPO-FLORES**  
AND **ROBBIE WHELAN**

The Florida Senate approved a bill that would dramatically alter the governance of a special-tax district near Orlando that has allowed **Walt Disney Co.** to self-govern the land that houses its theme parks, sending the measure to Republican Gov. Ron DeSantis, who is expected to sign it.

The bill would rename the Reedy Creek Improvement District—which houses Walt Disney World Resort and other parks and has existed for more than 50 years—the Central Florida Tourism Oversight District. The measure would give Mr. DeSantis the authority to appoint members to its governing body, the five-member board of supervisors, which under current law is essentially handpicked by Disney.

Disney would remain liable under the bill for nearly \$1 billion in municipal debt issued by the district to pay for

roads, sewers and other infrastructure. The new district also would retain the ability to levy taxes and issue bonds.

The bill would end Disney's exemption from state regulatory reviews and approvals that other companies must go through.

"We are focused on the future and are ready to work within this new framework," said Jeff Vahle, president of Walt Disney World Resort.

The Senate passed the measure 26-9 on Friday, after the House passed it 82-31 Thursday.

The move is the culmination of GOP efforts to rein in Disney's special privileges after Mr. DeSantis clashed publicly with the company over its opposition to Florida's Parental Rights in Education law, known by opponents as "Don't Say Gay." That measure, which was approved last year, prohibits classroom instruction on gender and sexuality for elementary-school students through third grade.

## 18th-Century School for Black Children Is Moved to Colonial Museum



**HISTORY:** A building in Virginia believed to be the oldest surviving schoolhouse for Black children in the U.S. was moved a half-mile Friday into Colonial Williamsburg. The Bray School, established in 1760 at another site by an Anglican charity at the recommendation of Benjamin Franklin, taught both free and enslaved Black children until 1774. The charity also set up schools in other cities.

# Inmates in Solitary Wage Hunger Strike

By **ELIZABETH FINDELL**

For 17 years, Guadalupe Constante has been alone in a 5-foot-by-9-foot cell, spending hours at a time pacing the small space, he said.

The 44-year-old, who is midway through a 35-year sentence for aggravated robbery, is one of the Texas state prisoners held in solitary confinement because of membership in prison gangs. Last month, he and dozens of others stopped eating.

The hunger strike has moved among prison units, seeking to draw attention to solitary confinement practices that inmates and their advocates say are cruel and inhumane. "No contact other than with the guards putting on handcuffs," Mr. Constante wrote this month. "I think people are finally waking up to try to get change."

A month after more than 106 Texas state prisoners began refusing food, 12 were actively hunger striking Wednesday, meaning they had stopped eating for at least three days, according to the prison system. The strikes come as a new lawsuit is targeting Texas solitary confinement of prisoners on death row.

Nearly 600 inmates in Texas have spent more than a decade in solitary confinement—making the state an extreme outlier among the 35 states in the analysis—according to a study by Yale Law

### Sentencing Panel Sets New Proposals

The U.S. Sentencing Commission, back in action after more than three years without enough voting members, is advancing a broad set of proposals to make federal criminal sentencing more consistent.

The commission sets guidelines and practices for the federal courts, instructing judges on the specifics of how to apply broadly worded laws written by Congress.

One of the commission's proposed amendments seeks

to clarify when judges can use the First Step Act's so-called safety valve that allows them to hand down punishments below mandatory-minimum sentences in some drug cases for defendants who have limited criminal histories.

The commission also is providing guidance on when courts can use a mechanism in the law to grant prisoners compassionate release from incarceration. The commission also aims to prohibit judges from imposing tougher criminal sentences after conviction by considering conduct of which the defendant was acquitted.

—*Mariah Timms*

Inmates said the program to renounce gang membership requires inmates to provide information on other members, putting themselves and their families in danger.

The hunger strikers are calling for the department to make solitary-confinement policies based on inmate behavior, rather than gang affiliation, said Brittany Robertson, a prison-reform advocate.


No one has maintained the strike longer than 20 days, according to the prison system. At least four men required medical intervention, a spokeswoman said last week. One of them was Edwin Schneider, 61, who is serving a life sentence for aggravated robbery and has spent over a decade in solitary confinement.

Mr. Schneider said in a message that he felt close to death after 12 days. On day 14, Mr. Schneider said he gave in, accepted a medical IV and began to eat again.


The hunger strike unfolded as prisoners on death row began their own challenge to Texas confinement practices. A federal lawsuit filed Jan. 26 argues that the Texas blanket policy of keeping men on death row in solitary confinement is unconstitutional.

The lawsuit, filed initially on behalf of four inmates, is designed to become a class-action suit on behalf of all 185 men currently sentenced to death in Texas, attorneys said.

HEART BERRY CHARM



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### Bubble 2. Curved 3-4 seat sofa.



**\$8,490\*** instead of \$10,110 until 04/30/23

**Bubble 2.** For a sofa as shown, 97.6" L x 31.5" H x 52" D. Price includes one curved 3-4 seat sofa, upholstered in Orsetto Flex fabric. Fully tufted, and excludes optional toss cushions. Other dimensions available. Optional throw cushions. Astréa armchair, designed by Sacha Lakic. Troiset cocktail table, and tables and occasional table, designed by Julie Figueras Zaffro. Up floor lamp and table lamps, designed by Marcel Wanders. **Made in Europe.** Mer rug, designed by Antoine Fritsch & Vivien Dunsotti.

In-store interior design & 3D modelling services.<sup>(1)</sup> Quick Ship program available.<sup>(2)</sup>

**rochebobo**  
PARIS



U.S. NEWS

U.S. Blacklists Six Chinese Companies

By IAN TALLEY  
AND VIVIAN SALAMA

WASHINGTON—The U.S. blacklisted six Chinese companies that it said were involved in Beijing’s surveillance-balloon program, in a move on Friday taken in retaliation for the suspected spy balloon that traversed the U.S.

The addition of the government-owned defense firms and contractors to the Commerce Department’s roster of black-listed firms follows pledges by Biden administration officials to further restrict Western technology China could use to advance its military and economic might.

The companies blacklisted were: Beijing Nanjiang Aerospace Technology Co. Ltd.; China Electronics Technology Group Corporation 48th Research Institute; Dongguan Lingkong Remote Sensing Technology Co. Ltd.; Eagles Men Aviation Science and Technology Group Co. Ltd.; Guangzhou Tian-Hai-Xiang

Aviation Technology Co. Ltd.; and Shanxi Eagles Men Aviation Science and Technology Group Co. Ltd.

The Commerce Department’s Bureau of Industry and Security said the Chinese entities were being added for their support for the People’s Liberation Army’s aerospace programs, including airships and balloons and related materials and components. “The PLA is utilizing High Altitude Balloons (HAB) for intelligence and reconnaissance activities,” it said.

Deputy Commerce Secretary Don Graves said that his department “will not hesitate to use the entity list and our other regulatory and enforcement tools to protect U.S. national security and sovereignty.”

U.S. companies are barred from supplying those on the entities list, although special exemptions are sometimes granted. Five of the companies didn’t respond to requests to comment and the sixth, Dongguan Lingkong Remote Sensing

Technology, couldn’t be reached to comment. The Chinese Embassy didn’t respond to a request to comment.

A U.S. jet fighter shot down the Chinese balloon off the Atlantic Coast on Feb. 4, and afterward officials said it carried antennas and sensors for collecting intelligence and communications. The discovery of the balloon days earlier led Secretary of State Antony Blinken to cancel a planned trip to Beijing.

On Friday afternoon, U.S. officials said a military jet fighter shot down an object spotted at high altitude in Alaskan airspace. The object was “roughly the size of a car,” a White House official said.

China has said the balloon shot down last week was used for “research, mainly meteorological, purposes” and had blown off course, and that the U.S. has overreacted.

The new companies added to the list would join more than 600 Chinese government-linked entities and companies

targeted by the U.S. with a range of sanctions, part of a much broader review by Washington of trade and financial ties with China over growing national security fears.

The Biden administration last year slapped export controls on advanced chip-manufacturing equipment to China, and the Trump administration cut off China’s Huawei Technologies Co. from many of its U.S. suppliers. Many national security analysts have been sounding the alarm about China’s surveillance practices in recent years, but the balloon offered the American public a visible picture of the Chinese threat.

“It certainly adds fuel to the fire, bolstering the case of the China hawks,” said Martijn Rasser, a former senior Central Intelligence Agency officer now at the Center for a New American Security, a Washington-based think tank.

White House press secretary Karine Jean-Pierre told reporters Thursday that in addition to taking action against

Chinese entities involved in the balloon program, the U.S. would look at broader efforts to address Chinese “surveillance activities that pose a threat to our national security and to our allies and partners as well.”

The newly formed House Select Committee on the Strategic Competition Between the U.S. and the Chinese Communist Party is also likely to press for tougher U.S. measures to slow China’s advance, said Emily Benson, a senior fellow at the Center for Strategic and International Studies.

“This is a really concrete example of an issue that Washington has so far not succeeded in penetrating the American public’s mind,” Ms. Benson said. “This could be kind of a pivotal moment for the American psyche to really start to realize that China is important and that this is a policy area they should be tuning in to.”

—Liyan Qi  
contributed to this article.

Legislator Denounces Global Corporate Tax Deal

By RICHARD RUBIN

WASHINGTON—The House’s top tax legislator criticized an international agreement to raise minimum taxes on corporations, saying Republicans in Congress wouldn’t accept the deal reached by the Biden administration and more than 130 countries.

Rep. Jason Smith (R., Mo.), who became chairman of the House Ways and Means Committee last month, said the agreement would help China gain a competitive advantage and hurt the U.S.

“The technocrats negotiating this backroom deal in Paris have sought to attack the United States, and delegates from the Biden administration have not stopped them,” Mr. Smith wrote in a letter Friday to Mathias Cormann, secretary-general of the Organization for Economic Cooperation and Development, which has coordinated years of negotiations.

Countries around the world are preparing to implement the 15% minimum taxes on corporations, but the U.S. hasn’t acted to do so. That follows an October 2021 agreement negotiated by Treasury Secretary Janet Yellen, aimed at providing a coordinated floor under corporate tax rates and preventing companies from taking advantage of low-tax jurisdictions.

Even if the U.S. Congress doesn’t act, tax increases by other nations will likely have significant impacts on U.S.-based companies over the next few years.

Under the agreement, countries are imposing minimum taxes on their home companies, requiring them to pay at least 15% in every nation where they operate. They are also implementing two backstops that would let them tax companies based in other countries, such as the U.S., that aren’t hitting those minimums.

Using those backstop taxes, other countries could collect more taxes from U.S. companies, deprive the U.S. of potential revenue and limit the effectiveness of U.S. tax breaks such as the research and development tax credit.

A spokesperson for the OECD said Mr. Smith’s letter had been delivered.

Rep. Lloyd Doggett (D., Texas), who has introduced a bill to implement the OECD deal, said the agreement would level the playing field for smaller businesses.

—Paul Hannon  
contributed to this article.

Jets Down Object Over Alaska

Continued from Page One

said were involved in Beijing’s high-altitude balloon program. U.S. companies are barred from supplying those on the entity list.

The move was another step by the Biden administration to restrict exports of Western technology that China could use to advance its military capabilities. The Biden administration last year slapped export controls on manufacturing equipment China could use to develop advanced semiconductors needed for cutting-edge military systems.

As for the Friday incident, the military downed the object in U.S. territorial waters at the recommendation of President Biden, Mr. Kirby said. Mr. Biden was briefed on the matter Thursday night and gave the order to shoot down the object on Friday morning. The president called the operation a success.

U.S. officials said the object didn’t appear to have a sophisticated capacity to maneuver, and appeared to be unmanned. The U.S. sent up F-35s to survey the object, the Pentagon said. The object was first spotted north of Anchorage, and it traveled northeast, defense officials said.

The debris landed on ice in northeastern Alaska. That location could “make it easier for us to try to recover some of the debris,” Mr. Kirby said.

The U.S. first learned about



John Kirby, National Security Council spokesman, addressed a news conference on Friday.

the object Thursday night, officials said. The U.S. hadn’t attempted to reach out to China, Mr. Kirby said, as they did last week when a suspected Chinese spy balloon was spotted traveling across the U.S. The Chinese Embassy in Washington didn’t respond to a request to comment.

In the U.S., the Federal Aviation Administration monitors and controls airspace up to 60,000 feet for commercial and military traffic. Broad international agreement exists that the airspace under 60,000 feet is the dominion of the nation that controls the ground below it.

The FAA said Friday it had closed some airspace in northern Alaska to support Department of Defense activities.

Commercial jetliners cruise between 35,000 and 40,000 feet. Alaskan airspace is relatively uncrowded, but it has become busier since the closure of air routes through Russia

Tracking site Flightradar24 showed an Air Force HC-130J aircraft flying offshore around an area northeast of Prudhoe Bay.



Source: Flightradar24

following sanctions imposed last year, especially for planes traveling between Western Europe and northeast Asia.

The Pentagon said Air Force aircraft were over the recov-

ery site. Tracking site Flightradar24 showed an Air Force HC-130J aircraft flying offshore around an area northeast of Prudhoe Bay.

The Pentagon declined to further describe the object’s appearance. Fighter aircraft had conducted two flights—one on Thursday and another earlier Friday—to assess the object. The object was downed at 1:45 p.m. ET on Friday, Gen. Ryder said. It entered U.S. airspace on Thursday, he said.

As with Saturday’s downing of the Chinese balloon, an F-22 brought the object down on Friday, U.S. officials said, using the same kind of missile, an AIM-9X Sidewinder.

The discovery late last month of the Chinese balloon, which traveled across the continental U.S. for several days, set off renewed tensions between Washington and Beijing, and prompted criticism of Mr. Biden from Republican lawmakers. Some in the GOP have

said the Biden administration should have shot down the balloon earlier, when it flew over the Aleutian Islands or other parts of Alaska.

China has said the balloon was used for “research, mainly meteorological, purposes” and had blown off course, and that the U.S. overreacted.

On Thursday, officials from the Pentagon, State Department and Federal Bureau of Investigation released new information they intended to bolster the U.S.’s assertion that the Chinese balloon was used for surveillance.

Images captured by high-altitude U-2 surveillance planes showed that the balloon was equipped with multiple antennas, including an array likely capable of pinpointing the location of communications, a senior State Department official said. Those U-2 and other reconnaissance flights also found that the balloon carried large solar panels capable of powering an array of intelligence collection sensors. The manufacturer of the balloon has a direct relationship with the Chinese military, the State Department official said.

Biden administration officials have identified at least four previous flights by Chinese surveillance balloons above the continental U.S. that went undetected until after leaving American airspace. Three of those flights occurred in the Trump administration and one took place early in the Biden administration.

The military command in charge of U.S. air defenses failed to detect the previous suspected Chinese surveillance balloons and learned about them later from intelligence agencies.

—Ian Talley  
contributed to this article.

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Borrowing Costs Rise, Fueling Partisan Clash

By ANDREW DUEHREN

WASHINGTON—An era of ultracheap debt is over in Washington as higher borrowing costs widen the U.S. deficit and fuel a partisan clash over raising the debt ceiling and how much borrowing could be too much.

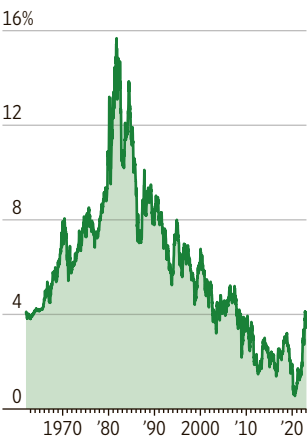
The Treasury’s spending on interest on the debt is up 41% to \$198 billion in the first four months of this fiscal year compared with \$140 billion in the same period last year, according to a Congressional Budget Office estimate of spending through January.

Paying more for interest on the debt has been among the government’s largest spending increases so far this year, the CBO said. The cost is rising as a result of the Federal Reserve’s broader efforts to fight inflation and cool the economy by rapidly lifting its benchmark interest rate, which was near zero for almost two years during the Covid-19 pandemic.

Republicans and some economists wary of rising debt levels say the increase in borrowing costs is evidence of the need to cut government spending and shrink deficits. House Speaker Kevin McCarthy (R., Calif.) said this past week spending on the interest was neither affordable nor sustainable.

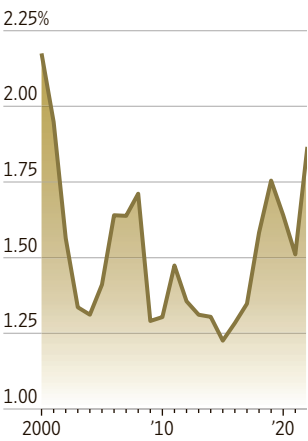
Democrats and other economists view the government’s borrowing costs as manageable relative to the size of the economy and maintain that making

U.S. 10-year Treasury yield, weekly



Sources: Board of Governors of the Federal Reserve System (10-year treasury yield) and Office of Management and Budget (interest costs) via Federal Reserve Bank of St. Louis

Interest costs as a percentage of GDP



spending cuts is unnecessary. They largely support raising taxes as a way to reduce the deficit, an approach that most Republicans reject.

Treasury Secretary Janet Yellen told reporters: “It is true that interest rates have gone up, and slowly that raises the cost to the country and to the federal budget of interest on the debt, so in that sense it’s a drag. But our budget projections have long assumed that interest rates would move back toward more normal levels.”

The debate over borrowing costs comes during an impasse over raising the nation’s roughly \$31.4 trillion debt limit. Republicans, newly in control of the House, are demanding that

Congress approve an increase in the debt limit only if it is accompanied by unspecified spending cuts. Mr. McCarthy has said Congress should move toward a balance of spending and revenue over time.

Devising a plan to balance the budget will be a challenge for the GOP, especially when many lawmakers have said they are unwilling to make cuts to the military, Social Security and Medicare.

Democrats have called for raising the debt limit without a reduction of spending. Ms. Yellen has said the Treasury could become unable to pay all of the nation’s bills on time as early as June if Congress doesn’t raise the debt limit.

Economists broadly agree that spending on the debt can pose problems if it starts to eat up a broad portion of the national budget. High spending on the debt can also begin to crowd out private investment, which can weigh on economic growth. Economists differ on at what point spending on the interest on the debt becomes an urgent problem.

In projections last year, the CBO said that spending on net interest on the debt as a percentage of U.S. gross domestic product would roughly double from 1.6% in 2022 to 3.3% in 2032. Those estimates, which the nonpartisan agency will update in the coming week, assumed that the Fed would raise the federal-funds rate to 1.9% by the end of 2022 and reach 2.6% by the end of 2023.

But the Fed has raised its benchmark rate much faster than the CBO had expected, pushing the key rate to between 4.5% and 4.75% at its most recent meeting. The Fed’s actions have in turn pushed up yields on Treasuries. Those increases in yield gradually filter into U.S. interest costs as debts roll over.

A central question in determining the extent of the government’s debt problem is whether the current bout of inflation is temporary or a sign of longer-term price pressures in the economy. The answer to that question in turn determines the future path of interest rates and the cost of borrowing.



U.S. NEWS

Trump Eyes YouTube For Campaign Push

By ALEX LEARY

WASHINGTON—Donald Trump's social-media reach expanded this week with the restoration of his Facebook and Instagram accounts, and he is now seeking a return to YouTube, people familiar with the move say, as he looks to boost his 2024 presidential campaign.

The social-media strategy for Mr. Trump's third consecutive White House bid is still developing as he faces decisions on how to use various platforms and compete with his own Twitter-like Truth Social network. The former president, who was banned from various platforms after the Jan. 6, 2021, attack on the Capitol, also must contend with new guidelines on what he can say and the risk of new suspensions.

Mr. Trump's campaign is trying to assess the restrictions put in place by Facebook parent Meta Platforms Inc. as he prepares to resume activity on Facebook and Instagram. Mr. Trump frequently uses Truth Social to reiterate his false contention that the 2020 election was stolen from him.

The campaign had petitioned Meta to regain access and is in the process of doing the same with YouTube, owned by Alphabet Inc., according to the people familiar with the move. Mr. Trump has more than 2.6 million subscribers for his YouTube channel, which could be useful for disseminating the policy-themed videos he has released in recent months.

Mr. Trump's campaign is seeking to gain momentum amid polls indicating strong competition for the GOP nomination from Florida Gov. Ron DeSantis, who is expected to enter the race later this year, as well as from other candidates looking to jump in.

"If content is king, distribution is the queen that wears the pants," said former Trump campaign manager Brad

Parscale, who led the prior Facebook strategy. "Without distribution, your message can't get to the masses."

The Trump campaign views Facebook as a potential boon for fundraising and he will now be able to use it to ask directly for money, which can be more effective than other solicitations, experts say. Mr. Trump currently has 34 million Facebook followers and more than 23 million on Instagram.

Nothing compares with Mr. Trump's reach on Twitter, with more than 87 million followers. While Twitter owner Elon Musk has welcomed Mr. Trump back, the former president has yet to start posting again, instead touting Truth Social, where he has nearly five million followers. He launched the service after being kicked off mainstream platforms. Still, several people close to Mr. Trump expect him to eventually return to Twitter, unable to resist the vast audience.

Mr. Trump's provocative tweets energized his followers, roiled his critics and drove news cycles. He was reminded of its power recently after an aide, Margo Martin, captured video of him visiting a burger-and-chicken restaurant near Columbia, S.C., in late January and a worker taking his hand in prayer. It has been viewed 4.1 million times and generated news coverage.

The overall Trump social-media strategy is being led by Dan Scavino, a onetime golf caddie to Mr. Trump who became one of his most trusted advisers.

Part of the strategy includes courting conservative social-media influencers. Last month, he dined at his Mar-a-Lago estate in Florida with Chaya Raichik, who runs the Libs of TikTok account. "Bumped into this guy and he invited me for dinner. He seems nice!" she tweeted.

Mr. Trump isn't trying to join TikTok, aides say, given the politics surrounding the platform.



A police car secures the entrance to the neighborhood of former Vice President Mike Pence's Indiana home on Friday.

FBI Finds One Classified File In Search of Pence's Home

By SADIE GURMAN AND ALEX LEARY

The FBI removed several documents, including one with classified markings, during a Friday search of former Vice President Mike Pence's Indiana home, according to a spokesman for Mr. Pence.

The search lasted five hours and came after his lawyers discovered classified material at his home last month and turned it over to authorities. In addition to the classified document, the FBI took six additional pages for further review, Pence spokesman Devin O'Malley said.

"The vice president has directed his legal team to continue its cooperation with appropriate authorities and to be fully transparent through the conclusion of this matter," Mr. O'Malley said.

The search of Mr. Pence's home came as current and former senior government officials have drawn increased law-en-

forcement scrutiny over their handling of sensitive documents. The Wall Street Journal reported earlier that the Justice Department was in talks with Mr. Pence's legal team about scheduling the search with the team's consent.

One of Mr. Pence's lawyers was present for the search, people familiar with the situation said.

The FBI referred questions to the Justice Department, where a spokesman didn't respond to requests to comment.

In January, following similar revelations from President Biden's legal team, Mr. Pence's lawyers disclosed they had discovered several documents with classification markings at his home and turned them over to authorities. They said the documents had been inadvertently packed up and transported and that Mr. Pence was unaware of their existence.

The disclosures regarding Messrs. Biden and Pence came

as the Justice Department has been investigating former President Donald Trump over the handling of classified material after he left the White House at his Mar-a-Lago resort.

Mr. Trump's legal team in January found a folder with a classified marking at Mar-a-Lago and turned it over to authorities, along with an aide's laptop, according to people familiar with the matter. ABC News earlier Friday reported the discovery of the folder. A Trump spokesman called the overall probe a "politically motivated witch hunt against President Trump, concocted to try and prevent the American people from returning him to the White House."

A special counsel, Jack Smith, has been overseeing that probe as well as one into the efforts of Mr. Trump and his allies to overturn his 2020 presidential election loss.

FBI agents collected documents from Mr. Pence's Indiana

home on Jan. 19 at the request of the Justice Department, according to a letter from Mr. Pence's lawyer, Greg Jacob, sent to the National Archives. Mr. Pence agreed to the transfer, the letter said.

Mr. Pence's lawyers have said the former vice president took the documents inadvertently and they have been fully cooperating with the Justice Department. Mr. Biden's aides have made similar statements regarding documents found at the president's premises.

Authorities appear to be moving aggressively in response to each new document disclosure. In his letter to the Archives, Mr. Jacob suggested law enforcement treated Mr. Pence's case differently than those involving Messrs. Biden and Trump, saying he thinks the DOJ had "bypassed the standard procedures" in requesting to directly take the documents rather than have them first sent to the National Archives.

Biotechs Reverse Course

Continued from Page One

ing strategic alternatives. Finch and Vyant declined to comment. A Goldfinch spokesman declined to comment on the company's shutdown, though he said the company has licensed its experimental drugs.

Cyteir Therapeutics Inc. said last month it would lay off 70% of its workforce and stop development of all drugs except for its lead product for the treatment of ovarian cancer because the company didn't believe it could raise more funding later this year.

"The concern was that the market may not be favorable and we would likely not have sufficient data to raise cash," said Cyteir Chief Executive Markus Renschler. The cost-cutting, he said, will allow the company to survive into 2026.

Pharmaceutical and other life-sciences companies laid off 7,387 people in 2022, according to the most recent data from global outplacement firm Challenger, Gray & Christmas Inc. In January, the sector had 1,449 layoffs, up from 174 a year earlier, according to Challenger.

This year, 19 drug developers have announced plans to lay off staff, according to FierceBiotech, a trade publication.

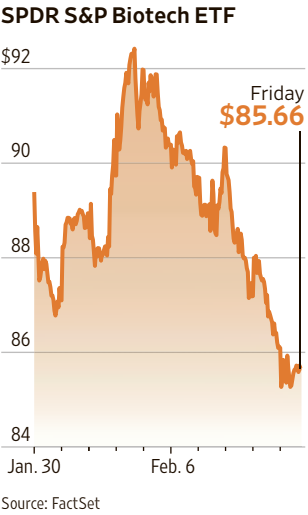
The tough going isn't universal. Investors have bid up shares of certain biotech companies, excited by promising drugs for obesity, psoriasis and liver disease. A new Alzheimer's drug from Eisai Co. and Biogen Inc. has raised hopes that the industry has finally started to crack the brain disease.

Several biotechs have accumulated large cash piles that they can use to make acquisitions, and some pharmaceutical companies said they are looking to make deals.

That there have been so many layoffs and company closures, however, marks a U-turn for biotech. The industry had been able to raise money to fund the next legs of their research with little or no data, sometimes even after suffering failures during drug testing.



This year, 19 drug developers have announced plans to lay off staff.



The industry's star began to fade last year, as investors sought safer ways to make money amid rising interest rates. Some exciting technologies, such as those that replace faulty genes, have proven more difficult to develop into profitable products than initially expected.

Biotech has also suffered from uncertainty created by political tensions between the U.S. and China, where the industry has outsourced manufacturing and drug development, and a new federal law that allows Medicare to negotiate prices of certain drugs, industry executives say.

"Nobody knows whether Medicare negotiation is going to mean a 33% discount, or if they're going to go for the jugular and an 80% discount," said Alexis Borisy, chairman and founder of a biotech incubator and investment firm Curie Bio.

The SPDR S&P Biotech ETF, an equal-weighted index of biotech stocks, has fallen 48% from its peak two years ago.

Biotechs raised \$1.57 billion through IPOs last year, down more than 90% from \$16.5 billion in 2021, according to data compiled by Biogen Chairman and former Cowen & Co. Vice Chairman Stelios Papadopoulos.

In the past, biotechs could count on raising money through venture capital and institutional investors and then going public. "In this market, that path to capital is not readily available, if at all," said Jorge Conde, a general partner at venture-capital firm Andreessen Horowitz.

Now venture capitalists are more cautious about making new investments in mid- or later-stage privately held biotechs, Mr. Conde said.

Finch Therapeutics said it was laying off most of its workforce because of a poor outlook for securing additional capital to fund its lead drug program, among other factors.

Before closing its doors, Goldfinch was in talks to raise additional capital, but the financing fell apart after study data for its lead kidney disease drug proved disappointing to its investors, Goldfinch executives told the Boston Business Journal in January.

Vyant said that it was reducing its workforce to preserve cash as the company seeks deals to maximize the value of its assets, and its stock price didn't reflect the fundamental value of its business.

Magenta Therapeutics Inc., which raised \$100 million in a 2018 IPO, said earlier this month that it would halt development of its drug pipeline and consider options including a sale. The shutdown came after a patient died in a study of the company's leukemia drug.

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WORLD NEWS

Moldova Says Russian Missile Flew Over

The reported incursion heightens fears that war could spill over Ukraine's borders

By Isabel Coles

SLOVYANSK, Ukraine—Moldova said a Russian missile entered its airspace en route to a target in Ukraine during the latest wave of Russian attacks, adding to the risk of the war spilling over as the Kremlin laid out its plans to mark the first anniversary of the invasion.

The commander-in-chief of Ukraine's armed forces, Gen. Valeriy Zaluzhny, said two missiles were launched from the Black Sea on Friday and strayed across the border with Moldova and over Romania—a North Atlantic Treaty Organization member—before re-entering Ukrainian airspace. Both Moldova and Romania said one missile was detected, and that it passed over only Moldova, which condemned it as a violation of its airspace.

Romania's Defense Ministry said it was most likely a cruise missile launched from a Russian warship near the Crimean Peninsula, and at its closest point passed about 22 miles northeast of Romanian airspace.

The incident likely would heighten concerns about containing the war as Russia steps



Ukrainian members of the State Border Guard Service work in the operations room in Bakhmut.

up its aerial barrage of Ukraine's energy infrastructure. Ukrainian President Volodymyr Zelensky, meanwhile, doubled down on Gen. Zaluzhny's assertion that the missiles had crossed into both Moldova's and Romania's airspace, describing it as a challenge to NATO and collective security. "This is terror that can and must be stopped," he said.

The wave of strikes fired from air, land and sea came as Russia builds up to what Ukrai-

nian officials anticipate will be a renewed onslaught, potentially coinciding with the first anniversary of the invasion on Feb. 24. Most of the 106 missiles Russia fired at Ukraine since late Thursday were shot down, Gen. Zaluzhny said.

Russian state news agency RIA Novosti reported Friday that President Vladimir Putin would speak at a rally that could include some 200,000 people in Moscow on Feb. 22. Spokesman Dmitry Peskov told reporters

the Kremlin leader would also address the country's Federal Assembly on Feb. 21.

Mr. Zelensky has been traveling around Europe this week to campaign for more military aid to help fend off the expected offensive.

Russia in pressing for gains in the east of Ukraine, though Western analysts question whether Moscow has the resources to mount a broader offensive. The immediate target is the eastern Donetsk and Lu-



facilities were hit, he said. Ukrenergo, the operator of Ukraine's electricity-transmission system, said several high-voltage infrastructure facilities in the east, west and south of the country were hit, causing power outages in some regions.

Ukraine's air force said it shot down five out of seven Iranian-made drones launched from the Azov Sea. It also said it intercepted five out of six Kalibr cruise missiles fired from a Russian frigate in the Black Sea. Of the 71 cruise missiles launched, Ukrainian forces intercepted 61, Gen. Zaluzhny said.

Along the front lines in the east, Russian forces pushed to break further through Ukrainian defensive positions. The U.K.'s Ministry of Defense said Russian forces made tactical gains in two key sectors in recent days, including the town of Bakhmut, which has become a focal point of the fighting.

On the outskirts of Bakhmut, the Wagner Group, the Russian paramilitary force, has pushed 2-3 kilometers west, taking control of land near the main highway into the town, the ministry said.

To the south, Russian armed forces have made advances around the western edge of the town of Vuhledar, the ministry said.

—Ann M. Simmons contributed to this article.

Pro-Western Government in Moldova Collapses

By James Hookway

Moldova's pro-Western government resigned amid the worsening economic fallout from the war in neighboring Ukraine, a day after Ukrainian President Volodymyr Zelensky warned that Russia was trying to destabilize the country.

Announcing her decision Friday, Moldovan Prime Minister Natalia Gavrilita told a news briefing in the capital

Chisinau that no one could have predicted the scale of the challenges her government has faced since the Russian invasion began nearly a year ago. Inflation has soared in the former Soviet republic, peaking at 30% in December after Moscow's decision to throttle natural-gas supplies, and prompting a wave of street protests.

At times Moldova has suffered power cuts after Russian attacks on the electrical grid

in Ukraine, while an influx of refugees has strained public services.

Security risks are growing, too. On Friday, the Moldovan and Romanian defense ministries said Russia launched a cruise missile from a warship in the Black Sea, steering it through Moldovan airspace en route to a target in Ukraine, adding to fears that the war could spill over Ukraine's borders.

President Maia Sandu, another leading pro-West politician, nominated her security adviser and former interior minister, Dorin Recean, to be prime minister, in what appeared to be an attempt to ensure some continuity in policy.

The day before, Mr. Zelensky told a summit of European Union leaders in Brussels that Kyiv intercepted and passed on Russian intelligence plans to undermine Moldova's

democracy and promote pro-Russian forces there.

Relations between Moldova and Russia have steadily worsened after successive Moldovan governments have tried to orient the country and its 2.5-million population more closely to Europe. Some pro-Western politicians have raised questions about Russia's long-term intentions toward Moldova and in the breakaway region of Transnistria, the sliver of land along its border with Ukraine that is run by a pro-Russian administration and where Moscow's troops are based.

Since coming to power with her Party of Action and Solidarity in August 2021, Ms. Gavrilita, backed by President Sandu, tried to advance the country's attempts to join the European Union, which last year granted it candidate status alongside Ukraine.

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The country's oil and gas revenue has been falling according to government data. A Gazprom refinery.

Russia To Cut Oil Production

Continued from Page One that cutoff by importing large amounts of gas from elsewhere and pushing conservation efforts.

The continent is widely expected to make it through the winter without shortages, and prices have fallen sharply from last year. That resilience has weakened the punch of Mr. Putin's more recent threats to hold back supplies of crude, too.

The international crude benchmark Brent jumped on Russia's announcement, but later gave up some of those gains. It was trading up about 1.7%, to \$85.95 a barrel, on Friday.

Still, Friday's move was the first in which Moscow has telegraphed a specific oil-markets response to the Western measures. The promised cuts, amounting to about 500,000 barrels a day, represent about half a percent of global demand.

Moscow typically coordinates its oil-production policy with the Organization of the Petroleum Exporting Countries, the group of big, mostly Middle Eastern producers that have long throttled output up and down to move global prices.

The Kremlin on Friday said it had consulted with some members of the OPEC+ alliance, which also includes a group of Russia-led producers. Russia discussed its move with OPEC kingpin Saudi Arabia in advance, according to OPEC officials. Russian Deputy Prime Minister Alexander No-

vak, however, said Moscow hadn't consulted with anyone, calling the cut voluntary.

The European Union and the Group of Seven imposed a raft of measures on Russia in recent months aiming to curtail its oil revenue, a key source of cash for its budget. Those moves include an EU ban on most imports of crude oil and a global price cap of \$60 a barrel for Russian crude. The mechanism requires Western shippers and insurers to ensure the price cap is respected.

An additional EU ban on Russian refined products and a G-7 price cap on those products came into force Sunday.

Moscow's move is the first specific oil-markets response to sanctions.

Mr. Putin in December banned the sale of Russia's oil and petroleum products to countries that put a cap on their sale price, though the oil market had taken that move in stride as Russian oil kept flowing.

On Friday, Mr. Novak said the cuts were in response to Western oil sanctions. "We will not sell oil to those who directly or indirectly adhere to the principles of the 'price ceiling,'" he said, quoted by state newswire TASS.

Some oil analysts saw the cut as a sign the price caps may be working by depriving Russia of customers, or driving prices for those willing to still buy to levels that aren't economical for Moscow.

"This is an acknowledgment

of an absolute necessity," said Mikhail Krutikhin, an independent energy consultant. "Russian companies just cannot find buyers for all the oil they are producing." Other analysts said that with limited storage capacity, Russia has few options for its overproduction.

The lower oil output could lift Moscow's pricing power over some buyers if it limits their supply. But amid uncertain economic outlooks in many big oil-consuming economies, like the U.S. and Europe, Russia's ability to move global markets by itself is limited.

Unless prices move significantly higher, any fall in production will translate into a fall in revenue at the same time Moscow faces the rising cost of its war in Ukraine and a host of other economic pressures. Russia's central bank said separately Friday it may soon have to raise interest rates to counter the threat of rebounding inflation as the government keeps spending heavily on the war.

Russia's oil-and-gas revenue nearly halved in January from January 2022, according to data from the Russian Ministry of Finance published Monday, as the price Russia is getting for its crude fell due to the sanctions. Government spending, meanwhile, driven by military purchases, jumped by 59%, forcing the government to increasingly turn to its rainy-day fund to plug the gap.

Still, Russia has proved resilient in its economic standoff with the West. The Russian economy didn't suffer as much last year as many economists had anticipated given the broad sanctions levied against it.

—Gabriel T. Rubin and Andrew Duehren contributed to this article.



WORLD NEWS

Suspected Russia Spy Questioned In the U.S.

By BOJAN PANCEVSKI

A man suspected of helping leak Western intelligence on the war in Ukraine to Russian agents was detained by U.S. authorities and questioned there before being flown to Germany where he was arrested last month, according to German and U.S. officials.

Named only as Arthur E., the 31-year-old suspect is in detention pending a probe into possible spying and treason, German prosecutors said.

Authorities suspect the man helped a German intelligence officer who was arrested in late December for allegedly passing intelligence collected by Western powers on to Russian intelligence agents in Moscow, German officials said.

News of the U.S. involvement in the arrest comes as U.S. and British officials say they are concerned about the potential consequences of the leak, the worst to affect Germany's BND foreign intelligence service in decades.

German prosecutors say the detained intelligence official, a 52-year-old German national named only as Carsten L., leaked BND intelligence to Russia's FSB intelligence service while serving as head of a signals intelligence unit.

His alleged activities continued after he was promoted to head of internal security late last year, a role that gave him oversight of the vetting of agents, and access to the files of nearly 6,000 employees of Germany's leading security agency. Carsten L. is known to have had access to confidential electronic surveillance data about the war in Ukraine compiled by allied services, German security officials said.

Lawyers for the two suspects, who are in detention on suspicion of treason, couldn't be reached. Prosecutors declined to comment during a continuing probe.

Mayor Urges Residents to Flee City

By IAN LOVETT

ORIKHIV, Ukraine—For months, the mayor of this front-line town in southern Ukraine has been urging residents to leave. He can't get his own deputy mayor to listen.

Mayor Anatoliy Hovorostyanov now works from the city of Zaporizhzhia, an hour away by car. Svitlana Mandrych, the deputy, has turned the basement of city hall into an aid center, with free food and Wi-Fi for those still in town.

The officials' different choices reflect contrasting visions of how to keep civilians near the fighting safe: Should authorities force them to evacuate, or maintain a strong presence and help those who stay?

"All civilians need to leave," Mr. Hovorostyanov said, adding that those who remain put public employees in danger. "Let the military do their job. Let's not get in their way."

Ms. Mandrych said a government presence in the town is essential. "People have to see that Ukraine is still here, still taking care of them."

Ukrainian officials have encouraged front-line residents to evacuate, but haven't forced people from their homes.

Mr. Hovorostyanov fought to keep Orikhiv working for the first six months of war. He sent crews out to repair damaged water lines. When his city-owned car was destroyed by a Russian shell, he drove his personal vehicle through the town, assessing damage and handing out civilian aid.

By fall, the city hall's roof was covered with a tarp after repeated artillery strikes, and the shelling became so frequent that he spent most of his time sheltering in the basement.

"As a mayor, there was no sense staying—you're in the basement all day with no cell connection," he said. In September, he moved to Zaporizhzhia, the regional capital, where his family relocated.

Casualties have mounted. Last fall, a crew of utility workers was hit while repair-



EMANUELE SATOLLI FOR THE WALL STREET JOURNAL (2)

Orikhiv Mayor Anatoliy Hovorostyanov, above right, moved from the front-line town to the city of Zaporizhzhia, an hour away by car. Deputy Mayor Svitlana Mandrych remains in besieged Orikhiv.



ing an electric line; two died. In October, a rocket killed one and injured the town's director of social services. In all, 40 residents have been killed and more than 100 injured.

Around 1,500 people—about 10% of the prewar population—remain in Orikhiv, according to Ms. Mandrych. She said she also tells civilians to leave Orikhiv, but considers it her job to take care of the ones who have nowhere to go.

Efforts to keep the lights on have been abandoned. The re-

maining utility workers focus on keeping the streets clear of rubble. "We try to put it in one pile, and then come with a tractor," Ms. Mandrych said. "So at least civilians can still get around."

City hall is closed. Ms. Mandrych operates from the building's basement, which has been fitted with plywood walls, wood-burning stoves and a generator to power the bare lightbulbs that hang from the ceilings.

Through the morning, Ms. Mandrych meets with her remaining staff to assess supplies

of drinking water, food, medicine and firewood. Residents filter in to escape the cold, sip tea or charge their phones. Several retired doctors remain in town and sometimes hold free clinics in the basement.

In the afternoon, if the shelling isn't too heavy, Ms. Mandrych and her husband deliver supplies. Their car is scarred by shrapnel holes.

Valentyna Neborachek lives almost entirely off city aid. The 54-year-old and her husband have moved into the basement of their apartment building, along with a handful of other residents. They made an oven out of bricks from a destroyed building next door and sleep sitting on chairs.

"I can't afford to leave. Plus, we have a kitten—we can't leave him," said Ms. Neborachek, who worked at a bakery.

Mr. Hovorostyanov, who occasionally returns to Orikhiv, says he almost always gets the

same answers when he asks people why they won't leave—that they can't afford to move, or don't want to become refugees, or need to care for elderly relatives. He said the government could do more, but free food, lodging and transportation make it possible for anyone to move away from the front, regardless of resources.

"The people who are staying are putting city workers in danger," Mr. Hovorostyanov said, noting that people have been killed while distributing aid. "What did those people die for?"

He spends most of his days at a school in Zaporizhzhia, which has been turned into an aid center. About 30 people from Orikhiv are living there.

"I realize I'm setting an example—that people think if I'm here everything is fine—that's probably a bad part of it," Ms. Mandrych said. But added, "It's my city. My flag. My citizens. My own house."

Russian Central Bank Warns Of Rate Rises Amid Inflation

By PAUL HANNON

Russia's central bank surprised markets Friday by warning it could soon have to raise its key interest rate to counter the threat of rebounding inflation as the government keeps spending heavily on its war in Ukraine.

The Bank of Russia left its key interest rate at 7.5% for the third straight month. The pause follows a series of cuts that more than reversed a doubling of the key rate just after Russia's invasion of Ukraine almost a year ago.

The central bank said it continues to expect inflation to fall in 2023 from the 11.9% recorded in December. But it warned about a worsening shortage of workers and higher government borrowing.

"Pro-inflationary risks have risen," Bank of Russia Gov. Elvira Nabiullina told reporters. "In view of this, the key rate is more likely to be raised."

That mention of a possible rise in borrowing costs in the near future was a surprise. It underlines the tough choices facing Russian policy makers as they attempt to steer the economy

through the conflict without precipitating a major crisis.

"Its communications were far more hawkish than expected," said Liam Peach, an economist at Capital Economics, who now expects the central bank to raise its key rate by a half-percentage point in the three months through June.

The West hit Moscow with severe sanctions after it invaded Ukraine. But the Rus-

**The rising cost of the war and increasing economic isolation could hurt growth.**

sian economy didn't suffer as much last year as many economists anticipated because of high revenues from energy exports. This could change this year because of the rising cost of the war and Russia's growing economic isolation.

The central bank said Russia's economy shrank by 2.5% in 2022, a much smaller contraction than the 10% decline

in gross domestic product it forecast in April as Western sanctions first hit.

Despite such resilience last year, the central bank expects the economy to grow weakly, if at all, in the coming years. In new forecasts, it said GDP could contract by 1% this year. In 2024 it sees growth ranging between 0.5% and 2.5%.

The central bank has warned of the threat to inflation posed by the redirection of scarce manpower to the war in Ukraine, causing shortages in Russia and sending wages higher. "Labor shortages are increasing in many industries amid the effects of the partial mobilization," it said.

It also is concerned about rising government borrowing to fund the war. Russia's oil and gas revenues nearly halved in January from a year ago, according to data from the Russian Ministry of Finance. Government spending, driven by military purchases, jumped 59%. That left the budget with a deficit of about \$25 billion, marking the worst budget performance at the start of the year in official data going back to 2011.

Starlink Limits Affect Some Drones

By MATTHEW LUXMOORE AND IEVGENIIA SIVORKA

KYIV, Ukraine—After Elon Musk's SpaceX said it would limit its Starlink internet service in Ukraine to prevent offensive military use, Ukrainian soldiers said it was working largely as usual for front-line communications, but that some units reported issues with terminals attached to strike drones.

Starlink, a SpaceX division that provides satellite-enabled, high-speed broadband, isn't designed to be used for offensive or defensive military operations, according to user documents. SpaceX President Gwynne Shotwell reiterated that point Wednesday, and said SpaceX has taken steps to limit Ukraine's use of the com-

pany's satellite-internet connections for military purposes.

"There are things that we can do and have done," she said after attending a space-industry event, adding that Starlink's use by the Ukrainian military for typical communications purposes is permitted.

Mr. Musk said in a tweet last month that while Starlink had become the "connectivity backbone of Ukraine all the way up to the front lines," the company wouldn't allow the service to be used for long-range drone strikes. A spokesman for Space Exploration Technologies Corp., the formal name for SpaceX, didn't respond to a request to comment Friday.

Any changes to the availability of Starlink raise concerns for the Ukrainian war effort, as

the service is used to facilitate critical military communications. Several reconnaissance units said Friday that they were experiencing no extraordinary issues with Starlinks.

Some drone operators on Friday said SpaceX was likely concerned about efforts by Ukrainian troops to adapt strike drones by strapping a Starlink user terminal to them, allowing the craft to be steered with the help of the internet connection provided by satellites.

One drone operator said he knew of two units for whom such a setup was no longer working. "Then again, some life hack can always be found," the operator said.

Mr. Musk said in a tweet in September that Starlink was designed for peaceful uses only.



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WORLD NEWS

# Turkey, Syria Mourn Earthquake Victims

GAZIANTEP, Turkey—Aid poured into Turkey on Friday, the fifth day after earthquakes killed more than 23,700 people, as Turks and Syrians gathered for traditional prayers, buried the dead and reflected on their loss.

By Stephen Kalin,  
David S. Cloud  
and Rory Jones

In the Turkish capital, Ankara, one of the country's most senior clerics, Ali Erbaş, led prayer, as rescue teams continued to find survivors in the rubble and aid agencies sheltered thousands of displaced people on both sides of the Turkish-Syrian border.

The subject of Friday's sermon focused on national unity. "Let's touch the hearts of each of our brothers affected by the earthquake and wipe their tears," Imam Erbaş said in the weekly national sermon, which is approved by Turkey's Muslim religious affairs authority and delivered in every mosque nationwide.

In Turkey, the death toll of 20,213 has surpassed the figure of the 1999 earthquake. Authorities in Syria have reported 3,553 deaths. Thousands more people were injured in Monday's magnitude-7.8 and -7.5 earthquakes.

Rescuers were still finding people alive under the wreckage of buildings Friday, more than 100 hours after the quakes, giving teams rare moments of joy amid the widespread destruction.

In the 105th hour of the disaster, rescuers saved a baby boy and his 7-year-old brother in the province of Kahramanmaraş, the epicenter of the tremors, according to the state-run Anadolu news agency. Another survivor was a 36-year-old woman who reunited with her



Relatives buried a body during a funeral in Osmaniye cemetery in southern Turkey on Friday after earthquakes Monday killed more than 23,000 people in Turkey and Syria.

husband in the southern Turkish province of Hatay, as well as two sisters who were pulled out alive near Kahramanmaraş, the news agency reported.

In Gaziantep, once a haven for refugees fleeing conflict in neighboring Syria, about 2,000 displaced people, mainly Syrians, gathered to hear the Friday sermon in the Ulu Cami Mosque, now doubling as their shelter. Some people lost their houses in one of the worst-hit cities, but many just feared the collapse of their buildings and were seeking refuge in the mosque.

"The mosque is safe. There

are lots of columns and at least if something happens you're in God's house," said Nouri Hamukhan, 24, a tailor from Aleppo who has lived in Turkey for a decade.

In Osmaniye, rudimentary coffins were piled up in front of a mosque. At the morgue nearby, new bodies pulled from collapsed buildings arrived regularly. A 35-year-old mother and her two children, 15 and seven, were carried in coffins to the mosque for the funeral prayer, before they went to be buried in Osmaniye cemetery. Half an hour later, five other

bodies arrived at the morgue.

The political consequences of such a disaster loom large for Turkish President Recep Tayyip Erdogan, who is up for re-election this year. He visited the southern city of Adiyaman on Friday and said Turkey is "facing one of the greatest catastrophes in our history."

He said 141,000 people from 94 countries were part of the rescue effort, but the government struggled to get aid to people fast enough because of the size of the area, the level of destruction and the cold weather. "It's a fact that we

were not able to achieve the speed we desired in response," Mr. Erdogan said.

In Syria, aid from the United Nations began to arrive in northwest Syria on Thursday. The response effort there has been hindered by the country's civil war, which has carved up territory for different groups. The U.S. military and others are working to get rescue teams and aid into the affected regions of Syria.

The U.N. is preparing a rare delivery of aid to Syrian rebel-held territory from an area controlled by President Bashar

al-Assad's government, said people familiar with the plans.

Some aid professionals dismissed the delivery as a publicity stunt designed to bolster Mr. Assad's international profile while he is trying to pressure Western governments to lift sanctions when the country is reeling.

## Watch a Video



Scan this code for a video on the science behind the massive quakes.

## Reckoning Follows Disaster

Continued from Page One  
furious," said Mr. Koyce, who was still waiting to bury his family.

Across the vast earthquake zone, which has affected some 14 million people, or 16% of the national population, Turks have complained of a lack of equipment and support as they waited without the tools or expertise to help those trapped. Millions are homeless, sleeping in tents, cars or next to open fires. Bereaved children huddle in mosques that have become makeshift nurseries.

Turkey's government rescue operation—backed by volunteers from more than a dozen nations—has now ramped up, with excavators combing across a devastated area larger than Wisconsin. But criticism is mounting that the response in the first 48 hours was slow and uncoordinated, costing lives.

## 'Provocateurs'

Visiting the region of Adiyaman on Friday, Mr. Erdogan sought to mollify rising anger by pledging to rebuild affected areas in one year and pay rents for millions of displaced people. "It's a fact that we were not able to achieve the speed we desired in disaster response," he said. "But from the moment of the earthquake, our state has been in the field with all its equipment and teams."

Mr. Erdogan has also blamed "provocateurs" for spreading false news.

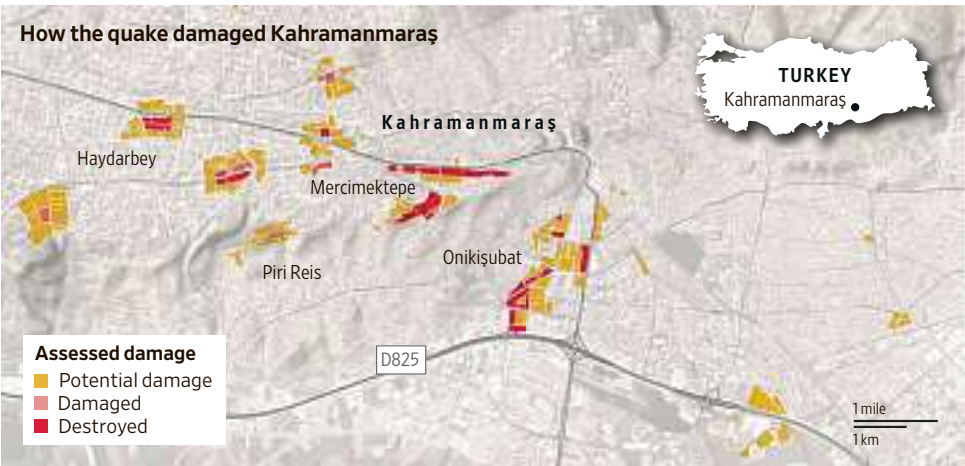
Twitter use was restricted in Turkey on Wednesday, according to internet traffic monitor NetBlocks, after a video was widely shared of the president telling a grieving woman in Kahramanmaraş the quake was "part of fate's plan." Dozens of people have been detained since Monday for allegedly spreading false information.

On Thursday, media outlets broadcasting the president's visit to the city of Gaziantep cut out footage of one survivor, Mustafa Yılmaz, demanding Mr. Erdogan answer questions about the response.

"I said to him, 'This is an industrial city—why are we unprepared?'" said Mr. Yil-



A man sits on top of a collapsed building in Kahramanmaraş, Turkey, where anger is rising.



Note: Data as of Feb. 8, 5:39 a.m. local time for Kahramanmaraş  
Source: European Commission's Copernicus Emergency Management Service

Carl Churchill/THE WALL STREET JOURNAL

maz, a retired baby crib manufacturer who said his family members were still buried under their home. He said he was shooed away by government minders.

How the relief effort unfolds may now define Mr. Erdogan's political future as faces his most difficult re-election in years. Members of his conservative base have turned against him during a currency crisis and record-high inflation. Since his last presidential victory in 2018, his ruling Justice and Development Party, or AKP, has lost control of the country's commercial and political capitals, Istanbul and Ankara, in municipal elections. Mr. Erdogan had over the past year clawed his poll numbers back as he played a high-profile role as an intermediary between Russia, Ukraine and the West following the Kremlin's invasion of its smaller neighbor.

"This government was just not prepared and they may be one of the victims left under the rubble of this earthquake,"

says Soli Ozel, lecturer at Kadir Has University in Istanbul.

Neither Turkey's presidency nor the state's disaster relief agency, AFAD, responded to requests for comment.

Opposition politicians are accusing Mr. Erdogan of politicizing and weakening disaster response organizations, and are demanding information about \$38 billion collected from an earthquake tax, first levied after the 1999 disaster to spend on prevention and relief.

"They grease their cronies' palms with earthquake taxes," said opposition leader Kemal Kilicaroğlu. "Where is that money? It's gone."

Turkey, which averages more than 200 quakes above magnitude 4 each year, knew a major tremor would strike. When it did, at least 7,000 buildings proved too poorly constructed to stand and AFAD, the disaster relief agency, was unable to deploy excavators and rescue teams to the places that needed them

in the hours that counted.

In Gaziantep province, AFAD volunteers said they were unable to reach managers or local officials during the first three days to get instructions. When they went to the office was no one there, and they couldn't reach stretched local officials. Some of the missing representatives may have been killed themselves in the quake or lost family members, Mr. Erdogan said.

"Many people died of hypothermia because of the delays," said, Ceren Yedilar, a 29-year old AFAD volunteer in Gaziantep. "Some families were so angry they physically attacked us."

One body Ms. Yedilar helped retrieve was her friend, Musa Özpolat, she said.

In the stricken province of Hatay, AFAD's headquarters was damaged, further slowing the response. Volunteers and municipal rescue workers from other parts of the country, who surged in to help, said there was little government coordination of the rescue ef-

fort, leaving individual teams to triage as families pleaded for help. The rescue workers were forced to give priority to the living over the dead.

At the site of one collapsed apartment block, a man in a hooded sweatshirt gestured angrily: "The state didn't pull one person from here, alive or dead."

As Mr. Erdogan overhauled Turkey's state institutions, centralizing power around his presidency, he was also transforming Turkey's disaster recovery institutions.

When he came to power in 2002, Turkey had two renowned disaster response organizations; Kizilay, the Turkish Red Crescent, whose professionals deployed to disaster sites across the world and warzones in Afghanistan and Iraq; and AKUT, a search-and-rescue group formed by mountaineers after the 1999 earthquake. The country's most important disaster response organization was the military, which deployed en masse from their barracks in 1999 to lead the recovery effort.

Mr. Erdogan wanted development and disaster response to hew to his party's Islamist politics and in 2009 formed AFAD, a sprawling new agency that became the coordinating body for the military and NGOs. AFAD deployed to Gaza, Somalia, Syria and Pakistan, making Turkey a global player in the distribution of humanitarian aid.

## Earthquake tax

Billions of dollars from the Special Communication Tax, the so-called Earthquake Tax of 1999, was still pouring into government coffers, but Mr. Erdogan's party was no longer earmarking it for prevention and reconstruction. In 2012, Finance Minister Mehmet Simsek said revenues had been spent on highways, railways and other infrastructure. Muharrem İnce, who ran against Mr. Erdogan for president in 2018 said there is no specific line item in the Turkish budget for earthquake preparedness and that dozens of lawmakers' parliamentary questions on the issue went unanswered.

AFAD was building gleaming headquarters across the country, including in Kahramanmaraş. Experienced bureaucrats and secular Turks were replaced by ruling party cadres with less expertise. In 2018, Mr. Erdogan selected a theology professor with no experience in disaster response

to a top emergency-management role.

In November 2022, after a magnitude 5.9 quake in the region of Duzce, AFAD published a damning report on its own response. "Disaster groups were ill-prepared, the AFAD center's location was misselected. Insufficient cooperation and coordination between institutions hindered a healthy management process," the report said.

Following the 1999 earthquake, Turkey's government passed sweeping new building restrictions intended to make structures more earthquake-resistant. Mr. Erdogan's party

**'This government was just not prepared,' said a university lecturer.**

embarked on a construction boom that rapidly urbanized Turkey and created a new conservative middle class.

While regulations improved, enforcement was lacking and local authorities often turned a blind eye to the use of cheap materials and rarely carried out inspections, residents said.

"They should have never been given permission to build these death traps," said Said Yıldırım, a landlady, 50, starting out at an entire city block of apartment buildings in Kahramanmaraş that had all collapsed around each other.

The land was swampy, she said, and the apartments atop it were built with structural pillars that were too weak. "This city is on the fault line. Why wouldn't they come check the buildings even once?"

In the minutes after the quake, nurses in a home for the sick and elderly, removed patients and had to burn furniture to keep them warm. A few hundred yards down the street, the new regional AFAD headquarters, which sits on a huge lot dotted with warehouses, was silent, said Ramazan Sumbul, a medic.

"The government has failed the test," he said as he was pulling mattresses out of the damaged building. "AFAD sits on an enormous territory, big enough to store all the tools you need to save all of Kahramanmaraş, this is why we're angry. They had to bring it all in from everywhere else while we were digging with our fingernail at the rubble."



OBITUARIES

JOHN J. BOYER  
1936 — 2023

Blind Software Engineer  
Expanded Access to Braille

By JAMES R. HAGERTY

John J. Boyer, raised on a Minnesota farm family with 12 children, was born blind and lost most of his hearing by the time he was 10 years old.

None of that stopped him from setting up a basement science lab and aspiring to be another Thomas Edison. What did frustrate him was a lack of textbooks in braille. “When I was in high school, my physics book was older than I was and didn’t even explain what made the sun hot,” he would later tell the Wisconsin State Journal.

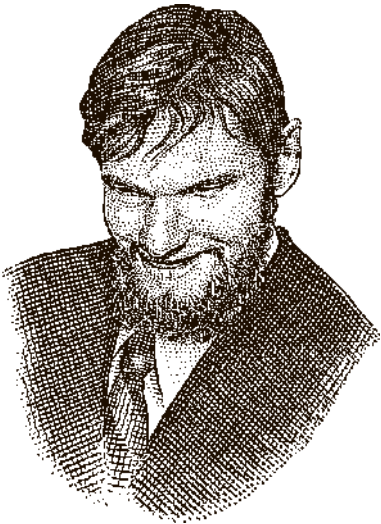
He studied mathematics and computer science, learned to live on his own, married only to lose his wife to death a few years later, and sank into depression. He credited his recovery to counseling and his Roman Catholic faith.

Then Mr. Boyer fulfilled what he saw as his duty: He developed Liblouis as free, open-source software—now used around the world—to translate text into Braille. ViewPlus Technologies Inc., a maker of equipment used to create and format Braille documents, commissioned Mr. Boyer to develop the software and covered his expenses.

He helped develop BrailleBlaster, an interface that facilitates such tasks as creating Braille textbooks. That software is made available through the American Printing House for the Blind, a nonprofit. His software is also used in screen readers allowing people with visual impairments to read material displayed on computers.

Mr. Boyer died Jan. 17 at a hospital in Madison, Wis. He was 86 and had been under treatment for pneumonia.

“My working relationship with



the Lord is that I do what is possible and He will do the impossible,” Mr. Boyer said.

John Joseph Boyer, the fifth of the 12 children, was born into a family of German descent on July 25, 1936. His father owned a farm-equipment business in Wadena, Minn. At a school for blind people, John learned Braille. Before he was 10, ear infections severely reduced his hearing, and John was effectively deaf as well as blind.

As a teenager, he attended a New York school for blind people. Far from home, he was lonely at first, he wrote in a brief biography, but found consolation in religious studies and a radio and electronics course.

At what is now the University of St. Thomas in St. Paul, Minn., Mr. Boyer studied math and psychology and graduated in 1961. “My books were transcribed into Braille, but they had no graphs of any kind,” he recalled later. “Since

I was a math major, I had to use my imagination.”

Finding no suitable employment immediately after graduation, he accepted an assembly-line job.

Mr. Boyer trained his own guide dog. He designed and built a hearing aid. “It was a big box, but it had better features than anything I could afford,” he wrote.

He completed a course for blind computer programmers at the University of Cincinnati in 1964 and found software jobs in Cleveland and Cincinnati. Later, while working as a programmer for the University of Wisconsin-Parkside, he met Hazel Mendenhall, a French teacher. They married in 1973. She died in 1977 of amyotrophic lateral sclerosis.

After earning a master’s degree in computer science at the University of Wisconsin-Madison, he began work on a doctoral degree and planned a dissertation on robotic guide dogs but didn’t complete those studies.

Around the same time, he created a nonprofit, Computers to Help People, aimed at enabling people with disabilities to find computer-related work. “About 1983, I had also slid into depression, precipitated apparently by the failure to find another marriage partner,” he wrote. Counseling in the mid-1990s proved helpful, as did his work on software for blind people.

“To be respected in this society, you have to have a job, and that’s as it should be,” he told The Wall Street Journal in 1984. “But I know what it’s like to be labeled unemployable, and I really want to see other handicapped people gainfully employed.”

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WSJ.com/news/types/obituaries

JERRY COX  
1925 — 2023

Engineer Enhanced  
Biomedical Research

As a teenager in Indiana in the late 1930s, Jerry Cox took apart a radio, figured out how it worked, and decided he wanted to be an electrical engineer.

A decade later, after serving in the Army in Italy during World War II, he got a job at an acoustics laboratory to help pay for his electrical engineering studies at the Massachusetts Institute of Technology. Those studies led to a job at the Central Institute for the Deaf in St. Louis, where he helped build a device to detect deafness in newborns and facilitate early treatment.

That work involved computers and brought Dr. Cox into contact

with developers of the LINC, an early-1960s predecessor of the personal computer. Dr. Cox helped persuade Wesley Clark and other members of the LINC team to move their research to Washington University in St. Louis from MIT.

Dr. Cox went on to pioneer the use of small computers in biomedical research at Washington University. His projects included computer-based systems to monitor heart rhythms and technology used in diagnostic scanning. He headed Washington University’s computer science department from 1975 to 1991.

Dr. Cox died Jan. 17. He was 97.

—James R. Hagerty

ANDREW MCKENNA  
1929 — 2023

McDonald’s Director  
Stepped Up in Crisis

McDonald’s Corp. had lost two chief executives in just months in 2004 when Andrew McKenna stepped in to help stabilize the fast-food company.

Mr. McKenna, who had served on the McDonald’s board for 13 years, was named chairman to reassure investors and help guide Chief Executive Jim Skinner. The new chief was succeeding Charles Bell, who held the job for just two weeks before learning he had colorectal cancer. Mr. Bell, in turn, replaced James Cantalupo, who died from a heart attack at a company conference.

That work guiding leaders at McDonald’s and other companies

earned Mr. McKenna, a devout Roman Catholic, the nickname “St. Andrew of the Boardroom.” Foot Locker Inc. CEO Mary Dillon called him a mentor. Citadel LLC founder Ken Griffin credited Mr. McKenna for instilling in him a belief in good corporate citizenship.

Mr. McKenna died Tuesday at the age of 93, according to a statement from the Chicago Bears football team, of which he was a director and part owner. A towering figure in Chicago’s commercial and civic life for decades, he also served as chairman of both the Cubs and White Sox, a diplomatic feat in a sports-mad city.

—Heather Haddon

WORLD NEWS

Pakistan, IMF Inch Toward Deal Amid Default Fears

By SAEED SHAH

The International Monetary Fund said progress had been made in talks with Pakistan over restarting a stalled bailout, but the two sides hadn’t reached an agreement, which is seen as vital to preventing the country from defaulting.

The IMF ended a 10-day visit

to the country for negotiations on Friday. The two sides said talks would continue virtually.

Pakistan’s foreign-exchange reserves had dwindled to \$2.9 billion last week, according to the central bank. That is only enough to cover about two weeks of imports and a fraction of the amount the country needs to cover its debt repayments

and trade deficit this year.

Pakistan is considered to be among the emerging markets most at risk of defaulting. Its finances have been under pressure from a high debt burden and the increased prices of commodity imports. Devastating floods that inundated vast tracts of land last year added to the country’s problems.

However, compared with countries like Sri Lanka, which defaulted last year, relatively little of Pakistan’s debt is owed to international bond markets.

A deal with the IMF to restart its bailout program would release a \$1.1 billion payment the lender has been withholding and could unlock billions of dollars in loans and investments

by Pakistan’s allies, as well as further lending by multilateral banks that is dependent on IMF oversight being in place.

Pakistan’s finance minister, Ishaq Dar, said he hoped to conclude the IMF agreement by the end of next week. He said Pakistan has agreed to the IMF’s conditions, including new taxes, and received a de-

tailed draft of the deal from the lender on Friday, which would be picked over by the two sides in the remaining talks. The administration has agreed to levy an additional \$630 million in taxes between now and June, and a further tax on gasoline, Mr. Dar said.

—Waqar Gillani  
contributed to this article.

In Memoriam

For more information:  
wsj.com/inmemoriam

Marsha Diane Wood  
January 27, 2023



DALLAS, TEXAS — Marsha Diane Wood, age 71, of Dallas passed away Monday January 27, 2023. Celebration of Life Services are scheduled in both Dallas, Texas, and Santa Fe, New Mexico. Celebration service in Dallas will be held Saturday February 25, 2023 from 3:00 to 5:00 PM at Everleigh Forestwood 11881 Inwood Rd. Dallas, TX. 75244, in Santa Fe, Celebration service will be held Saturday, February 11, from 3:00 - 5:00 PM in the President’s Room of Rio Chama 414 Old Santa Fe Trail, Santa Fe, NM 87501. Diane was born December 11, 1951, in Dallas, the daughter of Billy Wood, and Mary (Stone)Wood. She was a graduate of Cedar Hill High School in Cedar Hill, Texas. Diane served many different roles in New Mexico. Those roles included Voting Right Director, Common Cause; Director of Public Policy, ACLU; Executive Director, New Mexico Commission on the Status of Women; Founder and Director, New Mexico Women’s Foundation; New Mexico representative for CLUW Coalition of Labor Union Women; Organizer of labor union for several grocery chains. Diane is survived by her sister, Kay Buchanan, stepdaughter, Lori Rabinowitz and Paul Lhevine and their children Antonia and Zoe Lhevine, stepdaughter, Debbie Abrams and husband Ron, and their children Bayla, Hannah, and Sammy Abrams, along with several nieces and nephews.

Diane was preceded in death by her parents, Billy and Mary Wood, her husband Howard N. Rabinowitz, and her cherished pup Buster Wood. In lieu of flowers please consider a donation in memory and honor of Diane to: Crossroads for Women- crossroadsabg.org Scleroderma Foundation-scleroma.org

THE WALL STREET JOURNAL.

IN  
MEMORIAM



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Guardians  
Shield Rare  
Cactuses

Continued from Page One  
many of the crested saguaro as time and energy allow. They hunt in a desert that stretches across 100,000 square miles.

“It becomes a little bit of an obsession,” said Pat Hammes, a 77-year-old retired courtroom clerk from Tucson, Ariz. She estimated that she and her late partner, Bob Cardell, spent eight hours a day, two days a week for more than six years to locate some 2,200 of the rare cactuses.

The saguaro, the largest cactus in the U.S., often grow to 40 feet, according to the National Park Service, and one 78-footer set the record. When they reach the age of 60 to 80 years old, a rare few grow the scalloped crest that sets them apart. Biologists have yet to discover exactly why.

The group estimates that its members have spent about 100,000 hours on the prowl since the effort began in 2005.

On a recent scouting trip, Joe Orman found four crested saguaros near Tucson. He recorded their GPS coordinates and checked them against a list of roughly 3,300 crested saguaros the society has tallied.

“We’ve been skunked many times,” Mr. Orman said. “We’re out in the field, and we think, ‘Oh, we found this wonderful new crested saguaro.’ And then we go back and look on the website or check the coordinates or talk to Pat and it’s already been found 15 years ago.”

To Mr. Orman’s delight,



Crested Saguaro Society members Joe Orman, Harry Ford, Theodore Coddling and Pat Hammes observing a crested saguaro.

these four were new discoveries. That gave Mr. Orman naming rights, according to Crested Saguaro Society tradition.

Some favorite society names include “Once in a Lifetime,” “How about a Hug?” and “Magnifico.” A Wall Street Journal reporter who joined a

As a security measure, Mr. Orman, 62, a retired aerospace engineer in Prescott, Ariz., and Theodore Coddling, 62, a retired public administrator in Tucson, Ariz., are the only two members with access to the society’s full database. The idea is to protect the locations from would-be poachers or vandals.

When Mr. Cardell was alive, he used to load new location discoveries onto CDs and thumb drives, Mr. Coddling said. Then Mr. Cardell would hand them to the person running the database.

“Bob liked to look you in the eyeballs when he shared

information,” Mr. Coddling said. The group has turned down requests even from researchers to share the list. “We have trust issues,” he said.

The society is prickly about admitting new members, seeking only those with sufficient passion and prudence. Some in the group said they had to first share their discoveries before they were considered for membership.

Mr. Orman ignores anyone who writes to the website to ask about joining, he said. He wants the group to first agree on a way to vet the motives and character of aspirants. Members are debating nondisclosure agreements. Yet without new members, they know they risk losing hard-won secrets.

“We’re the keepers of the Holy Grail,” Mr. Orman said. “Unless we can find some younger people to join the society and then share that database with them, it’s just gonna die with us.”

Their mission has some ur-



Looking sharp

gency. Society members worry about the expansion of the state’s metropolitan regions, and the tramping about of newly arrived hikers and looky-loos. A crowd of even the most respectful admirers can inadvertently damage delicate cactus roots. Removing saguaros requires a permit, but that doesn’t stop cactus poachers who risk arrest.

On a recent scouting trip, Ms. Hammes was surprised to stumble upon several crested saguaro that she and Mr. Cardell had logged years ago. The cactuses, at the time surrounded by open desert, are now part of a suburban community.

Ms. Hammes has tips for the crested-saguaro curious: Climb to a desert area’s highest peak and look around with binoculars. The south side of a mountain generally has more of them than the north side. If you find a crested saguaro, another one is likely growing within a quarter-mile radius.

Mr. Coddling, whose love for crested saguaro predates his marriage, has his wife keep her eyes peeled when she hikes or bikes in the desert.

He gave her earrings shaped like crested saguaros after he stumbled across an artist who sold them. He also had a pin made for himself. Whenever he finds crested saguaro merchandise, he said, he buys two.

Even the most patient family can tire of their loved one’s cactus crush. Mr. Orman said his daughters and friends beg for hikes where they don’t have to look for crested saguaros.

Harry Ford, 75, a retired financial-services CEO in SaddleBrooke, Ariz., said that isn’t realistic.

“It’s impossible to stop,” Mr. Ford said. “Once you start, you’re addicted.”



OPINION

THE WEEKEND INTERVIEW with Wesley Hunt and Juan Ciscomani | By Kyle Peterson

A Rising Generation of Republicans of Color

**‘W**hen I look at the Republican Party right now, yeah, there’s still a lot of white guys in there,” says Texas Rep. Wesley Hunt, a few weeks after being sworn in as a freshman member of Congress. “But it ain’t the party that it was 20 years ago, when I was watching C-Span at West Point.”

Mr. Hunt, who won a House seat in Houston last year, is a 41-year-old millennial Apache helicopter pilot and Cornell M.B.A. He’s just come from the congressional gym, which isn’t hard to believe given the look of the white shirt sleeves erupting from his suit vest. If there’s ever a scuffle in Congress, the way South Korea’s parliament sometimes descends into a brawl, a betting man could do worse than to put it all on Wesley Hunt.

He’s also a black Republican, and no apologies if saving that detail until the third paragraph feels like journalistic malpractice. “A lot of black people, and a lot of people in general, assume that your No. 1 thing is your identity of being black. It’s like 10th for me,” Mr. Hunt says. He’s a father, a husband, a combat veteran, and now a congressman. Race is not his favorite subject: “I want to get to the point to where we stop talking about it at all.”

Two of the GOP’s freshmen in Congress tell their political stories and explain why Democrats can’t take black and Hispanic voters for granted.

By the data, the GOP is taking small steps in that direction. The 2022 elections doubled the number of black Republicans in the House, from two to four. (The other arriving plebe is Mr. Hunt’s West Point classmate, Michigan Rep. John James.) The Associated Press’s VoteCast survey says 14% of black voters supported Republicans in November, up from 8% four years earlier.

Several Latino freshmen also helped give House Republicans their majority. They include Rep. Juan Ciscomani, 40, who was born in Mexico, moved to Tucson, Ariz., at age 11, and took the citizenship oath in 2006, a few years after spending a summer in Washington as an intern for the late Arizona Rep. Ed Pastor. “I had a green card, last time I came here,” Mr. Ciscomani says in a separate interview, “and now I have a green button.” He gestures at his official lapel pin, which identifies members of Congress. Exit polls say 39% of Latino voters went GOP last year, up from 29% in 2018.

Can the party keep these trends going? “Some of my barbers,” Mr. Hunt says, “and I won’t mention their names, went from Never Trump to now I walk in there, and they say, please tell me he’s running.” They don’t like everything about former President Trump, but

they miss his economy, before the squeeze of inflation and last year’s \$5 gas. “If the Republican Party can get 20% of the black vote, Democrats can’t win,” Mr. Hunt says. “Black men are moving.”

Mr. Ciscomani’s pitch is that the American dream remains achievable, and he knows, because he’s living it. “There are no ‘Hispanic issues,’” he says. “If you asked my parents ‘Why’d you come here?’ they’ll tell you for a better job, better education for my kids, and safe streets. But that’s what everybody wants.” He says a winning message is a simple one of “opportunity and freedom,” and he says lower-income and minority families rallied to former Arizona Gov. Doug Ducey’s policies on school choice.

What’s notable is how quietly intentional the GOP’s outreach seems to be. After losing the 2012 elections, the party produced an infamous “autopsy” that urged efforts to engage nonwhite voters, saying that the white share of the electorate had fallen to 72%, from 88% in 1980. But after Mr. Trump narrowly beat Hillary Clinton in 2016 by appealing to the white working class, many scoffed at the 2012 postmortem as an out-of-touch view from the Beltway bubble.

The secret might be that Republican leaders took the autopsy’s lessons to heart anyway, including Mr. Trump. “He has expressed himself, out of his own mouth, telling me, ‘Wesley, we absolutely need more diversity. We need more people of color that are conservatives,’” Mr. Hunt says. In 2020 the white share of the vote fell further to 67%. That year’s GOP presidential convention conspicuously elevated nonwhite speakers. Democrats gleefully mocked this, yet Mr. Trump won 12% of black voters and 32% of Latinos.

At the same time, now-Speaker Kevin McCarthy was busy recruiting. Thirteen Republicans beat House incumbents in 2020. They included an African-American, an Iranian-American, two Korean-Americans, a Cherokee, three Hispanics and a son of Portuguese immigrants. Mr. Hunt lost narrowly that year but was encouraged “big time” by Mr. McCarthy, as well as now-House Majority Leader Steve Scalise. They called the day after the election to say that “we really need people like you to stay in the fight,” Mr. Hunt recalls. He then clarifies: “They want people that are qualified. And oh, by the way, they’re people of color.”

Mr. Ciscomani was encouraged to run by Mr. McCarthy and also Minnesota Rep. Tom Emmer, then chairman of the National Republican Congressional Committee. “I never felt that they were recruiting me because I was Hispanic,” he says. “Race was never mentioned in those conversations.” One reason he thinks the GOP’s outreach works is that “it hasn’t been around skin color. It’s been around having the right qualifications, having the right message, and in some cases, being bilingual helps, like it helped me. I did Spanish interviews.”

After this week’s State of the



Union address, Mr. Ciscomani gave a Spanish response, focused on inflation and the border, but leavened with optimism about the American experiment. One political observer, contrasting Mr. Ciscomani’s speech with the main GOP rebuttal by Arkansas Gov. Sarah Huckabee Sanders, said the party’s offerings were “American Dream vs. American Carnage.” Mr. Ciscomani’s version was carried by Telemundo and Univision. Both men think this kind of representation within the GOP fold makes a difference. “The messenger always matters,” Mr. Hunt says.

Middle school was when he began identifying as a Republican. “My parents raised us in this predominantly white Baptist church,” he says, and he asked himself whether politics was “more about race, or is this more about what my personal values are?” His father left the Army as a lieutenant colonel, and his parents pointed Mr. Hunt and his brother toward Colin Powell as a role model.

“His book was mandatory reading in my house,” Mr. Hunt says, as was Ben Carson’s memoir. “We were pretty young, didn’t understand that they were Republicans or anything.” The point, he adds, was that there were modes of success that didn’t require, as the Notorious B.I.G. put it, a “wicked jump shot.” His parents also told him that his great-great grandfather had been a slave on a plantation near Baton Rouge, La. The lesson there, Mr. Hunt recalls, was “understand that there was a struggle, and keep that in the back of your head as you move forward.”

At West Point he lived for a time in barracks named for Robert E. Lee, which he sees in a similar historical light. In December the academy said it would change that name, which Mr. Hunt “vehemently” opposes. “It’s a reminder of where we were,” he says, as well as “a reminder of where we are, and how far we’ve come, and in a very short period of time.”

Mr. Hunt represents Houston’s Energy Corridor, including headquarters for ConocoPhillips and BP America, and he wants permitting reform and exports of liquefied natural gas. “I have absolutely no issue with renewable energy. In

fact, we need it. We don’t have enough electrons to suffice the eight billion people on this earth,” he says. “But quite frankly, God gave us all these resources here. We need to be in the business of using our own resources to fuel ourselves and our allies.”

Mr. Hunt’s district is majority white, though it’s no outlier in electing him. This Congress has 60 black members, and 30 are from states or districts with a plurality of white residents, Axios reports. That’s a statistic to ponder. Mr. Hunt recalls that when Barack Obama went on “Oprah” amid the 2008 campaign, his mother was skeptical that the America she knew would elect a black president. Mr. Hunt was perplexed. “I said, ‘Why?’ Like that thought never crossed my mind,” he says. “She is still held by the vestiges of the past, and see I recognize that, whereas my brother and I are not.”

In Mr. Hunt’s view, “we are living in a postracial society,” which is not to say there are no problems. “Are there idiots? Yes. Are there people that are always going to be racist, on both sides? Absolutely,” he says. “The most racist thing I’ve heard over the course of the past few years is actually from Democrats, and it’s the insinuation that black people can’t get an ID to vote. That, to me, is a sign of the soft bigotry of low expectations.”

How did Mr. Ciscomani become a Republican? “My parents had something to do with it, in the way that we were raised, in the work ethic, and in earning what you have,” he says. He also credits his pastor, a Vietnam vet in a Spanish-speaking church on Tucson’s south side. “If you walked into his office,” he says, “you saw a picture of Jesus and Ronald Reagan right next to each other, so he was that kind of a guy.” The pastor wasn’t pushy, but said things like he’d noticed that one party seemed always to support the military.

Mr. Ciscomani attended the University of Arizona and worked for the Tucson Hispanic Chamber of Commerce before joining Gov. Ducey’s team, eventually rising to senior adviser for regional and international affairs. He deflects a question about why the GOP lost in Arizona last year, after Mr. Ducey’s

successful run. But it isn’t hard to notice that in Mr. Ciscomani’s swing district, he outperformed the party’s gubernatorial and Senate nominees, Kari Lake and Blake Masters.

Given population trends, Republicans need to keep Arizona in contention. After the 2020 census, the state fell only 80,000 residents short of gaining a 10th House seat and a 12th electoral vote. With six kids, Mr. Ciscomani jokes that he’s doing his part. Honda might want to consider a campaign contribution, the way he raves about his Odyssey minivan, which “has cameras inside the car, so you can be like, ‘Stop fighting!’ And you can go zoom in and be like, ‘I see you!’ ” he says. “It’s got an installed vacuum in there. I feel like, how cool is that, man?”

Mr. Ciscomani’s territory includes roughly 25 miles of the U.S.-Mexico border, and in his view security is the priority. “For Pima County, the county that I live in, fentanyl overdose is now the No. 1 leading cause of death among young people,” he says. He wants to hire more border agents, while making life uncomfortable for Homeland Security Secretary Alejandro Mayorkas, saying he “has failed utterly in his job, and he needs to be held accountable.”

Beyond that, Mr. Ciscomani says ports of entry need to be renovated to speed international commerce. He cites Arizona’s trade with Mexico as \$17 billion a year, and in some U.S. border towns, “Mexican tourism is over 80% of their sales tax revenue.” The crush at the border also stymies immigrants who “are trying to go through the system in the way that the law is written, when the asylum-seeking process is being abused.”

Mr. Ciscomani wants an immigration system “that actually reflects the needs of our country,” which brings us back to America as a shining city on a hill. His father was a bus driver, and he recalls helping make ends meet by going with his dad on weekends to wash cars in affluent areas. “I was looking at these houses, thinking, I don’t belong here. This is another world,” he says. “We used to live in a two-bedroom apartment.” Last year when he opened a campaign office, his dad asked if he’d noticed it was two blocks from where they washed cars. “And then,” Mr. Ciscomani recounts, “he said his favorite phrase: ‘Only in America.’ ”

What also struck Mr. Ciscomani was how much his family’s history resonated with voters whose own immigrant ancestors are out of living memory. “This happened so many times,” he says. “People will come up afterward and say, ‘Your story is my story.’ And I’m like, ‘Really, tell me your story.’ And they would, and their story was nothing like my story.” Even so, he understood what they meant. “The thing is that they found themselves in the story of opportunity,” he says, “whether they came here a generation ago or five ago.”

Mr. Peterson is a member of the Journal’s editorial board.

Is It Too Late to Save Chicago From Progressive Misrule?



CROSS COUNTRY  
By Collin Levy

The Windy City is in unusually bad shape. Crime is up but the statistics don’t capture Chicagoans’ true concern about the collapse of public order. Taxes are high, pensions are underfunded, businesses are leaving, and unions are gaining unprecedented power in a city they already dominate. So it’s hardly a surprise that the mayor’s race has become a free-for-all.

Nine candidates, including incumbent Mayor Lori Lightfoot, are trying to distinguish themselves on the big issues of troubled schools, city finances and law enforcement. Their platforms are a progressive punchbowl. One candidate wants a tax on the suburbs; another proposes a “public bank.” But the issue that really matters is crime. Voters want to know: Is anyone here going to save the city from its slow-motion demise?

Three candidates—Ms. Lightfoot, former Chicago Public Schools CEO Paul Vallas, and U.S. Rep. Jesus “Chuy” Garcia—are currently in a dead heat for the lead, followed by Cook County Commissioner Brandon Johnson, businessman Willie Wilson, Alderman Sophia King and community activist Ja’Mal Green. The slate

will face off in a primary on Feb. 28. If no candidate wins a majority, the top two will compete in a runoff on April 4. The primary is technically nonpartisan, but in Chicago that doesn’t matter. All nine candidates are Democrats.

Ms. Lightfoot’s tenure has been marked by Covid and crime. Her combative personality was appealing when she was an outsider, but it has left her this time without a natural constituency. Her current approval rating is 22% among likely voters, and 71% think the city is on the wrong track, according to a WBEZ poll. In 2019 she won every ward in the city.

Those bleak numbers have created an opening for Mr. Vallas, a candidate whose positions on public order and city finances are a throwback to an earlier, more practical era of Chicago Democratic politics. His reputation as a budget guy and turn-around specialist with policy expertise, derived from stints running large school districts in Chicago, Philadelphia and the Recovery School District of Louisiana, earned him the endorsement of the Chicago Tribune, which called him smart and “unapologetically wonkish.”

Mr. Vallas’s rise in the polls to around 18% is reflected in the missiles now coming his way. Ms. Lightfoot says he isn’t speaking up enough on abortion (he’s pro-choice). Mr. Garcia says he is a conservative “wolf in sheep’s clothing.”

But nothing seems to stick. Since Jan. 1, Mr. Vallas has raised \$2.4 million, compared with \$829,000 for Mr. Garcia, \$751,000 for Mr. Johnson and \$739,000 for Ms. Lightfoot, according to political consultant Frank Calabrese.

Why? Residents are less preoccupied with the usual ideological flashpoints than they are with the sense that crime is spiraling out of control.

The city has gone downhill fast, but it isn’t clear voters are ready to turn the page on Lori Lightfoot.

Carjackings and retail theft are common, lotion is locked up at Walgreens and some neighborhoods have hired private security patrols. At the end of 2022, Michigan Ave., Chicago’s high-end shopping strip, had retail vacancies around 30%, says Cushman & Wakefield.

Ms. Lightfoot’s approach has been more defensive than constructive. In summer 2022, McDonald’s CEO Chris Kempczinski gave a speech affirming his company’s commitment to Chicago but noting that crime in the city is a “crisis” and high taxes are driving out other major companies like Boeing, Caterpillar and hedge fund Citadel. It was a cry for help, but Ms.

Lightfoot kicked sand in Mr. Kempczinski’s face, telling him to “educate himself” before he speaks.

In February she reached out to the business community, telling them they should “champion” the city and that she is open to more cooperation. That would make her a better second-term mayor, but it sounds like an offer of conciliation out of desperation. Who knows if she means it?

Mr. Vallas pitches himself as the law-and-order candidate with the slogan that “public safety is a human right.” He has done pro-bono work on contract talks for the Fraternal Order of Police and has the endorsement of the Chicago Police Union. Voters may wager he has a better shot at getting the city back on track than Ms. Lightfoot, who cut the police budget in 2020. Politically, she owns the crime wave.

The other big issue is the city’s public schools. The teachers unions, which supported Mr. Garcia in 2015, have this time put their money behind Mr. Johnson, a former teacher. Since joining the race in October, around 97% of Mr. Johnson’s roughly \$2.4 million in contributions have come from the American Federation of Teachers (of which the Chicago Teachers Union is Local 1) and the Service Employees International Union.

If he doesn’t make it to the runoff, and Mr. Garcia does, count on the CTU support flowing Mr. Garcia’s way.

The teachers’ contract is up for renegotiation in 2024, so this year’s campaign money is meant to ensure they will be negotiating with a friendly mayor. A new contract could set conditions for five years or even longer.

The most under-discussed issue of the race is the city’s finances and public pensions, which are among the worst funded in the nation, according to the Illinois Policy Institute. But fixing that will require great relations with Illinois Gov. J.B. Pritzker and a first-rate ground game in Springfield. Ms. Lightfoot has neither.

Have Chicagoans had enough of progressive misrule? Might they finally turn to a centrist Democrat to put an end to the crime and disorder that is ruining civic life? Over the years, blue cities like Seattle, Los Angeles and New York have episodically swung to the center. But only when things got so bad that progressivism’s bold promises and good intentions were no longer believable.

A new Lightfoot campaign ad includes footage from a 2009 interview with Mr. Vallas saying. “I’m more of a Republican than a Democrat. . . . If I ran for public office, then I would be running as a Republican.” In most years, this would be a ticket to political oblivion in Chicago. In 2023 it could be the kind of change the city chooses—and needs.

Ms. Levy is a member of the Journal’s editorial board.



REVIEW & OUTLOOK

Biden’s 2025 Tax Agenda

After the November midterm election, President Biden was asked what he would change in his last two years. “Nothing,” he said, and on Tuesday he proved it by re-proposing his Build Back Better agenda in different form. This includes more enormous tax increases that he couldn’t get through even a Democratic Congress.

Start with a reprise of his “billionaire minimum tax.” This is a version of Sen. Elizabeth Warren’s tax on wealth that voters rejected in the 2020 Democratic primaries. “No billionaire should pay a lower tax rate than a school teacher or a firefighter,” the President said with no further explanation. Allow us to fill in the details that Mr. Biden didn’t.

For starters, it isn’t a billionaire tax and it isn’t an income tax. It would apply to households worth more than \$100 million in accumulated assets, and its target is wealth. The version the President first proposed in his 2023 budget outline would claim a minimum of 20% from high earners’ “total income,” a contrived term that includes unrealized capital gains on top of actual asset sales.

This means that if your assets rise in value during a year, you will pay taxes on that increase even if you realized no actual gains through a sale. If you lack the ready cash, you might have to sell assets to pay the tax bill or pay later with interest. If your assets fell in value, you would not be able to deduct the full loss from your overall income. Heads the government wins, tails you lose.

The proposal also flouts the Constitution, which says Congress may only impose “direct taxes” if they are apportioned among the states according to their population. The Sixteenth Amendment lets Congress tax income that is “derived” from a “source,” which implies a realization. In precedents going back to 1920, the Supreme Court has never found that the income tax applies to unrealized gains.

New taxes like this also tend to expand beyond the low initial rates that their authors use to get them passed. So it is with the President’s new plan to quadruple the 1% tax on corporate stock buybacks. That 1% came into effect only this year.

Progressives and Florida Republican Marco Rubio have made a bogeyman of buybacks, which businesses use to return profits to shareholders. Chevron CEO Mike Wirth recently defended a \$75 billion buyback after President Biden condemned the company for, well, turning a profit. “We delivered on our financial priorities,” Mr. Wirth said. “Returning cash to shareholders, investing capital efficiently, and paying down debt.”

A 1% tax is unlikely to stymie buybacks, but at 4% the disincentive bites harder. Companies might increase dividends as an alternative—at least until Congress raises the 23.8% dividend tax rate. Some companies will resort to making investments with marginal returns, or let the cash pile up rather than invest it. That will hurt economic growth.

The larger Democratic goal here is more political control over private capital. Mr. Biden said the enlarged buyback tax would “encourage long-term investments” instead of returns to investors. When it comes to Chevron and other energy companies, “long-term investments” is code for shifting money toward the green agenda.

Mr. Biden wants more revenue because he’s also proposing trillions of dollars in new social spending. The President pledged Tuesday to “restore the full child tax credit,” a benefit that Democrats temporarily raised to as much as \$3,600 per child in 2021. In addition to eliminating up to 300,000 jobs, the full credit would cost about \$1.6 trillion in a decade, according to the Tax Foundation.

Mr. Biden knows that none of this can pass a Republican House, or even come close to getting 60 Senate votes. So why propose it?

The answer is that this is what he plans to campaign on in 2024 and what he would try to pass in 2025 if he wins. His tax campaign will also help to deter a primary challenge from the political left, as the State of the Union cheers from Ms. Warren and Sen. Bernie Sanders attest. Mr. Biden this week revealed his 2024 campaign strategy in plain sight, and when it comes to taxes, voters can rest assured he means to raise them.

This time, Biden wastes no time shooting down a flying foreign intruder.

The U.S. military shot down what the Pentagon and White House called an “object” flying over Alaska on Friday, and what fresh interloper is this? The details were few by our deadline, but say this of the incident: The Biden Administration sure seems more awake to threats to the American homeland, no doubt informed by the blowback after last week’s Chinese spy balloon imbroglio.

The Administration on Friday wasn’t saying what the downed object is, where it may have come from, or what it was doing. The Administration said it became aware of the flying mystery on Thursday night, and U.S. pilots sent to take a look concluded it wasn’t manned. An F-22 fighter jet took down the object, which is roughly the size of a car, and it fell onto frozen water in U.S. territorial waters.

The Pentagon says the object posed a potential threat to commercial air traffic flying at about 40,000 feet, unlike last week’s spy balloon at roughly 60,000 feet. But that alone can’t explain the sudden sense of urgency. A Biden excuse for waiting to take down the balloon was to let the Pentagon track it and gather intelligence. A Pentagon official said in a hearing on Capitol Hill this week that another rea-

son not to pop the balloon while it was over Alaska was to avoid a recovery in potentially deep waters or areas with ice cover.

But now the Administration is taking no chances, either military or political. The White House seems to have underestimated the bipartisan political anger at allowing a Chinese spy craft to wander over U.S. military sites for days before it was shot down.

“I don’t want a damn balloon going across the United States when we could have potentially taken it down over the Aleutian Islands,” Montana Democratic Sen. Jon Tester said this week. (He’s up for re-election in 2024.) A resolution condemning China for violating U.S. sovereignty sailed through the House 419-0, in a body that can barely agree on renaming post offices.

The pity is that the Biden team appears to be slapping the word “classified” on details that might educate the public about the balloon. Wisconsin Sen. Ron Johnson was right when he said recently that a fundamental U.S. advantage over its adversaries is that we are an “open society,” and Americans are right to want to know more about these back-to-back visitors to U.S. airspace.

been labeled a ‘white supremacist.’”

The accusation appears based on parent protests in Fairfax County, where a right-wing activist appeared and flew flags. Activists did the same to Glenn Youngkin’s campaign rallies in 2021 until he kicked them out. “To even suggest that I—as a Hindu woman of color—would support white supremacy is so absurd that it can only be part of a deceptive character assassination campaign,” Ms. Dutta said.

But the accusation serves a political purpose. A Parent Power Index by the Center for Education Reform that ranks states by how much they empower parents in education gives Virginia an “F,” ranking it 45th in the nation. It has a mere seven charter schools compared to 51 for neighboring Maryland and 135 for the District of Columbia.

Gov. Youngkin is asking the Legislature to approve \$50 million for his lab-school initiative, which would let colleges and universities help to run K-12 schools. But Democrats recently blocked four Republican bills to establish state-funded education savings accounts that could be spent on private tuition. These accounts are spreading in other states around the U.S. and are popular.

Mr. Youngkin will have to take the fight to Senate Democrats if he wants to fulfill his promise to empower parents. The shameful defeat of Ms. Dutta is a reminder that the political opposition’s goal is not racial diversity but ideological conformity.

LETTERS TO THE EDITOR

Government, Capitalism and Customer Service

How enjoyable to hear from both Peggy Noonan (“Our Political Parties Are Struggling,” Declarations, Feb. 4) and George Will (Weekend Interview by Barton Swaim, Feb. 4) regarding the state of American conservatism and its party.

Mr. Will offers a reasoned apology for limited government, with its attendant social and economic freedoms. Ms. Noonan, on the other hand, urges Republicans to give up advocating limited government. Rather, following the fashionable trend, she encourages the GOP to “help families.”

In America, limited government is inherent to conservatism—and to helping families. The limit to government power is one of conservatism’s well-defined tenets, one from which much flows, including the Bill of Rights,

sanctity of life, parental autonomy, free markets and minimal taxation.

JOHN C. RAMSEY  
Carmel, Ind.

Mr. Swaim quotes this gem from the sage of the Washington Post: “What’s the first thing you hear when you walk into a store? ‘How may I help you?’” Mr. Will apparently operates under the delusion that free-market competition gives every shopkeeper an incentive to be helpful. The rest of us know that rapacious, unrestrained capitalism, in which the biggest corporations are free to demolish their competitors, has brought us to a time when service and shopkeepers are as scarce as buggy whips.

DAVE STROBLE  
Burlington, N.C.

Lawyers Win Big From Bankruptcy Decision

In his letter “Johnson & Johnson Was Abusing Bankruptcy” (Feb. 9), Prof. Adam Levitin fails to mention the underlying opinion of Chief Judge Michael Kaplan of the U.S. Bankruptcy Court for the District of New Jersey. Judge Kaplan found that the creation of LTL Management to handle J&J’s talc liabilities was “unquestionably a proper purpose under the Bankruptcy Code.” Like Mr. Levitin, Judge Kaplan has labored for years almost exclusively in the bankruptcy field.

Faced with tens of thousands of lawsuits based on junk science, LTL sought proper relief through the bankruptcy process. This process is far more efficient in resolving cases than resorting to individual trials in courthouses around the country.

Instead, the Third Circuit Court of Appeals decided that LTL hadn’t reached some arbitrary level of financial distress and returned over

40,000 claimants to an overburdened and inefficient civil justice system. LTL offered its assets to resolve these claims, but the court’s decision seems to penalize the company for doing so. Resolution of these claims will now take decades to complete, at great expense to all parties. The only true winners here are the trial lawyers, who will earn millions in fees and expenses over the next several decades.

It is worth remembering how LTL ended up in this situation to begin with: A pervasive culture of lawsuit abuse and a robust trial-lawyer play-book drove the company to seek bankruptcy protection. The Third Circuit’s opinion is befuddling and likely to cause confusion in other courts, while guaranteeing the trial bar years of lucrative work.

SHERMAN JOYCE  
President, American Tort Reform Assn.  
Washington

Imagining a Very Different State of the Union

Regarding your editorial “The State of the Union Contradiction” (Feb. 8): Just once, I would like the president to start his State of the Union address by saying, “I am not proposing any more government programs. Instead, I am going to focus on making the existing federal programs work.” Wouldn’t that be refreshing?

THORNTON WAITE  
Idaho Falls, Idaho

I disagree that “the fentanyl scourge isn’t [Mr. Biden’s] fault.” He is responsible for the chaos at the southern border, allowing 4.9 million illegal aliens to enter the country on his watch. Nearly a quarter, 1.2 million, of those are “gotaways.” Mr. Biden’s policies have created open-border conditions that are conducive to

the smuggling of drugs. Border Patrol agents, undermanned and over-worked, are too busy processing those who want to be caught, allowing the drug cartels to rule the border between the ports of entry.

PAUL W. GARD JR.  
Westminster, Colo.

You write that “the President’s biggest problem is that all of his legislative victories haven’t delivered the benefits he promised.” Like most, President Biden measures government programs by their inputs, not their results. We usually have no idea how effective our social programs are because they have no measures of success.

FRANK WIEGAND  
Norfolk, Va.

An All-the-Above Strategy for Crime Reduction

Protecting the public is my top priority, which is why I share many of the concerns and experiences detailed in “Juvenile Crime Surges, Reversing Decline” (Page One, Jan. 24). The number of juveniles killed in Denver by other juveniles is shocking and unacceptable. Guns are everywhere, and the thought of 13- and 14-year-olds running around with handguns is terrifying.

My office is now charging more juveniles as adults because their cases warrant that level of prosecution. I disagree, however, with the article’s statement that “some prosecutors and law-enforcement leaders argue that the shift away from a more punitive approach for juveniles toward intervention programs and rehabilitation has gone too far and corrections are needed.”

Dedication, collaboration and education are key to solving this problem. We need to get these kids on a better life path before they land at my doorstep. Our juvenile unit works with the community and court system to provide alternatives for youth. We expanded our juvenile diversion program to include restorative-justice circles. Denver also launched the handgun intervention program, which is focused on kids who are charged with gun possession and is designed

to interrupt the behavior that causes them to believe they need a gun. While that program is young, the results are encouraging.

We shouldn’t go back to the failed days of only being tough on crime. Rather, we should embrace intervention and rehabilitation in addition to tougher charges depending on the facts of each case.

BETH MCCANN  
District Attorney of Denver

Paying for a Green Future

Chris Knopf writes to support a ban on mineral mining near the Boundary Waters Wilderness area of Minnesota (Letters, Feb. 8). While I have sympathy for his argument, it raises the question: Where will the minerals come from that are needed to create a massive increase in the production of solar panels, wind farms and electric cars? If mining can’t be done in an ecologically sound manner here in the U.S., what is the ecological and human cost that we will impose elsewhere, on the places where this mining is done?

ANN KOSOBUD  
Indianapolis

Pepper ... And Salt

THE WALL STREET JOURNAL



“I respect that you’ve chosen to be happy. But I’ve chosen to worry about the national debt.”

A Tale of Two Governors

In “School Choice Is Sweeping the Nation From Florida to Utah” (Cross Country, Feb. 4), Jeb Bush lauds school-choice progress around the country. Mr. Bush names not fewer than seven governors who have supported school choice, plus himself, the speaker of the Florida House and two state superintendents, but somehow he never mentions the current governor of Florida, Ron DeSantis. I wonder why.

H. DANIEL SMITH  
Omaha, Neb.

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OPINION

# Biden’s Speech Was Trumpian



**DECLARATIONS**  
*By Peggy Noonan*

**N**eed a little wisdom, call a veteran of the old wars. Stuart Spencer, 96 next week, ran Ronald Reagan’s campaigns for California governor in 1966 and 1970, and his presidential campaigns in ’80 and ’84. He was sort of the first political guru and good at his job. Give me a read on things, I asked. He was on the phone from his Palm Desert home. “Biden’s got a lot of problems but I thought he did well,” Mr. Spencer said of the State of the Union address. “He answered the questions of age and health. He was vigorous, almost feisty. The number one problem he has is his age, but he did a masterful job of showing his energy.”

**He was deft and merry, and the GOP foolishly took his bait. The president had a good night.**

He does not see Biden facing a presidential primary challenger. “Their problem is Kamala Harris. She’s an absolute, total lightweight. She doesn’t have the touch.” The touch is that indefinable thing that makes people like you, root for you, sense some magic in you. “Some people have it and some people don’t.” California politicians in both parties, he says, were shocked when Biden chose her as vice president in 2020. What to do about Ms. Harris? “It’s a real problem. Biden has to show leadership on it and let the party know what he wants—and enforce it. It’s a messy situation but Biden has to be involved in it. He’s gonna have to decide.”

As for the Republicans, “They’re not in a good position. As long as Trump is the reality, it hurts us. He has a personal following, not a party following.” Mr. Spencer has opposed Donald Trump since the beginning. This year he thinks Mr. Trump will face primary opposition. Potential Republican aspirants once feared him. Not now. “They’re not afraid of Trump. They think he can be had. I don’t think Trump has the strength he had last time. He was unbeatable in 2016. He’s not unbeatable now.” The party must watch who it replaces him with. A threat is “the Trump imitators.” “To be a demagogue” in America, “is not difficult,” Mr. Spencer says. “You get a lot of action.”

“A demagogue politically is someone who takes any given issue and beats it to death, and the facts aren’t important, it’s all positioning themselves. It’s all Johnny One Note.” “The key to their success is anger, and they call on your anger. And people are angry these days about a lot of things.”

My read on Biden’s speech: It was the most effective of his presidency and for interesting reasons. Its first purpose was to demonstrate to his party that he’s in charge and formidable. He did that. The second, in my read, was to present himself in a new way to voters, especially those in the middle, and especially old Democratic constituencies. I think he did himself some good there.

Some are saying they heard a lot of Bernie Sanders in the speech. I don’t think that’s the headline. The first hour, which contained the parts Mr. Biden’s people wanted the audience to pay attention to, was Trumpian. There was little in it Donald Trump wouldn’t have been happy to say.

Mr. Biden opened with a portrait of decades of economic ruin. The “hollowed out” middle class lost “good paying manufacturing jobs.” “Factories closed down.” “Once



JACQUELINE MARTIN — POOL VIA CNP/ZUMA PRESS

thriving cities and towns . . . became shadows of what they used to be.” He evoked the “forgotten,” the “invisible” left behind by 40 years of globalism. “Remember the jobs that went away. You remember them, don’t you? The folks at home remember them.”

This was classic American carnage. “Where is it written that America can’t lead the world in manufacturing?” “For too many decades we . . . exported jobs.” He’s offering “a blue collar blueprint to rebuild America.” “We’re going to buy American.” “American roads, bridges and American highways are going to be made with American products.”

On it went. Merrily, to those Republicans who didn’t vote for his infrastructure bill but now request funding, “I promised I’d be a president for all Americans. . . . And I’ll see you at the groundbreaking.”

This was great stuff. You can say Mr. Biden fibbed, misled and exaggerated, and you wouldn’t be wrong, but in rope-a-doping Republicans on Medicare and Social Security he showed real mastery. “Some Republicans—some Republicans—want Medicare and Social Security to sunset. I’m not saying it’s the majority.” When they catcalled and booed he

said he was glad to see it—“I enjoy conversion.” I don’t care how planned that line was, it was good.

“So folks, as we all apparently agree, Social Security and Medicare is off the books now, right?” He meant off the table. “All right. We’ve got unanimity.”

The Republicans, as we all know, made a mistake in taking his bait. They should have laughed. Instead, when he painted them as dogs they barked and snarled. Much has been made of Marjorie Taylor Greene and her grimacing and jeering. In her flamboyant fur-collared jacket she was compared, on social media, with Cruella de Vil and late-stage Sharon Stone in “Casino.” That was unkind. She seemed to me more like the colorful Belle Watling, although without the kindness and dignity.

The screaming Republicans are a problem for the party because few national voters feel safe transferring power into their enraged hands. They hurt their own causes but they help themselves. In being portrayed as at the center of the drama they seem important and are mistaken as sincere, which helps them raise money from the small donors they

gull in internet solicitations. They’re not going away any time soon. Mr. Biden seemed to enjoy toying with them. Future Democratic presidents will, too. Only after all that, as the speech entered a second hour, did Mr. Biden get to the things he didn’t really want to talk about. These topics included illegal immigration, on which he was disingenuous and removed from reality, China, on which he repeated policy without saying the word balloon, abortion, on which he was rote and trite, and “transgender young people” on which he said something no one will remember because no one was listening. There was never any suggestion that progressive policies exist, or that the woke wars continue.

In terms of personal positioning I felt he was trying to beat back against some rising perceptions that he’s rather a more fancy fellow than he pretends. In her recent memoir, his former daughter-in-law pointed out his Greenville, Del., house had a ballroom. A subliminal note of the speech seemed to be establishing something like this: “Hey, buddy, I’m not a sleazeball hack with mysterious mansions, I’m not ‘the big guy’ in Hunter’s emails, I’m a regular fella.” I imagined him saying, “As my father always told me, ‘Joey, never let them see your socks are silk.’ Wait, I got that wrong. He told me, ‘Son, never look down on the little guy, and never be one, either.’ Sorry, my father used to tell me, ‘Joey, work hard and trust the Lord.’ ”

There were clichés—“we’re writing the next chapter in the great American story,” “to restore the soul of this nation”—but they had the effect of making the speech sound more sincere.

It was more deft, more merry, and more up for the game than we’ve seen him. We’ll see if it lasts. But he had a good night, and it will likely have some effect on how 2024 shakes out.

## DEI Spells Death for the Idea of a University

**By Matthew Spalding**

**T**he first object of government, James Madison tells us in Federalist 10, is the protection of “the diversity in the faculties of men.” By diversity, Madison meant different opinions to be encouraged to preserve liberty. Equity is an ancient legal concept of justice in particular cases, developed over centuries of English common-law practice. Inclusion simply means to make a part of, as in defining a mathematical set by what it does and doesn’t include.

All good words with respectable origins. Yet in true Orwellian fashion, they have been redefined.

Diversity is no longer a term to describe the breadth of our differences but a demand to flatter and grant privileges to purportedly oppressed identity groups. Equity assigns desirable positions based on race, sex and sexual orientation rather than character, competence and merit. Inclusion now means creating a social environment where identity groups are celebrated while those who disagree are maligned.

“Diversity, Equity, and Inclusion”—the compound form of these modern concepts—is especially toxic. It divides us by social identity groups, ranks those groups on privilege and power, and excludes those who fail to honor the new orthodoxy. Rather than being equally endowed with innate dignity and fundamental rights as human beings—best judged by our character and not skin color—we are supposed to discriminate and confer status based on race, sex and cultural affinity.

This isn’t merely a conceptual problem. DEI initiatives have proliferated in higher education. There are offices, deans and vice presidents of diversity, equity and inclusion at most colleges and universities, such as New College of Florida, where I have recently been

appointed a trustee. One review of top universities found an average of 45 DEI staff members at each school (about one DEI staffer for every 30 professors). Another study found that 20% of academic job postings require DEI statements as a requirement of employment or promotion.

College is a partnership between faculty and students focused on learning and pursuing knowledge. It’s ultimately about the enduring question of human flourishing. Freshman orientation shouldn’t be a re-education session. DEI may be the heart of the woke movement, but it deadens the academic mind.

A recent report from the National Association of Diversity Officers in Higher Education speaks of “creating a framework for diversity officers to advance anti-racism strategies, particularly anti-Black racism, at their respective institu-

tions of higher education.” How? Through curriculum and pedagogy for sure, but also through admissions, campus culture, institutional structures, policies, hiring, promotions and employee training. In short, everything.

**Wherever this agenda is allowed to take root, free expression and academic integrity are doomed.**

To be clear, we aren’t talking about a particular department or faculty here, or the departments doing scholarly research or teaching classes as part of the curriculum. Nor is this about the regular practice of assuring compliance with civil-rights laws or creating

reasonable outreach programs. One can disagree and debate those within the collegial context, where different views are encouraged and protected under the aegis of academic freedom. But DEI is an effort within the administrative authority of the college to shape the whole institution and all its activities consistent with its ideology.

When coming from the college’s administration, DEI practices essentially gatekeep entry to college faculty, staff and students. Requiring DEI statements as part of the faculty employment process dissuades those who think otherwise from even applying. It stifles discourse by keeping dissenting viewpoints from campus in the first place.

College DEI training programs discourage the open and candid discussion necessary for intellectual growth. They exacerbate divisions between groups, creating an envi-

ronment of tension, fear and one-mindedness, and they have the pernicious effect of closing minds and shutting down thoughtful debate even before classes begin.

DEI attacks the integrity of the academic project. Instead of listening to divergent voices, ears are shut. Instead of the free expression of contrary opinions, chilling self-censorship takes place. Instead of a campus open to all, one finds a narrow doorway through which only an approved few may enter. If the right pieties and homilies aren’t made, ostracization and exclusion become the norm rather than the exception. Unanimity, inequality and exclusion—Orwellian indeed.

*Mr. Spalding is vice president of Hillsdale College and dean of its Van Andel Graduate School of Government in Washington.*

## Actually, the Press Was Not All Bad on Collusion



**BUSINESS WORLD**  
*By Holman W. Jenkins, Jr.*

Likewise, hardly unrealistic were FBI fears of Russian influence given a Trump campaign “full of naive, inexperienced and unvetted individuals,” as I put it in 2017. If an investigation was opened on a thin basis, as we later learned, so what? Such investigations are meant to proceed confidentially. They are presumably dropped without harm to innocents if nothing materializes.

And the fact remains: Mr. Trump won. Mrs. Clinton was the candi-

date complaining that improper FBI actions cost her the race.

But also flawed is the claim that Russian actions may have affected what was, after all, a tiny 77,000-vote outcome in three states. The flaw is the difference between net and gross. A deluge of innuendo on cable TV about his Russian ties certainly cost Mr. Trump more votes than any Russian dabblings on social media might have gained him. The disconcerting corollary: If Russia had not been a topic in the campaign, Mr. Trump would likely have won with a bigger margin.

Now comes a five-part series by the former New York Times reporter Jeffrey Gerth in the Columbia Journalism Review, demolishing the media’s performance on the collusion story.

His indictment has called forth a torrent of evasions. Mr. Trump was bad on Russia, goes a rejoinder, so the merit of particular allegations doesn’t matter. This is lame journalistically and also falsifies certain complexities: Mr. Trump may have indulged doty notions about Russia but he increased arms for Ukraine, opposed the Nord Stream pipeline and obliterated a Wagner force operating in Syria.

Mr. Trump was the most known person ever to run for president. He spent 35 years advertising his merits to the American people. Turning him into a secret Russian agent was a revelation, all right—of how weak-minded certain media personalities are, how easily managed by their “sources.”

Mr. Gerth reproduces points from this column over the years, from the misconstrual of “126 million” alleged recipients of Russia facebook

ads, to the work of the Harvard’s Berkman Klein Center for Internet & Society, which concluded that the Kremlin’s real success was convincing the media to exaggerate the Kremlin’s success.

Then there’s the Steele dossier. Anybody can say anything; to a reporter, a single substantiated claim is usually worth an infinity of unsupported claims. One fully substantiated story was staring reporters in the face: a paid foreign agent circulating evidence-free allegations on behalf of the Clinton campaign.

**A 134-year-old news organization upheld the righteous standards of a free and honorable media.**

Lacking only was the imagination to see that the real story wasn’t the one the “source” Christopher Steele was peddling. This deficiency tells you everything about the psychological milieu of today’s press corps.

But it’s also true collusion only took off when the FBI legitimized the dossier as “news” in a way that allowed the press to revel in its allegations without caring whether they were true. To this day, Rachel Maddow’s best defense is, Hey, I’m not a reporter, I’m a performer. What followed wasn’t hysteria or psychological contagion, the so-called Trump derangement syndrome. It was a business decision. CNN and MSNBC didn’t become intoxicated with a story and go overboard. They were straining after

clicks and ratings.

Let me end with a gentle pitch. While it’s great to have Mr. Gerth’s detailed retrospective, retrospect is too late to influence events. The real-time skepticism of writers on these widely read and skillfully edited pages at least balanced the scales while events were happening. Mr. Gerth has his reasons for preferring to notice leftwing collusion skeptics Matt Taibbi, Aaron Maté and Glenn Greenwald, whose names he might have first learned in this column, but there was a 134-year-old, large circulation, highly creditable news organization that upheld the righteous standards of a free and honorable press.

Lately I’ve tried reader patience with the Leonard Benardo emails. Mr. Benardo is guilty of nothing but his emails were foundational to the FBI meddling in 2016 that likely actually tilted the race. Special Counsel John Durham reportedly has finally opened this can of worms, illustrating one more upside-down reality of the Trump era, replete also in Mr. Gerth’s pages. Mr. Gerth’s account is almost entirely built on the work of public servants like Mr. Durham, the Justice Department’s Michael Horowitz and even the flawed Robert Mueller, whom Americans have relied on for truths they won’t get from a disingenuous and incurious news media.

One final point: The role of the FBI notwithstanding, Mr. Trump did win in 2016 and his voters had a right to expect elites to respond in a mature and constructive way to the election outcome. The sin our media will never be able to expiate is destroying the legitimate hopes of 63 million voters.

### THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

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SPORTS

Mahomes Is a Half-Billion Dollar Bargain

The Chiefs signed their star to a mega contract. They’re back in the Super Bowl because he’s still undervalued.



DAVID EULITT/GETTY IMAGES

Patrick Mahomes has led the Kansas City Chiefs to the Super Bowl in three of the past four seasons.

By Andrew Beaton

*Phoenix*  
The last time the Kansas City Chiefs won the Super Bowl, they didn’t have much time to celebrate before they had to answer a question that would determine the team’s future: How much would they have to pay Patrick Mahomes?

The price of keeping their phenomenal young quarterback turned out to be a 10-year deal potentially worth more than \$500 million, a contract that was unprecedented in size and scope.

That deal in 2020 was exactly the sort of decision that could have handcuffed the Chiefs. When NFL teams devote a huge part of their salary cap to one star player, it usually becomes almost impossible to afford a quality team around him.

But this season’s trip to the Super Bowl to play the Philadelphia Eagles has proven that Kansas City is receiving an incredible return on its investment. Patrick Mahomes is a half-billion dollar bargain.

The Chiefs’ window to win championships didn’t close when they had to start handing him gobs of money every season. Instead, locking in Mahomes for so long allowed

them to craft a plan that has kept it open—and he has continued playing like the best football player on the planet even with a weakened supporting cast, which was validated when he was crowned most valuable player on Thursday night.

“That’s really the main advantage: We know that we have Patrick Mahomes,” says Chiefs owner Clark Hunt.

Every NFL team is a complicated economic puzzle. Teams have to figure out where and how to allocate resources to 53 players who need to fit within the league’s salary cap. The biggest advantage any team can have is having a big-time quarterback who’s still on a rookie deal because they’re earning far less than they’re actually worth. Jalen Hurts, whose contract pays him \$1.5 million annually, represents enormous surplus value for the Eagles.

During the early days of Mahomes’s career, the Chiefs were able to exploit that inefficiency by bringing in expensive, talented veterans like defensive lineman Frank Clark and signed safety Tyrann Mathieu. They could afford to do this because Mahomes was a star who they didn’t yet have to pay like one. When they won the Super Bowl three years ago, players like Clark and Mathieu were key players.

In the months after that title, the Chiefs took steps toward signing Mahomes for the long term. The only anxiety over handing him such a lucrative deal was that the future of the NFL was unsure after Covid-19 ground sports to a halt.

“There was so much uncertainty around the league. We were all dealing with the unknown,” Hunt says. “We knew that we wanted Patrick as our long-term quarterback.”

The ramifications of what was then a novel coronavirus were so important because it was inevitable that the pandemic would damage the NFL financially, and the league’s salary cap is tied to revenue. So as the league raked in more money over the years, teams were allowed to spend more money on players. From 2012 to 2020, the cap for each team jumped from \$120.6 million to \$198.2 million.

But with teams playing in often empty or half-full stadiums, that was bound to regress, and any deal they signed Mahomes to would look different depending on where the cap went over the ensuing years.

With a lower number, he would consume a higher percentage of the money the Chiefs are allowed to spend.

“If it goes up what we think, we’re OK. If it goes up more than we think, we’re really OK,” says Chiefs president Mark Donovan. “And if Patrick is as good as we think, then we’re *really really* OK.”

The cap went down the next season, but that didn’t matter. The big bucks from his contract extension hadn’t kicked in yet.

What was important was whether it would rebound—and it did. From 2021 to 2022, it leapt from \$182.5 million to \$208.2 million. Next year, it will be \$224.8 million. That figure is expected to keep rising over the coming decade after the NFL struck a rich new round of media rights deals.

Even so, the tens of millions the Chiefs committed to Mahomes annually still left them without the same flexibility they once enjoyed. They couldn’t splurge like they used to. Kansas City faced the risk of becoming yet another team whose run of success sputtered when its quarterback couldn’t continue to carry

**64-16**  
Mahomes’s regular-season record as a starting QB in the NFL. He is 10-3 in the playoffs.

Jason Gay

Larry Csonka: Still Perfection



Larry Csonka. Has a name done a better job describing a football player? The Ohio-born Miami Dolphins full-back, aka “Zonk,” smashed and strong-armed his way through a Hall of Fame career which included the magical undefeated 1972 season—*still* the only Super Bowl champion to go unbeaten. Now 76, Csonka is splitting time between Florida, North Carolina, and his beloved Alaska, an author of a recently published autobiography (“Head On”) keeping fit and staying connected to the hard-nosed game he helped define. This interview has been edited and condensed for clarity.

**Here we are, a half-century later, and the ‘72 Dolphins remain the only undefeated season Super Bowl winner. Are you surprised?**

Pleasantly surprised. Right after we finished the Super Bowl, [Dolphins safety and MVP] Jake Scott looked at all of us. We had been so busy under the powerful thumbs of our head coach [Don] Shula, trying to play perfect football, and coming close. There was a moment of silence and he said, “I don’t think any of us realize what we just did.”

We were proud of what we did, but we were prouder of winning the Super Bowl. That was our objective.

**In your book you note that Shula had a premonition you might be the last to ever do it, because it’s just so hard to go wire to wire.**

To be awarded the [NFL’s] No. 1 team in the first 100 years of the league is quite an honor.

To have a team that cares more about winning than personal rec-

ognition...think about what’s going on today, how much the identity of a team comes down to four or five people. In ’72, the identity of the team was the *team*.

They talk about us being bitter old men and guarding against our record. We’re competitive old men, but we’re happy old men. We’re sitting on top of the mountain eating an ice cream cone, watching everybody else come up and fall backwards. Some get very close!

**You began your football life as a defensive star. It’s what got you to Syracuse. How did playing defense shape you as a runner?**

Well, back in the ‘50s and ‘60s, before there was open substitution, *everybody* was an offensive and a defensive player. I aspired to be a running back having watched Jim Brown in Cleveland. I snuck into a couple of Browns games on the back of a delivery truck. But as a high-school player I was much better as a linebacker.

The changeover came at the hands of [Syracuse coach] Ben Schwartzwalder, who coached Jimmy Brown. If I was ever going to have a shot as a power back, that’s where power backs came from. Ernie Davis, Jim Brown, Floyd Little. [Schwartzwalder] gave me his word that he would take a look at me to do that. I played a game in my freshman year, toward the end, I think against Navy, and ran the ball quite well. And that kind of made up his mind up.

**The physical style that you played with, in which you were not just delivering punishment, but seeking it out....Is there anyone in today’s game that reminds you of your style?**

I think there’s a few running

backs they call “power backs” because of their size.

But when you talk about how I played the game: You have to understand that I was in a ball-control offense. The only team that even shows any glimpse of that today is probably Philadelphia, where there’s synchronicity between the offensive line and the running back.

**In the book, you are very direct about the long-term health effects that players have had postcareer. Has that changed the way that you look back upon the game?**

Well, had we known. Now, we know, so it has to be changed, and the change is justified.

But at the time, we didn’t know that. It was a thing where, if you got knocked a little senseless, it was like, *Shake it off*. We didn’t know how serious it would be later on, obviously, or we would have changed things. It’s a totally different game. Probably every 10 to 15 years, it changes.

Being allowed [back then] to knock a player off his feet until the ball’s in the air...my goodness! Think about the passers, the great passers through the ages. It would’ve been so much better if you couldn’t touch that receiver from the time he left.

**You’ve had this whole chapter of post-playing life in Alaska, as an outdoorsman, hosting a TV show. What did being outdoors do for you?**

Fulfillment. The Wild West was gone, but it still existed up in Alaska, where the bears still roam free and you can go and be in places where not many people have walked before you. I had a draw to that which was so strong. Had I not been offered scholar-



FOCUS ON SPORT/GETTY IMAGES

Larry Csonka played for the Miami Dolphins from 1968 to 1974 and 1979.

ships to colleges, I would’ve left on the first freighter going to Alaska. I don’t know what I would’ve done up there, but I would’ve gotten into the fishing industry or the hunting industry. I stand on top of a mountain or up on a foothill in Alaska, and look down at moose and grizzly bears in the river, and I feel at home.

**How is your health these days?**

I had a hip joint changed—or changed out to a metal joint—which is a lot of fun going through the airport. Wait until you get a metal hip and you go through the airport. [Laughs.] It’s great.

But I’ve increased my daily workout. I get up at about 4:30 a.m., 5 a.m. I walk about a mile

and a half every morning. I do a series of push-ups and stretches.

**How many push-ups?**

I did 25 this morning. I’d like to get back up to 50.

**Weights?**

I do more stretching than lifting. I do a little bit of lifting, but I do much more stretching and limbering kind of things than I used to. I used to work with weights much more.

**“Pliability.” That’s the big concept with athletes like Tom Brady today, right: Pliability.**

I used to be made out of steel and concrete. [Laughs.] Now I’m plastic. I go slower.





**Looming Issue**  
To get the most from AI, we'll need to trust it **B2**

# EXCHANGE

**13,000 Shows**  
The electrician behind the curtain at 'Phantom' **B5**



BUSINESS | FINANCE | TECHNOLOGY | MANAGEMENT

THE WALL STREET JOURNAL.

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Saturday/Sunday, February 11 - 12, 2023 | **B1**

DJIA 33869.27 ▲ 169.39 0.5% NASDAQ 11718.12 ▼ 0.6% STOXX 600 457.89 ▼ 1.0% 10-YR. TREAS. ▼ 16/32, yield 3.743% OIL \$79.72 ▲ \$1.66 GOLD \$1,862.80 ▼ \$3.40 EURO \$1.0679 YEN 131.40



EDOUARD JACQUINET FOR THE WALL STREET JOURNAL; GIOVANNI GIANNOINI/WWD/GETTY IMAGES (BELOW)

## Louis Vuitton's World Domination

The brand doubled sales in four years; its strategy is to be both exclusive and everywhere

By Nick Kostov

**L**ouis Vuitton constructed a vast makeshift warehouse in the courtyard of the Louvre to house its recent menswear show. K-pop fans trying to get a glimpse of star Jung Hoseok, better known as J-Hope from BTS, lined the streets.

The guest list was designed to attract global attention: Hong Kong pop singer Jackson Wang, U.S. rapper Tyga and Mia Khalifa, a Lebanese-born pornographic actress turned social-media influencer. J-Hope, Usher and "Emily in Paris" actor Lucien Laviscount took their front-row seats not far from Bernard Arnault, the chair-

Paris



Louis Vuitton's polka-dotted collaboration with Japanese artist Yayoi Kusama, top. Pop singer Rosalia, above, performed during the brand's recent menswear show.

man and chief executive of LVMH Moët Hennessy Louis Vuitton SA, together with his wife and four of his five children, all of whom work for the company.

The show started with a short coming-of-age film directed by movie director Michel Gondry and his brother, Olivier. Pop star Rosalia then climbed on top of a bright-yellow lowrider car in the center of the stage and delivered a set of rap, flamenco and pop. Models filed across the stage, in formal wear, in tracksuits, and plenty in between, many carrying bags.

Even by the standards of the fashion world, the show was an over-the-top spectacle—one that paid off handsomely for the company. The show generated more lucrative attention than any other brand during the Paris men's fashion week, according to industry analysts.

Please turn to page B4

## Problems Pile Up for New CEO At Adidas

By TREFOR MOSS

Adidas AG shares dropped 14% in Frankfurt after the German sports-wear giant warned it could swing to a loss this year following the termination of its Yeezy partnership with rapper Kanye West.

Adidas said late Thursday that it expected a sharp fall in sales for 2023 because of the impact of not selling existing Yeezy stock, and could post a loss if it failed to sell existing inventory.

The fallout from the rupture with Mr. West, who goes by Ye, is just one issue facing new Adidas Chief Executive Björn Gulden, who took the helm at the start of the year. The sneaker maker is grappling with other challenges including a tricky Chinese market and weak sales from a flagship collaboration with Beyoncé.

"The numbers speak for themselves. We are currently not performing the way we should," Mr. Gulden said.

A professional soccer player turned businessman, Mr. Gulden was tapped by Adidas late last year, touting his successful turnaround of crosstown rival Puma SE as well as his seven-year stint at Adidas in the 1990s.

At a January town hall meeting, the Norwegian introduced himself as an Adidas fan at heart who wants to restore the bond between the brand and its customers, according to people familiar with his remarks. Mr. Gulden said.

Please turn to page B2

## Tether Gets Wall Street Assistance For Portfolio

By Peter Rudegeair and Ben Folds

Billions of dollars in Treasuries that back the world's most traded cryptocurrency are being run on Wall Street.

Tether Holdings Ltd., the secretive Hong Kong-based owner of stablecoin tether, is using Cantor Fitzgerald to help oversee its \$39 billion bond portfolio, according to people familiar with the matter. Details of how Tether managed those assets haven't been widely known.

Tether has faced scrutiny and paid fines over how it manages and what it says about the assets underlying its stablecoin. It has tried to allay questions about its holdings by releasing reports from accounting firms. It began moving its reserves into the Wall Street brokerage in late 2021, around the time it reached a settlement with a regulator, one of the people said.

The securities are part of the \$69 billion of bonds, cash and loans that back tether, the third-largest cryptocurrency by market cap and most traded by volume, according to CoinMarketCap.com.

Tether's stability—each coin is always backed by a dollar—has been a key selling point.

Please turn to page B11

## Magic Mike's Magic Formula: Dancers Moms Will Love

What started as a self-funded movie with a \$7 million budget is now a \$500 million juggernaut. At live shows, the marketing is women's wellness.

By Ellen Gamerman

Miami

Magic Mike Live is a male strip show where men take off their pants the regular way—at the ankles, not ripped down a side-seam of snaps. The dancers give women roses, ask for slow dances, don't speak unless spoken to and scam if they start weirding anybody out, leaving only the scent of coconut, patchouli or some other essential oil in their wake. The full monty is not skin, but a sensitive guy talking to the crowd about consent. "Permission," he says. "Before you enter a lady's space, you should always know that you're welcome."

The language of empowerment and self-care is employed liberally at Magic Mike Live, a dance revue based on the 2012 movie starring

Channing Tatum. Mr. Tatum and Oscar-winning director Steven Soderbergh spent \$7 million to make that film, an almost-satirical look at the towel-snapping world of male strippers. Just over a decade later, Magic Mike is a more than \$500 million brand that spawned two more movies, live shows with yearslong engagements in Las Vegas and London, and a multicity North American tour that recently kicked off in Miami.

Magic Mike is making the surprising business calculation that male stripping, done in a certain way, can be marketed as wellness for women. The movie franchise is now aimed at women over age 35, a group more likely to sink \$200 into an antiaging cream than \$20 into a man's thong. Yet the brand's success has given rise to an un-

usual kind of live entertainment that blends the unleashed libido of a bachelorette party with the safety of a book club.

"I'd let any one of these guys give my mom a lap dance," Mr. Tatum said of the performers whose dance skills are more on display than their skin in a show that features pants and briefs instead of mesh tops and G-strings. He calls himself as floored as anyone by the brand's success. "If you told my 18-year-old self the crazy, circuitous route that I was going to take to land here, I would have been like, 'Man, your drugs are incredible.'"

The third film that opened this past week, "Magic Mike's Last Dance," is inspired by the live show, connecting the movie to the real version in the same feedback loop.

Please turn to page B6



Channing Tatum's work as a stripper inspired the first Magic Mike movie. The third one, 'Magic Mike's Last Dance,' just hit theaters.


PLASTIC PALMTREE - PHOTOS: WARNER BROS. PICTURES/EVERETT COLLECTION/MAGIC MIKE LIVE



THE SCORE

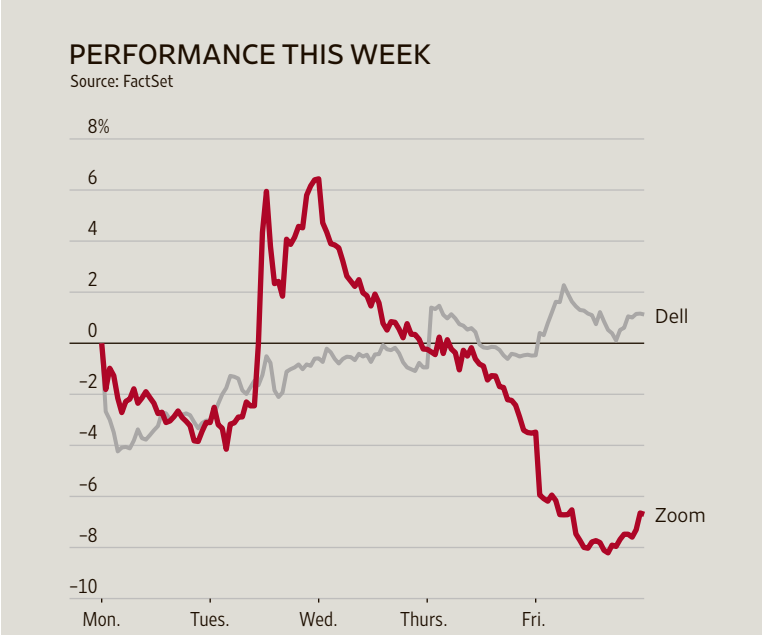
THE BUSINESS WEEK IN 7 STOCKS

ALPHABET INC.


 The artificial-intelligence war is heating up. Alphabet's Google unit and Microsoft Corp. on Tuesday unveiled rival AI-powered search features as companies capitalize on a wave of renewed excitement about the technology. The day before, Google also announced that its new conversational AI service, called Bard, was open to select testers. Bard will compete with OpenAI's popular chatbot ChatGPT, whose technology Microsoft is adding to its Bing search engine. The chatbot uses generative AI, which can produce new content from text to images. Alphabet shares **gained 4.4% Tuesday**.

BED BATH & BEYOND INC.

 Bed Bath & Beyond found a cushion to keep it out of bankruptcy. The Wall Street Journal reported Monday that the troubled retailer reached a deal with hedge fund Hudson Bay Capital Management to sell over \$1 billion of additional equity, diluting existing shareholders' stakes. The deal allows the company to avoid bankruptcy for now, as Bed Bath & Beyond missed interest payments to its bondholders after having its credit lines frozen. The retailer also said Tuesday it will shut dozens more stores as part of its plan to stay in business. Bed Bath & Beyond shares **plunged 49% Tuesday**.




ZOOM VIDEO COMMUNICATIONS INC.

 Zoom is cutting its connection to some workers. The videoconferencing company is laying off 1,300 employees, or 15% of its staff, as the work-from-home trend wanes. Chief Executive Eric Yuan also reduced his salary and is forgoing his bonus. Dell Technologies Inc. on Monday said it will cut more than 6,500 workers, or about 5% of its staff, as a slump in demand for PCs persists. Zoom shares **rose 9.9% Tuesday**.

WALT DISNEY CO.

 Bob Iger is hoping a new strategy will bring some magic back to Disney. In its first earnings report since Mr. Iger's return as chief executive, the entertainment giant on Wednesday posted a narrower loss in its streaming business and announced a major reorganization. The shake-up, which includes cutting 7,000 jobs and slashing \$5.5 billion in costs, will give more power to Disney's content executives and puts a greater emphasis on sports media. The next day, activist investor Nelson Peltz ended his proxy fight with the company. Disney shares **ended 1.3% lower Thursday**.


PEPSICO INC.

 Inflation-wary shoppers are still splurging on snack food. PepsiCo posted a better-than-expected profit in the latest quarter, with its Frito-Lay North America snacks business reporting a 25% increase in revenue. The company's prices on average rose 15% as PepsiCo aimed to offset rising costs including packaging, fuel and commodities such as cooking oil and seasoning. If inflation slows, price increases will follow suit, said PepsiCo finance chief Hugh Johnston. The company also said it plans to raise its dividend by 10% later this year. PepsiCo shares **added 0.9% Thursday**.

MATTEL INC.

 Mattel's holiday season lacked cheer. The maker of Barbie dolls and Hot Wheels cars said Wednesday that fourth-quarter sales fell 22% after cash-strapped consumers pulled back on spending. Stores overflowed with toys in the weeks leading up to Christmas, and eleventh-hour holiday purchases weren't enough to lift sales. Mattel expects elevated inventory levels to weigh on its results in the coming quarters. The results came after rival Hasbro Inc. recently warned that consumers pulled back on holiday spending. Mattel shares **dropped 11% Thursday**.

LYFT INC.

 A weak outlook for 2023 drove Lyft shares lower. Despite growing revenue, Lyft on Thursday posted an unexpected quarterly loss and said this quarter's revenue will likely come in below Wall Street's forecasts of roughly \$1 billion. Lyft and its rival Uber Technologies Inc. had been grappling with a shortage of drivers until recently, pushing ride prices to record highs. The ride-share marketplace is now improving as the companies have enough drivers to meet consumer demand, leading to lower prices. Lyft shares **plunged 36% Friday**.  
—Francesca Fontana

KEYWORDS | CHRISTOPHER MIMS

What Does New AI Need? Your Trust

Relying on chatbots could entrench artificial intelligence into our lives more deeply than ever



Seeing the new artificial intelligence-powered chatbots touted in dueling announcements this past week by **Microsoft** and **Alphabet's** Google drives home two major takeaways. First, the feeling of “wow, this definitely could change everything.” And second, the realization that for chat-based search and related AI technologies to have an impact, we’re going to have to put a lot of faith in them and the companies they come from.

When AI is delivering answers, and not just information for us to base decisions on, we’re going to have to trust it much more deeply than we have before. This new generation of chat-based search engines are better described as “answer engines” that can, in a sense, “show their work” by giving links to the webpages they deliver and summarize. But for an answer engine to have real utility, we’re going to have to trust it enough, most of the time, that we accept those answers at face value.

The same will be true of tools that help generate text, spreadsheets, code, images and anything else we create on our devices—some version of which both Microsoft and Google have promised to



rounds of investment, in part because of the need to pay for the computing power needed to make its systems work.

The greater concentration of power is all the more important because this technology is both incredibly powerful and inherently flawed: It has a tendency to confidently deliver incorrect information. This means that step one in making this technology mainstream is building it, and step two is minimizing the variety and number of mistakes it inevitably makes.

Trust in AI, in other words, will become the new moat that big technology companies will fight to defend. Lose the user's trust often enough, and they might abandon your product.

On the other hand, proving your AI more trustworthy could be a competitive advantage more powerful than being the biggest, best or fastest repository of answers. This seems to be Google's bet, as

the company has emphasized in recent announcements and a presentation last Wednesday that as it tests and rolls out its own chat-based and generative AI systems, it will strive for “Responsible AI,” as outlined in 2019 in its “AI Principles.”

To see just why trust in these kinds of search engines is so tricky, you can visit other chat-based search engines that already exist. There's You.com, which will answer your questions via a chatbot, or Andisearch.com, which will summarize any article it returns when you search for a topic on it.

Even these smaller services feel a little like magic. If you ask You.com's chat module a question like “Please list the best chat AI-based search engines,” it can, under the right circumstances, give you a coherent and succinct answer that includes all the best-known startups in this space. But it can also, depending on small changes in how you phrase that question, add complete nonsense to its answer.

In my experimentation, You.com would, more often than not, give a reasonably accurate answer, but then add to it the name of a search engine that doesn't exist at all. Googling the made-up search engine names it threw in revealed that You.com seemed to be misconstruing the names of humans quoted in articles as the names of search engines.

Andi doesn't return search results in a chat format, precisely because making sure that those answers are accurate is still so difficult, says Chief Executive Angela Hoover. “It's been super exciting to see these big players validating that conversational search is the future, but nailing factual accuracy is hard to do,” she added. As a result, for now, Andi offers search results in a conventional format,

but offers to use AI to summarize any page it returns.

One analogy for the future of trust in AI systems could be one of the least algorithmically generated sites on the internet: Wikipedia. While the entirely human-written and human-edited encyclopedia isn't as trustworthy as primary-source material, its users generally know that and find it useful anyway. Wikipedia shows that “social solutions” to problems like trust in the output of an algorithm—or trust in the output of human Wikipedia editors—are possible.

But the model of Wikipedia also shows that the kind of labor-intensive solutions for creating trustworthy AI are likely to entrench the power of existing big technology companies. Only they have not just the computing resources, but also the human resources, to deal with all the misleading, incomplete or biased information their AIs will be generating.

The obvious and immediate utility of these new kinds of AIs, when integrated into a search engine or in their many other potential applications, is the reason for the current media, analyst and investor frenzy for AI. It's clear that this could be a disruptive technology, resetting who is harvesting attention and where they're directing it, threatening Google's search monopoly and opening up new markets and new sources of revenue for Microsoft and others.

Based on the runaway success of the ChatGPT AI—perhaps the fastest service to reach 100 million users in history, according to a recent UBS report—it's clear that being an aggressive first mover in this space could matter a great deal. It's also clear that being a successful first mover in this space will require the kinds of resources that only the biggest tech companies can muster.

Problems Pile Up for Adidas CEO

Continued from page B1

Gulden said the company must focus its energy on the consumer and make products that resonate, the people added.

That emphasis is similar to the strategy Mr. Gulden pursued when he took over then-ailing Puma.

Mr. Gulden is credited with boosting Puma's image among consumers, notably by hiring Rihanna as a creative director in 2014. He also re-energized Puma's sportswear offering, a move that analysts say he should emulate at Adidas after several years spent focusing chiefly on lifestyle products such as Yeezy. Mr. Gulden also improved Puma's relationships with its wholesale partners, analysts say, which is again a priority for Adidas.

Since joining Adidas, Mr. Gulden has been leading a review “aimed at reigniting profitable growth as of 2024,” the company said.

Mr. Gulden has also met with some of the brand's influencers, including South African rugby captain Siya Kolisi and retired English soccer captain David Beckham, according to pictures posted on his Instagram account.

Alongside Thursday's profit warning, Mr. Gulden hinted at his template for rejuvenating Adidas. “We will put full focus on the consumer, our athletes, our retail partners and our Adidas employees,” he said. “Together we will work on creating brand heat.... We need to put the pieces back

Mr. Gulden is credited with boosting Puma's image among consumers.

together again.”

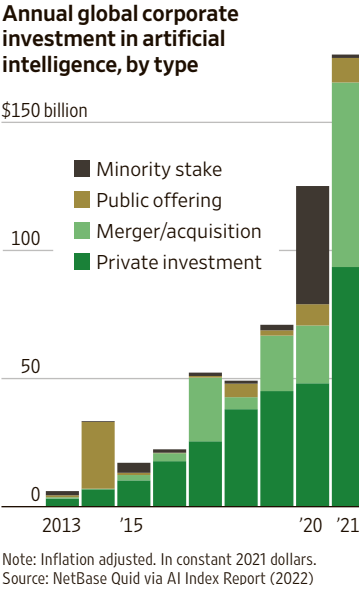
One big priority, analysts say, is coming up with a showstopping replacement for Yeezy.

Adidas said it was cutting ties with Mr. West in October following antisemitic comments by the rapper and workplace complaints involving him. Analysts estimate the partnership accounted for about 8% of annual sales.

Addressing a large inventory overhang, including unsold Yeezy stock that can be moved only if it is marketed under a new brand, is another headache for Mr. Gulden. The company is evaluating whether the Yeezy stock can be repurposed, but has said it may need to write off the inventory.

Mr. Gulden also needs to find a successful formula for China. Sales there have suffered from a consumer boycott after Adidas raised concerns about forced-labor allegations in China's Xinjiang region. Chinese sportswear makers, meanwhile, have quickly increased their market share in recent years as their products improve in quality and design.

Adidas's market value fell sharply in 2022 as the company issued several profit warnings.





BUSINESS NEWS

# Lyft Shares Plunge Following Loss

Ride-hailing company's results and guidance contrast poorly with Uber's strong sales

By DEAN SEAL

Lyft Inc.'s shares sank by more than a third on Friday after the ride-hailing company posted an unexpected quarterly loss and concerns mounted that it was falling further behind Uber Technologies Inc.

More than a dozen Wall Street analysts cut their price target for the stock, while six downgraded the stock's rat-

ing, after Lyft reported underwhelming revenue growth and an adjusted quarterly loss of 74 cents a share. Wall Street analysts expected a profit of 13 cents when adjusted for certain items, according to FactSet.

Shares of Lyft finished at \$10.31 Friday, down 36%. They are down 75% over the past 12 months. Uber shares have fallen less than 10% over the period.

A day earlier, Uber reported its strongest quarter ever as revenue soared 49% and users spent more for rides and Uber Eats, a food-delivery option for which Lyft has no equivalent.

Uber said it has also been attracting more drivers by giving them the opportunity to earn extra income by placing ads on their vehicles. It has also started allowing more drivers to see destinations and fare prices before committing to trips.

Analysts said that the mismatch between the rivals' results shows Uber extending its lead in the race for dominance of the ride-hailing market. Uber's market capitalization of \$68.9 billion towers over Lyft's \$3.73 billion.

"We are concerned that it has become more difficult for Lyft to operate in a normalized environment, and we believe

that Uber's network and scale benefits are increasingly weighing on Lyft's execution," JP Morgan analysts said in a research note.

Lyft said Thursday that revenue in the current quarter is expected to come in at about \$975 million, up from the prior year but missing Wall Street expectations of \$1.09 billion, according to FactSet.

The gap between Lyft's guidance and the market consensus appears to come largely from a decline in activity during periods, referred to by Lyft as Prime Time, where rider demand outstrips the number of drivers and prices jump. As more drivers join the service,

trip prices are falling at a rate that outpaces the rise in total ride volume, analysts said.

"For the time being, it does not appear that rider demand has yet risen to offset for the decline in prices as driver supply otherwise has normalized," Credit Suisse analysts Stephen Ju and Tyler Seidman said in a research note.

Analysts are also concerned with Lyft's effort to remain competitive with Uber by lowering its base prices, which can eat into revenue growth that has been "overly reliant" on pricing rather than ride volume, D.A. Davidson analysts Tom White and Wyatt Swanson said in a research note.

# Bed Bath To Close Canadian Stores

By SOMA BISWAS AND ALEXANDER GLADSTONE

Bed Bath & Beyond Inc.'s Canadian division will shut down its stores under court protection after the company received an unusual lifeline earlier this week to save its U.S. operations from bankruptcy.

The troubled home-goods retailer on Friday filed its Canadian division for protection under the Companies' Creditors Arrangement Act, Canada's rough equivalent of chapter 11 bankruptcy. Bed Bath & Beyond has "reluctantly concluded" that even with the lifeline of its recent equity raise, there wasn't enough capital available both to restructure its U.S. business and bring the Canadian business to profitability, the company said in filings with an Ontario court.

Bed Bath & Beyond operates 54 Bed Bath & Beyond stores and 11 Buybuy Baby stores in Canada, with 387 full-time employees and 1,038 part-time employees, court papers show. The company said it plans to "effect an orderly liquidation of its remaining inventory with assistance from a third-party professional liquidator and vacate its leased retail stores and premises."

The Canadian insolvency case doesn't cover the U.S.-based parent company, which struck an unusual equity-raising deal earlier this week with hedge fund Hudson Bay Capital Management LP and other investors.

It provided the company with \$225 million in immediate proceeds, along with commitments for up to \$800 million over the next 10 months, so long as the company meets certain financial conditions such as staying current on its debts.

# BP's Green Transition Reflects a Tough Balance

By JENNY STRASBURG

LONDON—Bernard Looney established himself as an outspoken advocate of the green revolution three years ago when as new CEO of BP PLC he made bold pledges to steer the oil giant toward a cleaner, low-carbon future.

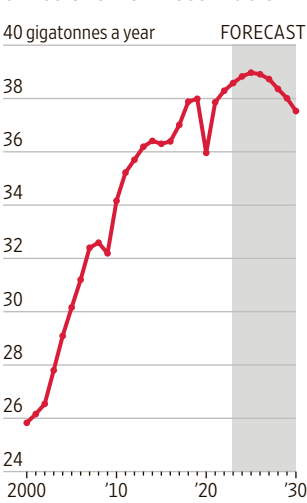
This past week, Mr. Looney dialed back that plan.

Changes in the world prove the widely championed energy transition is more complicated than many first envisioned, Mr. Looney said in an interview.

As economies emerged from pandemic lockdowns, they resumed their voracious consumption of fossil fuels. The war in Ukraine upended global markets and made many countries as concerned about finding enough energy as limiting climate-harming emissions. And many investors have signaled in no uncertain terms that they don't want to abandon the fossil fuels that—for now, anyway—deliver superior returns to renewable sources.

On the back of record full-year profits for the biggest Western oil companies buoyed

Global carbon dioxide emissions from fossil fuels



Source: Rystad Energy

by soaring energy prices, BP's 52-year-old CEO said the company will boost spending to produce more oil and gas for the rest of the decade than previously planned, even as he promised to increase investments in green energy.

"We must not just deliver cleaner energy, we must also deliver affordable energy, secure energy," Mr. Looney said.

Mr. Looney's new messag-

ing was a vivid example of a company publicly grappling with a question rippling through governments, American corporations and beyond: In pursuit of a transition to greener energy, how fast is too fast?

Oil and gas executives in Europe and the U.S. say governments for years have overestimated the pace at which renewable energy such as solar and wind can supplant fossil fuels. And those executives say 2022 proved it.

The struggle to calibrate the pace of the energy transition isn't limited to the energy sector. Japanese auto giant Toyota Motor Corp. is grappling with its electric-vehicle strategy. Fertilizer companies and manufacturers are weighing long-term investment decisions predicated on energy cost and availability.

Global fossil-fuel emissions are on track to peak by 2025 and decline each year thereafter, according to consulting firm Rystad Energy. That is a rosier projection than some, in part due to divergence over the pace of China's industrial decarbonization and green-energy investment.



CEO Bernard Looney scaled back goals for cuts in oil-and-gas output.

"Right now I fear that investors are skeptical that we'll have the transition of scale and speed we need," said Jason Bordoff, founding director of Columbia University's Center on Global Energy Policy.

Prof. Bordoff points to forecasts suggesting oil demand will keep rising. If a company's shares jump on unexpected news of increased fos-

sil-fuel production, he said, "That should send a signal to all of us that we're not on track."

Investors sent BP's London-listed shares up almost 8% in one day, and roughly twice that for the week after Mr. Looney's announcement. Analysts said BP shareholders will now profit more and longer from the world's continued demand for oil and gas.



A model walked the runway at the Ralph Lauren Spring 2023 Fashion Experience in October.

# Retailers Hesitate to Accept More Inventory From Apparel Makers

By INTI PACHECO

Several major apparel and accessory brands this past week reported weaker sales, a sign that the industry is still struggling to address last year's retail inventory glut and the prospect of weaker consumer spending.

Companies have been discounting everything from Levi's skinny jeans to Vans sneakers and reporting squeezed profits as a result. At the same time, department stores have been slower to replenish merchandise or canceled orders as consumer demand remains fragile and they address their own product glut, retail executives said.

The tension reflects how several brands, even those that have their own physical stores and websites, still rely on wholesaling, or selling goods often in large quantities to third parties, to support their business and reach a wider range of customers.

Capri Holdings Ltd., the corporate parent of Versace and Michael Kors, said Wednesday that sales to department stores and other third parties fell 20% in its latest quarter from the prior year. Levi Strauss & Co. finance chief Harmit Singh said in January

that the most recent quarter was a "tale of two channels," with strong direct-to-consumer sales but weaker wholesale performance.

Executives from VF Corp., owner of brands like North Face and Vans, said its wholesale partners are being conservative with their spring and summer order books because of broader concerns about the economy and higher inventory levels. VF's inventory as of Dec. 31 more than doubled from year-ago levels, which the company attributed to less accurate inventory purchases, higher order cancellations and lower consumer demand.

Quarterly earnings reports from chains such as Macy's Inc., Nordstrom Inc., Walmart Inc. and Target Corp. are due out over the next month.

"A lot of what we've done to date is really being much more disciplined in our buys and changing fundamentally the way we think about leaning into the demand," said Adrian Mitchell, finance chief for Macy's, at an analyst event in January.

Earlier in the pandemic, many retailers ordered products beyond typical levels because consumer demand was strong and executives sought to avoid items being out of

stock due to long transit times, among other supply-chain disruptions. Now, sellers of apparel and footwear are racing to bring down inventory levels and focus on stocking what is in demand.

Athletic-gear seller Under Armour Inc. reported a nearly 50% increase in inventory from March to December, but said that it hoped to work those levels down in the months ahead.

Some companies showed or expect progress in their wholesale business. Nike Inc. reported in late December that part of what drove its quarterly sales growth was strong interest from retail partners in its products. Nike executives also said the company's inventory peak was behind it. Sellers of Nike products, such as Dick's Sporting Goods Inc. and Foot Locker Inc., have said their sales improved, in part, because they had access to products that were hard to get in recent years.

Ralph Lauren Corp. on Thursday said profit margins took a hit as a result of higher promotions in the latest quarter. But Jane Nielsen, Ralph Lauren's finance and operating chief said she expects the overall wholesale business to grow in the current quarter.

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EXCHANGE



1. LVMH Chief Executive Bernard Arnault. 2. A page from a 19th century Vuitton product catalog. 3. Audrey Hepburn carrying a Vuitton handbag in 1966. 4. American designer Marc Jacobs took Vuitton in a more mainstream direction during the 1990s. 5. A worker shapes a handle on a Vuitton trunk. 6. Small leather goods on display at one of Vuitton's Paris stores.

Louis Vuitton Goes Big, Small and Everywhere

Continued from page B1

ing to Launchmetrics, which assigns a monetary value to every article, post or interaction about a brand or event. The \$27.2 million in so-called media impact value was 91% more than Vuitton's show last year. It was proof that the business strategy was succeeding: A luggage and handbag company was entrenched as the most powerful luxury-goods brand in the world, the crown jewel in an empire controlled by the newly coronated world's richest person.

Last month, the handbag maker's owner said Louis Vuitton hit \$20 billion in revenue in 2022. That was just four years after the brand became the luxury industry's first to hit \$10 billion in annual sales. Louis Vuitton benefited from a boom in luxury spending since the pandemic. Shoppers, many of whom had saved up money during lockdowns and other restrictions, let loose on bags and shoes. Regular price increases helped further power Vuitton's revenue growth.

Vuitton announced the \$20 billion milestone shortly after it launched a more than 450-piece collection from Japanese artist Yayoi Kusama, the highest-grossing female artist at auction of all time who is known for her colorful polka dots. The collaboration is one of the most extensive ever for a brand that started as a French maker of trunks.

Louis Vuitton—famous for its brown LV-monogram canvas bags—is the biggest brand owned by LVMH, which also includes Tiffany

and economic softening in many key markets, including the U.S. and Europe.

So far, Vuitton has upset the conventional wisdom of the luxury industry, where skittishness around bigger scale is often widespread—a sharp contrast to sectors such as aviation, technology and banking.

Its scale allowed it to plow ahead with store renovations and expansions in the pandemic years of 2020 and 2021, including new locations in Tokyo and Miami. It kept its marketing machine humming, rolling out major ad campaigns at a time when many of its competitors were cutting costs.

But Vuitton's scale also comes with risks. Luxury brands are able to command higher prices by creating an aura of exclusivity and uniqueness around their products, often linked to the heritage of the brand. That can be harder to do as brands grow into giants.

Mr. Arnault addressed the challenge when he presented LVMH results last month in Paris. "Don't be overly impressed by size," he said. "What counts above all is quality."

Founded as a trunk manufacturer by a French carpenter in 1854, Louis Vuitton expanded into London and New York by the end of the 19th century. The brand developed a global reputation for luggage and handbags in the 1960s and 1970s when its previous owner, the businessman Henry Racamier, pushed further into Europe, and into Japan. In 1987, Louis Vuitton merged with

‘Collabbing with KidSuper, from Louis Vuitton’s perspective, really makes it feel fresh, new, exciting, adventurous, fun.’

RUSS  
American rapper



A mini Capucines handbag in lizard skin, above, sells for about \$7,300 in Paris. Left, luggage tags on display.

& Co., Dom Pérignon Champagne and fashion house Christian Dior. LVMH doesn't break out individual brands' financial results, but analysts say Vuitton's profit margin came in at around 50% last year, up several percentage points since 2019 and representing one of the highest in the industry. It leveraged its popularity in bags into a much broader fashion empire, including suits, dresses, athleticwear and perfume—maintaining an air of exclusivity even as it expanded on a massive global scale. Its sales represented almost a quarter of the parent company's \$86 billion in revenue last year.

The torrid growth at Louis Vuitton has helped propel the brand's parent company to the largest stock-market valuation in Europe. It has also turned Mr. Arnault, a press-shy 73-year-old, into the world's richest person, recently outdistancing Elon Musk.

The brand is now entering a critical phase. Former Louis Vuitton CEO Michael Burke and Executive Vice President Delphine Arnault, Mr. Arnault's daughter, handed off leadership at the beginning of this month. Taking over is Italian executive Pietro Beccari, the outgoing boss at Dior, LVMH's second-biggest brand.

The leadership change comes amid new economic pressures. Many analysts are expecting an eco-

the Moët Hennessy Champagne company. Mr. Arnault used his Christian Dior SA fashion house as a vehicle to buy control of the combined operation. A businessman from northern France, Mr. Arnault got his start in industrial construction and property development. In 1984, he took over Boussac Saint-Frères, a bankrupt textile group that owned Dior.

Within a decade, under Mr. Arnault's tenure, Vuitton more than doubled its number of stores, spreading its distinctive bags, with their omnipresent LV logo, around the world.



For Vuitton's current collaboration with Ms. Kusama, the brand covered the exterior of its Place Vendôme store in Paris with convex mirrors that evoke the artist's work.

The brand excelled in the 1990s and 2000s by selling a relatively small number of designs. Consumers lined up to buy its Monogram and Damier handbags year after year. But increasingly, affluent consumers also moved to other higher-end brands like Chanel and Hermès.

Louis Vuitton recognized the threat and headed further upmarket itself. In 2014, almost half its handbags cost less than 1,500 euros, or about \$1,600. By 2021, around one in five of its handbags were below that price point, according to analysts at Bernstein.

The Capucines bag, for instance, was launched in 2013 as part of an effort to de-emphasize cheaper, canvas handbags in favor of ones that were made from leather or exotic skins. Today, a new Capucines is about \$6,900. A polka-dot model that's part of the Kusama collaboration is priced at \$7,100. Limited numbers of python and lizard skin models are kept in stores but rarely exhibited. Sales assistants don gloves to handle the bags, which cost around \$7,500 apiece.

At the same time, Louis Vuitton launched new product lines to serve aspirational consumers at lower prices. Today, a polo shirt emblazoned with the LV logo costs \$530, wallets are about \$700 and a small container of a fragrance such as Rose des Vents costs \$285.

This entailed a change in strategy, from trying to be the dominant leather-goods company to aiming to be the pre-eminent luxury-goods company. A decade ago, Louis Vuitton stores sold mostly leather goods like bags, wallets and small accessories. Today, the majority have added categories like ready-to-wear, shoes, watches, jewelry and perfumes. The company even sells dog carriers designed to look like miniature versions of its classic trunks. Vuitton stores today are on average 30% bigger than they were 10 years ago.

Vuitton's strategy also entailed a rapidly accelerating fusion of culture and commerce. That work started under Marc Jacobs, the American designer who was the brand's creative director from 1997 to 2013. Vuitton went in a radical direction, away from the traditional confines of exclusive luxury goods and toward a more inclusive, mainstream orientation. Mr. Jacobs pursued high-profile collaborations with the likes of Kanye West, Japanese artist Takashi Murakami and American artist and designer Stephen Sprouse.

In 2017, Vuitton's collaboration with cult streetwear brand Supreme "was the first big moment where the things that were previously thought impossible became possible," said Jian DeLeon, Nordstrom's men's fashion and editorial director.

This collaboration was followed by similar tie-ups between rival luxury firms and streetwear labels.

In 2018, Louis Vuitton hired Virgil Abloh, the American designer behind the luxe streetwear label Off-White, as its creative director of menswear. "He never lost that perspective of what it was like to be the aspirational customer that's like, 'I can't wait to make Louis Vuitton money,'" said Mr. DeLeon.

The brand has yet to replace Mr. Abloh, who died of cancer in November 2021. Its latest menswear collection, exhibited last month at the Louvre, was designed in part by Colm Dillane, a 31-year-old New Yorker who runs the streetwear brand KidSuper.

That strategy continues to resonate with the kind of tastemakers Louis Vuitton will need on its side if it is to maintain its position. Russ, an Atlanta rapper who is friends with Mr. Dillane, responded enthusiastically to the Paris men's show last month.

"When a lot of people think of designer clothes and designer fashion they think of bougie, classism, uppity people," he said. "I think collabbing with KidSuper, from Louis Vuitton's perspective, really makes it feel fresh, new, exciting, adventurous, fun. Not so stiff."

Vuitton's embrace of fashion, particularly street fashion, gives the brand a greater aura of modernity

than other traditional luxury companies, such as Hermès, said Benjamin Simmenauer, director of research at the Institut Français de la Mode: "This balance between tradition and fashion modernity is a very attractive position in the market for Vuitton."

The company also cultivates art-world connections to burnish its cultural bona fides. The Fondation Louis Vuitton, the company's museum in Paris, is currently holding a major exhibition exploring the connection between impressionist painter Claude Monet and American painter Joan Mitchell.

"If you buy Vuitton, you buy this part of this superpowerful universe where all the celebrities are showcased, where they partner with the most exclusive events, the best artists," said Mr. Simmenauer. "You can buy a small wallet, and you can feel that you are part of this ultra-elite world."

While Louis Vuitton's sales are still chiefly driven by leather goods, its fashion revenue has been growing in recent years. Executives at

the company say that both men and women's ready to wear topped €1 billion in sales last year, and that their profitability is in line with Louis Vuitton's overall. Mr. Dillane's stint lasted only one season, and the next creative director will face pressure to continue his success in selling ready-to-wear apparel.

Even as it took steps to broaden its appeal, the brand put in place measures to manage the risks associated with becoming too widespread and easy to get.

Its number of stores has changed little over the past 10 years, closing some as it opens others. Vuitton doesn't sell through wholesalers and it doesn't license its designs. There are no end-of-season sales.

Its perfume production is limited to small batches, available only at Louis Vuitton retailers and on the brand's website. Its fragrances aren't available in the LVMH-owned retailer Sephora.

Louis Vuitton has also intentionally limited supply to retain a sense of exclusivity. The brand makes small production runs for products in each collection, always aiming to make slightly less than demand.

"The product remains desirable if it is limited," said one former Louis Vuitton executive. "The difficulty as time passes when you have a war machine like Louis Vuitton is to restrict yourself—to resist the temptation to make easy sales."



A worker in a Louis Vuitton atelier outside Paris constructs a dog carrier designed in the style of one of the company's classic trunks.

CLOCKWISE FROM TOP LEFT: STEFANO RELLANDINI/AFP/GETTY IMAGES; PIERRE VERDY/AFP/GETTY IMAGES; EDOUARD JACQUINET FOR THE WALL STREET JOURNAL (6)



EXCHANGE

SCIENCE OF SUCCESS | BEN COHEN

# He’s Seen ‘The Phantom of the Opera’ 13,000 Times

An electrician has worked on Broadway’s longest-running show from the beginning. Here’s what he’s learned doing one job for 35 years.



The final curtain will soon fall on the longest-running show in Broadway history after 13,981 performances. Alan Lampel has been there for roughly 13,000 of them.

Mr. Lampel has done the same job in the same place for the same production from the very beginning of its existence. He takes a seat in a rolling chair at his desk in the back of the orchestra section of the Majestic Theater and plays the most important role that nobody should notice: He is the head electrician for “The Phantom of the Opera.”

His lengthiest job in theater before “Phantom” lasted 35 weeks. This one turned out to be 35 years.

“I’ve seen the show more than anybody on earth,” Mr. Lampel says.

In fact, nobody has seen *any* show as many times as he sat through “Phantom,” which has sold 20 million tickets and earned \$1.3 billion during a run that made other Broadway productions look more like high-school musicals. There was one guy keeping the lights on the whole time. The success of any business is every bit as much about the electrician operating behind the scenes as the people taking a bow on stage.

Mr. Lampel was there at the start on Jan. 26, 1988, and he’ll be there at the end on April 16, 2023. That kind of longevity on Broadway is not just unprecedented. It’s unimaginable.

There were colleagues he loved and bosses he didn’t. His responsibilities evolved with technology. But his job was different from any other because Mr. Lampel came to work six days a week, year after year, and found satisfaction in making the 13,000th show feel like the first one.

He knows better than anybody how “Phantom” is supposed to look, and he pursued that goal over and over and over. It’s not tedious. It’s rewarding. That’s because he also knows that any operation as complex as this one can only function if hundreds of people at the top of their fields take ownership of their responsibilities. His fulfillment was in watching the show and seeing his personal fingerprints. “We’re all just doing one single job each,” Mr. Lampel said.

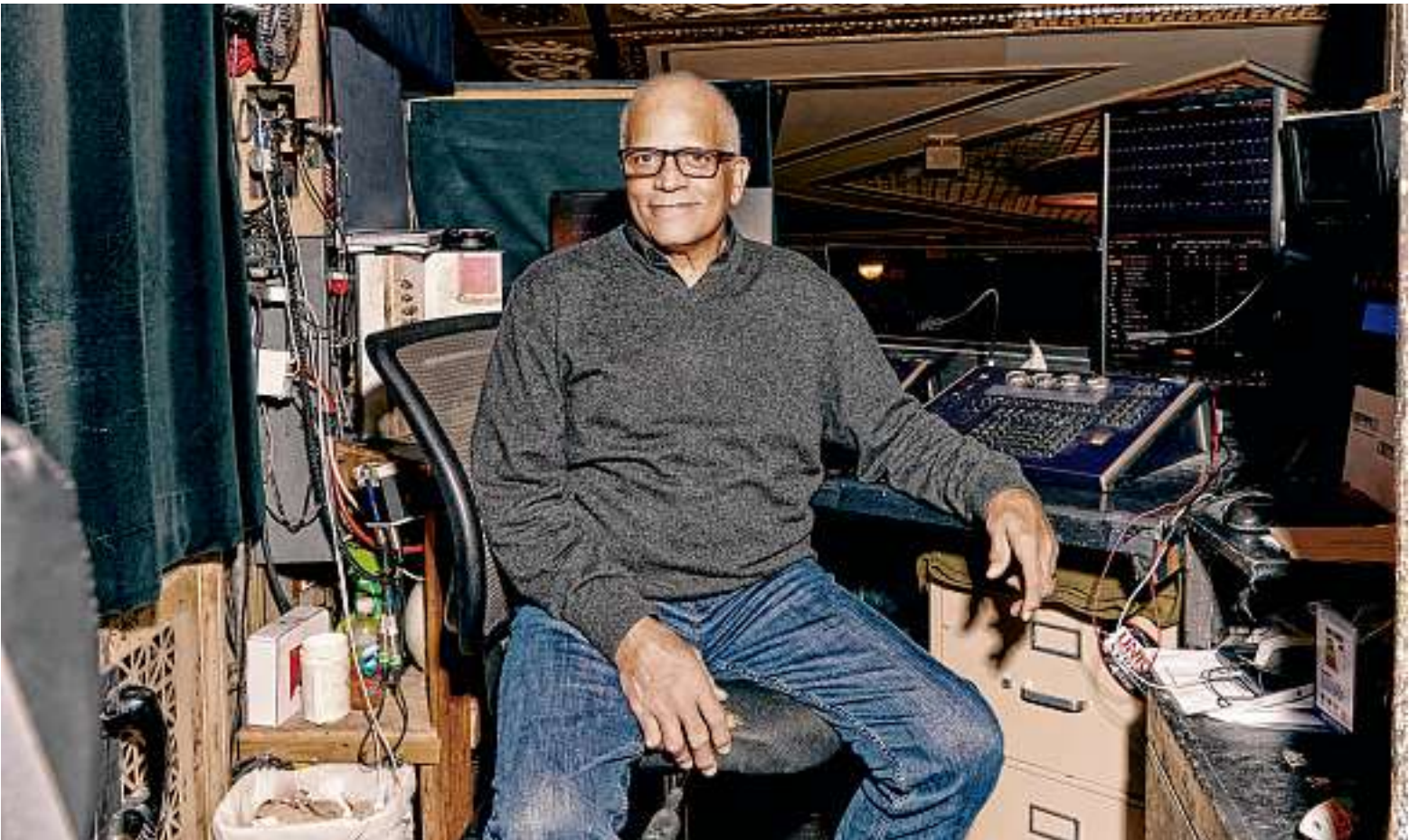
Others in the theater have no reason to pay attention to Mr. Lampel. But it’s those who understand “Phantom” the best who appreciate his contributions the most.

“‘Phantom’ has shone brighter on Broadway for 35 years because of the work of Alan Lampel,” said Andrew Lloyd Webber, the show’s composer.

Mr. Lampel, who is 66 years old and spent 5% of his life taking in Mr. Lloyd Webber’s musical, grew up around Broadway. His grandfather acted in a 1942 production of “Porgy and Bess” in the venue now occupied by “Phantom,” and his mother worked at the theater magazine Playbill and had access to the hottest shows in town. That exposure inspired him to spend more time in the theater. A lot more time.

But he never wanted to be in a starring role. He dreamed of hiding in the shadows of a dark theater shining a light on others.

He learned his craft at an off-off-Broadway theater and then a lighting shop that built the scenery pieces for most shows, including “Phantom.” When the highly technical production was hiring a head electrician, nobody was more qualified than Mr. Lampel, who wired

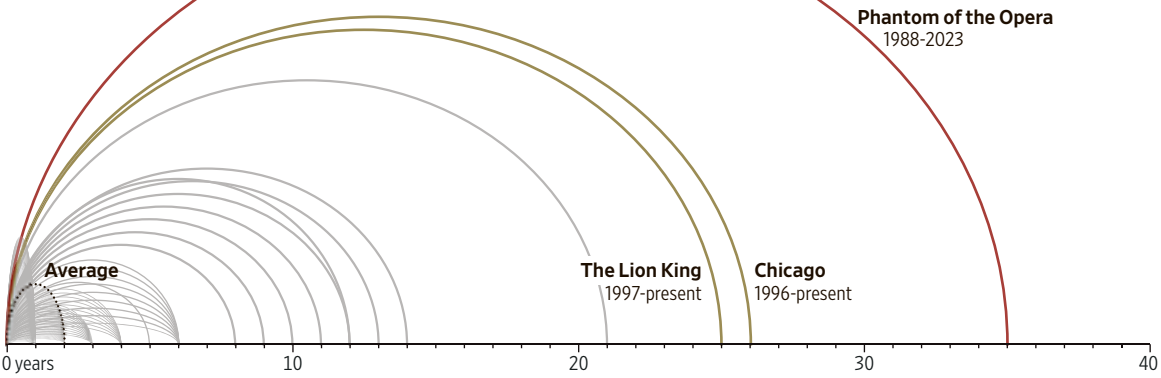


CLOCKWISE FROM TOP: VINCENT TULLIO FOR THE WALL STREET JOURNAL (3); MATTHEW MURPHY



Alan Lampel, top, keeps a Phantom figurine in his lighting booth, above. His responsibilities include generating fog to evoke a subterranean lake, left.

Broadway shows, by duration



Source: Internet Broadway Database

the show’s iconic chandelier and drove the equipment to the Majestic in his minivan. “He knew how it all worked before he walked in the door,” said James Gardner, a Broadway spotlight operator. “He had electrified almost every single piece of it.”

It was the last job he would ever accept, which was as unlikely then as it is now. Fewer than 30% of workers over the age of 55 have stuck with one company for at least 20 years, according to the Bureau of Labor Statistics, but an unknown fraction of those people have reported to the same desk to do the same job for so long. One reason that crew members in theater bounce from show to show is to avoid boredom. Another reason is

that shows end. This one didn’t. Mr. Lampel took vacations, national tours and medical leaves along the way, but he was in the back of the Majestic basically the entire time.

He cried the first time he saw the show. Then he saw it again. And again. And again.

“It’s tough to stare at something for 35 years,” he said. “But I’ve been in love with this show since the beginning.” Also, it could have been worse. “Phantom” was one of the first shows where the electrician worked from the audience with a clear view of the stage instead of running the console from the basement. “*That* would’ve been tough for 35 years,” he said. “At least I’m watching the product.”

But he’s not exactly a passive spectator. The electrician on “Phantom” is a bit like the trombonist in “The Music Man”: There is no show that puts a greater value on a typically obscure part.

Officially, his job is maintaining the show’s lighting design on a daily basis. Unofficially, it’s manufacturing fog. The busiest part of his night happens to be his favorite scene in the love story, when a shroud engulfs the stage to create the illusion of an underground lake, and the Phantom takes Christine in a boat to his lair beneath the opera house as they sing the musical’s title number. Mr. Lampel makes that

fog and makes it appear on cue.

“If that smoke doesn’t appear at exactly the right time with the right amount of density, there is no lake,” said Michael Crawford, who played the Phantom in the original cast. “But if the smoke is there, you can actually believe the Phantom is bringing this young girl beneath the Paris Opera House on a lake. It’s magical.”

It’s tricky to pull off that magic. Mr. Lampel still gets frustrated when he fails. “*Bleh*,” he said. “Horrible.” But the Majestic has many seasonal microclimates (“air conditioning, air conditioning with some outside air, no air conditioning with outside air...”), and doing his job means becoming obsessed with details beyond his area of expertise: monitoring the air quality, tracking the water levels of six 55-gallon machines, handling 400 pounds of dry ice for every performance so the fog is sufficiently foggy.

“I’m the guy who still gets silly about that science,” he said. “Someone has to.”

Then again, only so much science can be applied to art, and not every show meets the high standards of someone who’s been on Broadway since before some cast members were alive.

“I take pride in the way they do their work,” Mr. Lampel said, “just as they would hate to be blacked out in the middle of the show.”

To make sure that doesn’t happen, he follows a script every night. His preparation begins with the

choreography of stagehands 90 minutes before the show and includes a careful inspection of the illuminated scenery, from the candles and candelabras to a 1,200-pound chandelier with 56 bulbs, each a potential source of error. During the show itself, he’s pushing the buttons on his light board, following the cues and constantly finessing the show’s visual appearance. Even when there are mistakes, the show must go on. A mistake today is what Mr. Lampel fixes tomorrow—and there’s always tomorrow.

Except when there’s not.

The show’s run is ending this spring—and so is Alan Lampel’s. He’s retiring after the last performance.

The decision was a very long time coming. One of the people who was astonished to find out that he’s still around was Mr. Crawford, the first and still Mr. Lampel’s favorite Phantom. “He was my favorite electrician,” Mr. Crawford said. His friends encouraged him over the years to try new things, learn new skills, find a new musical to watch a few thousand times.

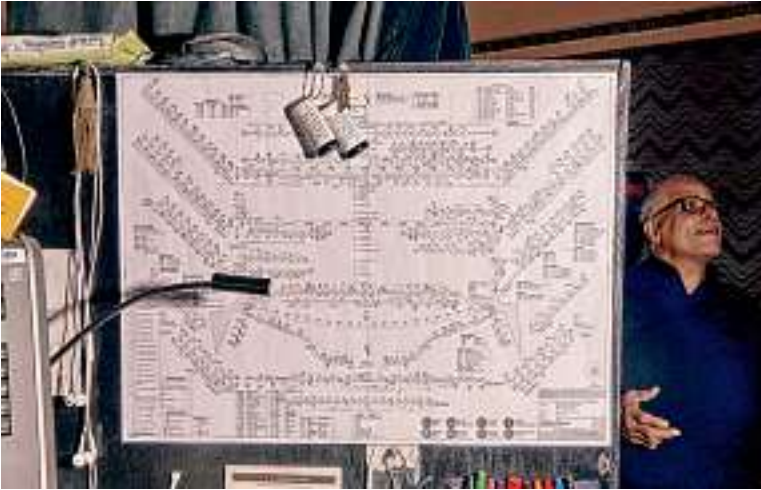
“I was worried that he was getting left behind,” said Mr. Gardner. “As it turned out, he’s going to retire off the show.”

Of course, Mr. Lampel’s job has changed over the years. His console once ran on floppy disks. He used to manually play a sequence of strobe lights, “which really got my juices flowing,” before he automated himself and recorded the version that flashes today. He is less keen to climb ladders after knee, hip and ankle replacements. And the show no longer demands his undivided attention. “Phantom” isn’t the only theatrical production he watches from his desk. With headphones in one ear, he also watches the New York Mets.

After the show is over, he’s going to a place where he won’t have to worry about the vagaries of air conditioning: Mr. Lampel and his wife are taking a cruise to Europe.

Meanwhile, he still has a few dozen performances left. Mr. Lampel plans to wear his tuxedo to show No. 13,981, though not the one he bought for show No. 1, and he will turn out the lights on that Sunday night. “I’m going to be very sad when this is over,” he said. But then a Broadway luminary will come back to work as soon as Monday morning to start tearing it all down.

Someone has to.



A map of the stage lights at the Majestic Theater in Mr. Lampel’s lighting booth.



EXCHANGE

THE INTELLIGENT INVESTOR | JASON ZWEIG

Missing Out on a Hot Market

Investors are piling into funds that promise to underperform when stocks soar



Finally, you can earn income of 4% or more on cash and bonds. What if you could earn monthly dividends on stocks at an annual rate of at least 11%?

That's the pitch for exchange-traded funds that are generating eye-popping yields by selling options contracts. These ETFs, known as covered-call or option-income funds, also shielded investors from some of the pounding that stocks took last year.

You need to understand that these funds aren't magic. They can't make risk disappear. Instead, they take away one set of risks and replace it with another.

In other words, these funds aren't a way to beat the market. But for some investors, they are a potentially useful tool in a diversified portfolio.

Covered-call funds squeeze ample amounts of cash out of stocks, and they provide limited protection against losses if stocks drop. In exchange, they preclude you from capturing all of the stock market's gains.

These option-income funds perform distinctly, and quite predictably, in different kinds of markets. They tend to do best in what financial professionals call "sideways markets," when stocks don't move up or down in big sustained swoops. In bull markets, these funds will trail conventional funds. When stocks fall, covered-call funds generally go down less than traditional portfolios.

Last year, JPMorgan Equity Premium Income ETF lost 3.5%—far



outperforming the dismal 18.1% decline in the S&P 500. As technology stocks tanked, the Global X Nasdaq 100 Covered Call ETF lost 19%—much less than the 32% dive in the Nasdaq index itself.

The prospect of getting most of the market's upside, less of the downside and big steady dividends along the way sounds like an investing paradise.

No wonder the JPMorgan fund took in \$12.9 billion in new money last year—the biggest annual haul for any actively managed ETF ever. Three covered-call funds from Global X, linked to the Nasdaq-100, S&P 500 and Russell 2000 indexes,

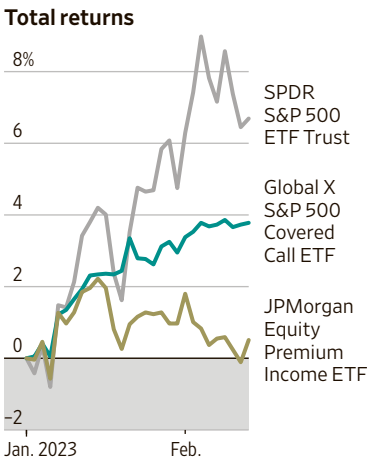
respectively, attracted a combined \$5.2 billion in 2022. So far in 2023, approximately \$3 billion more has flowed into these four funds alone.

Before you join the pilgrimage, though, you should learn a bit about how these funds work.

In a covered-call trade, you sell a call option on an asset you hold. That gives the buyer of the option the right to purchase the asset from you at a specified "strike" price on or before a certain date. In exchange, you earn an upfront payment called a premium. That's where most of these funds' payouts come from.

If the asset goes down in price,

Funds that generate income by selling stock options are falling behind the overall market so far this year.



the buyer can let the option expire and buy the asset elsewhere at its current, lower market value. You've lost money on your holding, but the premium from the option provides you at least some cushion.

What if the asset rises above the strike price? Then the option buyer has the right to buy or "call" the asset away from you at the strike price. You've still earned the premium—but now you won't own the asset anymore and will be frozen out of any future gains unless you buy back the call option at a loss.

Funds can create this pattern of returns directly, by trading options, or indirectly through customized debt securities, as the JPMorgan fund does.

In 2023, as stocks have gotten

off to a roaring start, these funds are lagging. This past week, with the S&P 500 gaining 8% so far this year, JPMorgan's Equity Premium Income ETF was up just 1%; Global X S&P 500 Covered Call had gained under 5%.

That trade-off is inevitable.

"You're not going to capture all of the upside in an up market," says Hamilton Reiner, lead portfolio manager of the JPMorgan Equity Premium Income fund. "You trade away some of that for the bird-in-hand of higher income."

In 2021, when the S&P 500 gained almost 29% and the Nasdaq 100 index more than 26%, the JPMorgan fund was up less than 22%; the Global X Nasdaq-100 Covered Call fund gained just over 10%.

Covered-call funds do best "in a trendless market," says Rohan Reddy, head of research at Global X ETFs.

The funds are a convenient, relatively inexpensive way to create high monthly cash payouts from stocks. And if stocks slog through a stretch of mediocre returns without sharp fluctuations, you'll probably do somewhat better in these funds over that period than you would in the overall stock market.

"There is no free lunch," says Mr. Reiner.

For that matter, you could generate a roughly 12% annual "yield" on your stock portfolio simply by selling 1% of your holdings every month. The proceeds would be taxable at the maximum capital-gains rate of about 20% (or would even reduce your tax bill if you sell positions at a loss).

With covered-call funds, on the other hand, dividend distributions can be taxed at ordinary-income rates of up to approximately 40%, whereas stock dividends are typically taxed at half that rate or less.

The word "option" comes from the Latin *optio*, "I choose." Before you choose to buy one of these funds, make sure you understand the trade-offs embedded in your choice.

ALEX NABAUM

The Making Of Magic Mike Inc.

Continued from page B1  
loop that has helped build the brand. The film will mostly live on HBO Max after a limited theatrical release. The two-way promotional traffic between the new movie and the live show comes as the streaming boom meets a major postpandemic rebound in live entertainment.

The new movie once again stars Mr. Tatum as Mike Lane, a character based on the actor's short stint as a teenage stripper in 1990s Florida. Mike is now a Miami bartender and retired stripper who falls for a new character, the older and richer Max, played by Salma Hayek Pinault. He gives her a private dance, she is forever changed and the two head to London to create a new kind of strip show.

The Magic Mike brand began as the brainchild of men: Mr. Tatum, Mr. Soderbergh, writer-producer Reid Carolin and others.

It enters the tricky territory of female desire, taking it as a given that certain women feel exhausted by the work-life juggle and a youth-obsessed culture that writes them off. The live show, which was inspired by the sequel and which in turn inspired the new movie, includes female locker-room talk and men busting suggestive moves, but at its core it is an unusual kind of wellness experience. The founders flipped the script on the male striptease, trying to make it less about a man's self-regard and more about attention that women don't always feel in real life.

At the start, it was unclear if taking the movie into the real world would even work.

Not long after the first film, a friend of Mr. Carolin's came back from a bachelorette trip to a Chippendales male strip club and said two weeknight shows were packed.

"Oh wow, people are still doing that?" Mr. Carolin recalled thinking. He pitched the idea of a live show to Mr. Tatum, a close friend and creative partner he met on the set of the 2008 war drama "Stop-Loss."

"I was like, 'Absolutely not. That world is really kind of dark and weird,'" Mr. Tatum said. But he kept mulling it over, thinking that if he created a live show without some of the scuzzier elements of male stripping, it might be worth a try.

So the team set out to figure out what women would watch. In 2016, they set up a confessional booth in New York's Times Square where strangers were invited to



'I'd let any one of these guys give my mom a lap dance,' says Channing Tatum. Live Magic Mike shows have toured the U.S., Europe and Australia, above.

describe their desires anonymously. Mr. Tatum sat in it secretly behind a screen for 10 hours, talking to women who said everything from "I want a man who makes good money" to "I want a man who loves dogs." That feedback went into the stripper archetypes on stage, which now include the bad boy who won't ghost you and the guy who thinks you're funny.

It also led to a female MC who calls the women in the audience queens and says they always deserve to feel empowered, loved and respected, "because you're enough, girlfriend."

The live shows ignore the "no touching" rules of stripclubs. The men put women's hands on their bare chests or the back pockets of their pants. Patrons who don't want to participate can say "unicorn," the show's safe word, and the performers move on.

"I loved how the performers worked the crowd—everyone got attention, it didn't matter if you were plus-size, skinny, dark, light, if you were there, you were getting attention," said Nicole Rodriguez, 34, who celebrated her birthday with two good friends at the Miami show this month and talked with a performer who asked her for a dance. "He had a whole conversation with me."

The brand has also drawn gay audiences along the way. Magic Mike's founders say they are looking into ways of recognizing more than one gender identity in future projects.

Before they are hired, the cast of professional dancers—men who have performed with artists includ-

ing Taylor Swift, Lil Nas X and Lady Gaga—are vetted with questions like, "Do you love your mother?" The aim is to weed out performers with an ick factor, since a show that's off by two degrees might as well be off by 180, Mr. Soderbergh said.

The first two Magic Mike movies were financial successes. Mr. Tatum and Mr. Soderbergh financed "Magic Mike" themselves, which gave them a greater share of the 2012 film's \$167 million haul. Next came the 2015 movie "Magic Mike XXL," also based on Mr. Tatum's past, this time about his trip to a stripper convention. That \$14 million film made \$117 million.

But for years, no one could come up with a good idea for a third Magic Mike movie. Then, in 2019, Mr. Soderbergh saw the Magic Mike Live show at London's

Hippodrome Casino.

"I really wasn't prepared for the reset that they had accomplished with the brand," he said. The director decided to use the male revue as the basis for "Magic Mike's Last Dance."

Magic Mike Live shows in Las Vegas and London recently posted their biggest weeks of ticket sales in the history of the brand, spurred by advertising for the new movie. The live shows have run in Las Vegas since 2017 and London since 2018, with shorter engagements in Berlin and two cities in Australia.

The shows shuttered during the pandemic. Magic Mike executives said sales for the Las Vegas and London venues have since recovered. The tour's first engagement in Miami has not sold out every night, they said, but future stops are expected to draw bigger crowds. New York and Dallas are likely next cities.

Mr. Soderbergh estimates the production costs for "Magic Mike's Last Dance" at \$29 million. The total budget was higher because the payment structure is different this time, with the principals compensated ahead of the movie's release.

Ten years of audience data has helped the Magic Mike team make decisions on where to take the franchise next. The new movie is set in London partly because residents of the city bought tons of Magic Mike movie tickets. Brand research showed that a key audience for the movie franchise was women at or near middle age. The movie's creators knew they wanted the story to reflect their audience, one reason a major character was written as an older woman. Ms. Hayek Pinault, 56, portrays a worldly businesswoman and mother going through a nasty divorce opposite the slightly adrift bartender played by the 42-year-old Mr. Tatum.

Mr. Carolin, who studied film at Harvard University and worked in documentary filmmaking before teaming up with Mr. Tatum and improbably building much of his career around male stripping, said the live shows have generated roughly \$125 million in sales. Addi-

tional revenue generated after the release of the two films, from sources like television and home video, tally another estimated \$170 million, according to a person familiar with these deals.

Other non-movie ventures include a 2021 reality TV show for HBO Max called "Finding Magic Mike" and a new Magic Mike podcast. The team is now looking for a Magic Mike screen project led by a female writer, director or actress.

The Magic Mike team is trying to shift some weight off Mr. Tatum's shoulders, though the actor wasn't stepping back while on hand to promote the brand in Miami. When he passed by a display of improvised "Magic Mike" merchandise that someone had put on display without permission, he ripped the items off the mannequin. "They're like the things you'd buy coming off a roller coaster," he said.

At the Miami live show at a more than 500-seat venue under a tent, dancers, tattooed and chest-waxed to a sheen, try to look steamy while concentrating on complex choreography. Though the audience skews younger here than at the movies, the audience is filled with a range of ages. Younger

Audience members who don't want to participate can say the safe word, 'unicorn.'

women dressed to the nines snap selfies, Grandmas treat each dancer like something between a sex object and a favorite grandson and moms try to feel a little like Ms. Hayek Pinault for the \$59 to \$94 price of admission.

Rani Sandhu, who has seen the show 111 times, first started going to the Las Vegas revue from her home in Vancouver, British Columbia, after her mother died unexpectedly. Now the dancers know her name. She guesses she has spent \$5,000 on Magic Mike Live tickets, not including airfare.

"For me, going to the show brought back an immense feeling of joy and excitement—it evokes old memories you once felt," said Ms. Sandhu, 29, a registered nurse. She has no interest in going to a traditional male strip club, she added.

At a quieter moment, performers come into the audience and ask women for a slow dance. Some women have broken down in tears, sharing their experience with an illness or a recent loss. Others tell the men that this is the first time they have been touched in years.

"I don't tell people to go see my movies, not even my family, but I will tell everyone to come see the show because I know how much joy is in it," Mr. Tatum said. "I know that the thing that's embedded inside of it is good."



Steven Soderbergh, left, and Salma Hayek Pinault during filming of 'Magic Mike's Last Dance.'

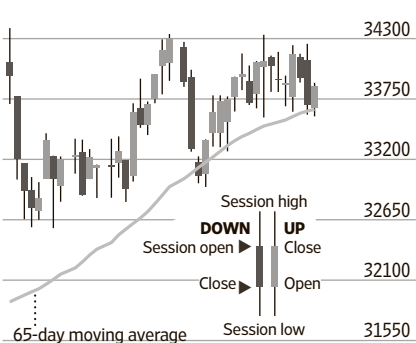
FROM TOP: MAGIC MIKE LIVE; CLAUDETTE BARIUS/WARNER BROS. PICTURES



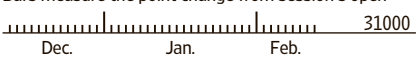
MARKETS DIGEST

Dow Jones Industrial Average

<b>33869.27</b>	Last	Year ago
▲ 169.39	Trailing P/E ratio	22.55 19.49
or 0.50%	P/E estimate *	18.13 18.74
	Dividend yield	2.07 2.00
All-time high	Current divisor	
36799.65, 01/04/22	015172752595384	



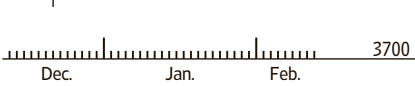
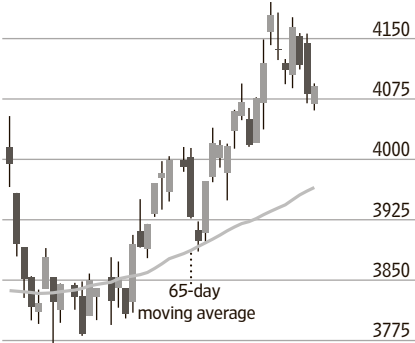
Bars measure the point change from session's open



Weekly P/E data based on as-reported earnings from Birinyi Associates Inc. \* Based on Nasdaq-100 Index

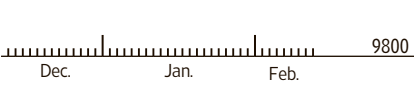
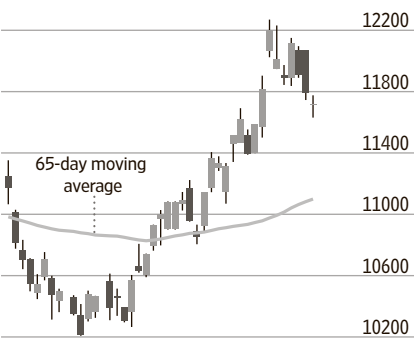
S&P 500 Index

<b>4090.46</b>	Last	Year ago
▲ 8.96	Trailing P/E ratio	19.97 25.36
or 0.22%	P/E estimate *	18.57 20.05
	Dividend yield *	1.63 1.36
All-time high		
4796.56, 01/03/22		



Nasdaq Composite Index

<b>11718.12</b>	Last	Year ago
▼ 71.46	Trailing P/E ratio	23.63 34.01
or 0.61%	P/E estimate **	25.24 25.56
	Dividend yield **	0.88 0.70
All-time high:		
16057.44, 11/19/21		



Track the Markets: Winners and Losers

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

Index	Currency, vs. U.S. dollar	Commodity, traded in U.S.*	Exchange-traded fund
	Nymex crude		<b>8.63%</b>
	Nymex RBOB gasoline		<b>7.87</b>
	S&P 500 Energy		<b>5.03</b>
	Nymex natural gas		<b>4.32</b>
	Wheat		<b>3.87</b>
	Nymex ULSD		<b>3.22</b>
	Mexican peso		<b>1.61</b>
	Bloomberg Commodity Index		<b>1.50</b>
	FTSE MIB		<b>1.18</b>
	Lean hogs		<b>1.14</b>
	Soybeans		<b>0.69</b>
	Norwegian krone		<b>0.66</b>
	NIKKEI 225		<b>0.59</b>
	Corn		<b>0.44</b>
	WSJ Dollar Index		<b>0.37</b>
	Canadian dollar		<b>0.31</b>
	Swiss franc		<b>0.24</b>
	U.K. pound		<b>0.03</b>
	Indian rupee		<b>-0.002</b>
	Comex gold		<b>-0.01</b>
	Australian dollar		<b>-0.06</b>
	Shanghai Composite		<b>-0.08</b>
	Dow Jones Industrial Average		<b>-0.17</b>
	Japanese yen		<b>-0.17</b>
	S&P 500 Health Care		<b>-0.20</b>
	FTSE 100		<b>-0.24</b>
	S&P BSE Sensex		<b>-0.26</b>
	iSh 1-3 Treasury		<b>-0.32</b>
	S&P 500 Utilities		<b>-0.38</b>
	S&P 500 Financials		<b>-0.38</b>
	BOVESPA Index		<b>-0.41</b>
	KOSPI Composite		<b>-0.43</b>
	iSh TIPS Bond		<b>-0.49</b>
	Chinese yuan		<b>-0.51</b>
	S&P 500 Consumer Staples		<b>-0.54</b>
	Indonesian rupiah		<b>-0.61</b>
	STOXX Europe 600		<b>-0.62</b>
	iShNatIMuniBd		<b>-0.68</b>
	S&P 500 Industrials		<b>-0.70</b>
	S&P/TSX Comp		<b>-0.70</b>
	Comex copper		<b>-0.87</b>
	VangdTotIntlBd		<b>-0.88</b>
	DAX		<b>-1.09</b>
	S&P 500 Information Tech		<b>-1.10</b>
	Euro area euro		<b>-1.11</b>
	S&P 500		<b>-1.11</b>
	IBEX 35		<b>-1.17</b>
	Comex silver		<b>-1.34</b>
	VangdTotalBd		<b>-1.41</b>
	CAC-40		<b>-1.44</b>
	Euro STOXX		<b>-1.56</b>
	South Korean won		<b>-1.59</b>
	S&P/ASX 200		<b>-1.65</b>
	S&P 500 Materials		<b>-1.65</b>
	iSh 7-10 Treasury		<b>-1.66</b>
	S&P 500 Real Estate		<b>-2.01</b>
	iShiBoxx\$HYCp		<b>-2.11</b>
	Nasdaq-100		<b>-2.14</b>
	Hang Seng		<b>-2.17</b>
	S&P 500 Consumer Discr		<b>-2.22</b>
	Nasdaq Composite		<b>-2.41</b>
	South African rand		<b>-2.49</b>
	iShiBoxx\$InvGrdCp		<b>-2.51</b>
	S&P MidCap 400		<b>-2.52</b>
	iShJPMUSEmgBd		<b>-2.79</b>
	S&P/BMV IPC		<b>-2.90</b>
	Dow Jones Transportation Average		<b>-3.06</b>
	iSh 20+ Treasury		<b>-3.10</b>
	Russell 2000		<b>-3.36</b>
	S&P SmallCap 600		<b>-3.46</b>
	Russian ruble		<b>-4.27</b>
	S&P 500 Communication Svcs		<b>-6.59</b>

\*Continuous front-month contracts

Sources: FactSet (indexes, bond ETFs, commodities), Tullett Prebon (currencies).

THE WALL STREET JOURNAL

Methodology

Performance reflects price change (except DAX, Bovespa, and Tel Aviv 35, which reflect total returns). Commodities are represented by the continuous front-month futures contract. Bond exchange-traded fund performance may diverge from that of their underlying index. Bond categories are represented by the following ETFs: U.S. Bonds Total Market: Vanguard Total Bond Market; 1-3 Yr U.S. Treasuries: iShares 1-3 Year Treasury; U.S. 7-10 Yr Treasuries: iShares 7-10 Year Treasury; 20+ Yr U.S. Treasuries: iShares 20+ Year Treasury; Treasury Inflation-Protected Securities (TIPS): iShares TIPS; Investment Grade Corporate Bonds: iShares iBoxx \$ Investment Grade Corporate; High Yield Corporate Bonds: iShares iBoxx \$ High Yield Corporate; Municipal Bonds: iShares National Muni; International Bonds: Vanguard Total International; Emerging Market Bonds: iShares J.P. Morgan USD Emerging Markets.

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## THE WALL STREET JOURNAL.

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# BIGGEST 1,000 STOCKS

Saturday/Sunday, February 11 - 12, 2023 | **B9**

### 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. The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. **Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

**Footnotes:**  
+New 52-week high. -Down 52-week low. dd-Indicates loss in the most recent four quarters. FD-First day of trading.  
h-Does not meet continued listing standards. f-Late filing. v-Temporary exemption from Nasdaq Bankruptcy Code, or securities assumed by such companies. n-Trading halted on primary market. V-Intraday repurchase or repurchase by being reorganized under the Bankruptcy Code.

Stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Friday, February 10, 2023									
YTD %Chg	52-Week HI	Lo	Stock	Yld %	Sym	% PE	Net Chg	Yld %Chg	52-Week HI
A B C									
10.41	35.54	23.97	ABB	2.26	33.63	0.10			
-8.38	10.10	6	ADT	1.77	8.31	0.04			
5.75	91.96	60.74	AECOM	0.37	38.891	-0.29			
-5.26	29.89	18.62	AFB	2.54	20.11	0.53			
-2.86	74.02	52.07	Aflac	1.91	61.88	0.25			
-3.97	150.28	88.55	AGCO	0.72	138.18	0.48			
10.53	337.12	243.23	ANSS	5.00	267.04	-4.38			
-4.48	51.95	29.95	APA	2.3	43.56	0.21			
17.22	7.70	4.45	ASE Tech	1.81	7.35	-0.03			
20.12	714.62	363.15	ASML	7.88	656.35	-7.78			
3.59	21.55	14.52	AT&T	5.8	17	0.23			
-1.48	128.92	92.25	AbbottLabs	1.91	108.16	0.16			
5.92	175.91	134.09	AbbVie	3.95	123.05	0.35			
-1.24	89.95	50.47	AcadiaHealthCare	1.06	26	0.10			
6.42	245.30	242.95	Adient	0.5	282.92	-1.20			
-1.44	82	70.94	ActivisionBlizzard	0.71	39.75	0.45			
10.24	49.93	27.74	Adobe	0.82	37.30	-0.49			
1.24	231.43	138.52	AdvanceAuto	0.4	20.15	-0.11			
13.33	153.36	79.90	AdVibroMicroDevices	0.2	91.14	0.73			
25.80	127.17	54.57	AdVibroMicroDevices	0.2	91.14	0.73			
5.92	5.89	3.75	Aegion	0.2	5.54	-0.02			
5.96	25.25	27.24	Aegion	0.2	5.54	-0.02			
1.94	160.26	112.52	AgilentTechn	0.4	136.52	0.17			
41.51	28.26	14.82	AgilentHealth	0.1	22.84	-0.29			
1.14	71.34	36.69	AgilixEnergyMed	0.1	35	0.12			
-6.63	26.26	21.62	AirProducts	0.3	282.92	-1.20			
23.33	191.73	151	Airbnb	0.6	108.87	-0.07			
1.42	123.25	76.28	AkamaiTech	0.2	75.50	-0.21			
23.72	354.55	169.93	Alkermes	0.6	20.26	0.29			
0.84	37.99	20.05	AlkermesFin	0.3	21.23	0.39			
7.08	89.9	33.55	Alcoa	0.8	48.69	-1.32			
8.82	81.97	55.21	Alcon	0.3	64	0.32			
13.74	206.85	126.74	AmetekWaterRes	0.3	25	0.16			
49.74	534.47	127.05	AlliantTech	0.9	31.58	-0.57			
12.88	123.46	87.33	Allogene	0.4	24	0.18			
0.24	46.49	19.20	Allogene	0.4	24	0.18			
-3.59	65.27	49.17	AlliantEnergy	0.1	53.23	0.17			
-0.14	144.46	111.85	Allstate	0.1	135.41	1.85			
1.52	241.65	22.34	AllyBank	0.1	22.34	0.17			
-4.42	242.47	115.88	AlyriaPharm	0.1	21.26	-0.32			
6.91	144.16	83.45	AlphabetC	0.1	94.86	-0.60			
7.19	143.79	83.34	AlphabetA	0.1	94.86	-0.60			
3.25	57.05	40.35	Alstom	0.6	15	0.24			
16.20	170.83	81.43	AmazonCom	0.7	96.61	-0.63			
-1.02	39.31	24.00	Ambev	0.5	16	0.24			
-4.67	61.41	40.22	Amcor	0.3	11.33	0.11			
0.24	5.96	97.08	Amgen	0.1	12	0.95			
-3.85	99.20	73.28	Ameren	0.1	85.50	0.17			
5.87	21.32	15.41	AmericaMovil	0.2	15.76	0.35			
8.39	72.11	15.86	AmericaTel	0.1	15.76	0.35			
27.99	21.42	11.65	AmericanAirlines	0.1	16.28	-0.38			
-4.45	105.60	80.30	AEP	0.3	90.55	-0.07			
12.31	43.89	29.45	AmeriGas	0.1	137.45	0.05			
12.32	58.68	219.99	AmeriSpring	0.1	14.39	0.73			
-0.42	174.63	61.27	AmeriSecurities	0.1	11.33	0.11			
3.56	148.06	106.17	Ametek	0.1	149.69	0.63			
-7.67	296.27	214.39	Amgen	0.2	242.50	2.50			
15.10	33.38	14.89	AmkorTech	0.1	17.40	0.19			
4.89	82.86	61.67	AmkorTech	0.1	17.40	0.19			
8.80	182.23	148.48	AnalogDevices	0.1	174.86	0.06			
1.86	26.96	11.94	AnalogDevAsh	0.1	15.76	0.35			
3.51	66.05	44.51	AniWeb	0.1	25.82	0.11			
2.67	30.12	15.58	AniWeb	0.1	25.82	0.11			
-8.58	48.80	19.38	AniResources	0.1	28.33	0.50			
5.89	149.88	246.21	Apple	0.6	137.82	0.44			
17.07	74.63	45.62	AppleGlbMgt	0.1	26.11	0.37			
22.82	179.61	121.47	Apple	0.6	137.82	0.44			
17.86	143.79	71.12	ApplMaterials	0.1	114.77	-1.31			
-10.07	122.94	92.23	Apptarg	0.1	109.21	-0.04			
21.12	147.05	77.96	Apptarg	0.1	109.21	-0.04			
-9.97	34.59	19.25	Aramark	0.1	38.46	0.42			
2.2	65.67	41.05	ArcherMidatl	0.1	28.78	-0.40			
-11.59	98.88	70.02	ArcherDynamics	0.2	11.09	0.49			
24.69	87.50	53.15	AresMgmt	0.1	95.84	1.96			
-1.10	40.93	25.64	Arrow-X	0.1	37.29	-1.17			
9.92	149.57	89.11	ArrowTech	0.1	37.29	-1.17			
-21.12	134.56	89.38	Arrow-X	0.1	37.29	-1.17			
0.52	263.93	173.81	AspenTech	0.1	206.47	0.96			
6.68	194.12	119.01	Assurant	0.1	119.01	0.05			
1.59	72.12	52.65	Assurant	0.1	119.01	0.05			
13.20	80.41	51.45	BJSWholesale	0.1	74.89	0.38			
-0.64	110.85	70.21	BOKFin	0.1	113.03	0.05			
1.68	40.85	25.36	BOF	0.1	40.85	-1.10			
1.98	90.42	57.38	BOF	0.1	40.85	-1.10			
21.52	177.33	13.58	Baidu	0.1	135.99	-0.98			
11.98	39.78	20.41	BakerHughes	0.1	32.92	0.74			
16.29	94.79	46	BakerHughes	0.1	32.92	0.74			
19.80	74.99	9.93	BakerHughes	0.1	32.92	0.74			
-1.02	2.25	2.24	BancoBrazChile	0.1	2.27	-0.11			
5.67	22.74	15.56	BancoBrazChile	0.1	2.27	-0.11			
2.73	7.97	4.79	BancoBrazChile	0.1	2.27	-0.11			
8.95	22.95	13.27	BancoSantChile	0.1	17.02	-0.22			
23.73									



BUSINESS & FINANCE

Musk Moved Fast on Changes at Twitter

In his first 100 days as owner, billionaire set many new features; growth still uncertain

By ALEXA CORSE

Elon Musk has been adding and tweaking features to Twitter Inc.'s platform at a rapid pace since taking over. The challenge now is translating those changes into meaningful benefits for Twitter's business. Mr. Musk's ownership of Twitter hit the 100-day mark Saturday. The billionaire has said his goals for Twitter include building its subscription business, lessening its dependence on advertising, and making the experience better for users. So far, notable changes include the new Twitter Blue subscription service and a new version of the algorithmic-based feed, rebranded with the TikTok-esque name "For You," which recommends content to users that isn't only

from accounts they follow. Other changes include allowing U.S. subscribers to pen tweets up to 4,000 characters; gold check marks for corporate accounts and gray check marks for government ones, and shutting down popular third-party apps such as Tweetbot and Twittrific, which some users used to get other features not offered by the typical Twitter platform. Twitter added view counts to tweets, which Mr. Musk said helps users know their tweets are being seen. And he has proposed more potential changes, including a higher-priced ad-free subscription tier; making ads smaller; and ways for creators to share ad revenue. "I'd like to say there's a feature that's been implemented that's going to instantaneously drive user growth and advertiser support," said Daniel Newman, a tech industry analyst at Futurum Research. "I don't think that feature has been released yet." Still, Mr. Newman said, it is early. "I'm not sure what Elon

Musk might have up his sleeve." Some users say they like the platform under Mr. Musk so far. Others have voiced confusion and complaints, including in reaction to the algorithmic feed, which recommended posts from seemingly unlikely accounts such as that of a menswear blogger who was suddenly all over the platform. Some changes have already been implemented and reversed, such as a policy that briefly banned links to rival social-media platforms. Twitter also struggled with widespread glitches Wednesday, including users not being able to send tweets or direct messages. The issues had largely been resolved within a couple of hours, and Twitter didn't provide details about what caused the problems. The most controversial changes may be those to content moderation, which Mr. Musk has described as emphasizing free speech. Thousands of previously suspended accounts have been restored, ac-

cording to Twitter's head of trust and safety Ella Irwin. Twitter also ended a policy aimed at curbing the spread of Covid-19 misinformation. Mr. Musk has emphasized moving quickly. "Please note that Twitter will do lots of dumb things in coming months," he tweeted in November. "We will keep what works & change what doesn't."

\$3B

Forecast for Twitter revenue in 2023

The CEO has said he expects Twitter to roughly break even this year—with lower revenue but fewer costs. He suggested in December that Twitter was on track to bring in about \$3 billion in revenue in 2023. That is roughly \$2 billion less than Twitter's \$5.1 billion revenue in 2021, the

last full year it publicly reported earnings. Mr. Musk has said he slashed Twitter's staff to roughly 2,000 from nearly 8,000, as part of his cost-cutting efforts. Twitter didn't respond to requests for comment. Mr. Musk's approach is enabled by Twitter's new status as a smaller, private company no longer beholden to Wall Street, a contrast to the public company that prided itself on carefully testing proposed changes—and at times was accused of moving too slowly. Some former Twitter employees say old ideas are being rehashed, such as view counts under tweets. A former Twitter senior product designer, Paul Stamatiou, tweeted that the platform had tested and passed on the feature before, in part because it could disappoint users who didn't get many views. In its early years, Twitter tweaked and tested, but long shied away from bold product changes. The platform kept its original 140-character limit for

more than a decade, then expanded to 280 in 2017. An edit button, which Twitter said was its most requested feature, began rolling out last year—shortly before Mr. Musk officially took over—and so far only for subscribers. At the heart of Mr. Musk's strategy to grow subscriptions is the new Twitter Blue, which relaunched in December after a bungled first attempt. Twitter hasn't publicly disclosed the number of subscribers, though data collected by one researcher suggests the service has a long way to grow. Travis Brown, a Berlin-based software developer, in late January estimated total subscribers to be between 275,000 and 325,000, based on computer programs that reviewed roughly 30 million accounts. A report by The Information this past week indicated the new Twitter Blue had some 290,000 global subscribers as of mid-January. Twitter charges \$8 monthly for Twitter Blue via web browser, and \$11 via mobile.

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NBA star LeBron James, left, appeared in an ad for Crypto.com during last year's Super Bowl.

Crypto Firms Pass on Super Bowl

By JOSEPH PISANI

The "Crypto Bowl" was short-lived. There won't be any national ads from cryptocurrency companies during Super Bowl LVII, according to a spokesman for Fox, which is airing the matchup between the Kansas City Chiefs and the Philadelphia Eagles on Sunday. That is a reversal from a year ago, when crypto companies splurged on star-studded ads during the game, earning it the nickname "Crypto Bowl." "We did have that category blow up on us," Mark Evans, head of ad sales for Fox Sports, said last week about the crypto industry. Crypto companies last year flocked to buy airtime during the Super Bowl—one of the most watched TV events of the year—hoping to turn their platforms into household names. But since then, the industry has been in turmoil. FTX, the cryptocurrency exchange platform, filed for bankruptcy in November, sending a chill through the industry. The company's Super

Bowl ad last year starred comedian Larry David, who was skeptical of a series of inventions, including the wheel, the toilet and then crypto. "Don't be like Larry," the ad said. "Don't miss out." FTX collapsed nine months after the commercial aired. Its co-founder and former chief executive, Sam Bankman-Fried, has been charged with fraud and other criminal charges. He has pleaded not guilty. Coinbase Global Inc., a crypto platform whose stock is down 70% from a year ago, had people getting off their sofas last year to capture a bouncing QR code in its commercials—generating 20 million hits on its website in one minute, the company said. A spokeswoman for Coinbase said it is sitting out the Super Bowl this year, but declined to say why. "While we are incredibly proud of our first national ad," the spokeswoman said, "we won't be appearing in this year's game." Another trading platform, eToro Group, said it is focusing on marketing online following its Super Bowl ad last

year, which featured a man typing on a phone, "Crypto? Stocks? Where to start?" "We dial up or down specific channels based on many factors including market conditions," an eToro spokeswoman said. "We've been operating since 2007 so we understand that markets have their ups and downs—it's in their nature." Crypto.com, whose Super Bowl ad last year starred basketball player LeBron James, didn't respond to a request for comment. Charles Taylor, a marketing professor at Villanova University, said crypto companies likely aren't healthy enough to spend big on the Super Bowl this year, where the price for some 30-second spots topped \$7 million. The average price for 2023 is around the \$6.5 million mark for a 30-second spot. Some 2023 ad slots sold for as low as \$6 million because some advertisers have multi-year deals and are big sports spenders, while average unit price was around \$6.5 million per 30-second spot. Mr. Taylor said the one-and-done "Crypto Bowl" is

reminiscent of the 2000 Super Bowl, when online companies including Pets.com filled the game with ads, earning the name, "Dot-Com Super Bowl." Many of the companies that advertised in that Super Bowl no longer exist, including Pets.com. Fox Corp. said other industries made up for the loss of crypto advertising, including an increase in ads from travel and pharmaceutical companies. Fox and News Corp, the parent company of The Wall Street Journal, share common ownership. Fox is nearing \$600 million in ad revenue for Super Bowl Sunday this year, Chief Executive Lachlan Murdoch said in an earnings call this week. "The money came in late," Mr. Murdoch said, "so we had some nervous moments." But, he added: "We are sold out." —Joe Flint contributed to this article.

Watch a Video



Scan this code for a video on booze ads sharing the spotlight with Bud.

Newell Brands Slashes Forecasts for 2023

By SHARON TERLEP

Newell Brands Inc. said it was changing chief executives and slashed its financial forecasts for the year, as the maker of kitchen gadgets and school supplies prepares for potential economic downturn. Ravi Saligram, who took over as CEO in October 2019, will retire effective May 16 and hand over the top job to Chris Peterson, who is president of the company. Mr. Saligram, a former CEO of OfficeMax and Ritchie Bros. Auctioneers Inc., has overseen a restructuring at the company. Newell issued 2023 targets below Wall Street's expectations, including an unexpected loss in the fiscal first quarter. For the fourth quarter, it reported a net loss of \$249 million and a 19% drop in sales. Newell, similar to many of its peers, was squeezed last year when consumers reduced



Ravi Saligram will retire as chief executive in May.

spending on household goods and when retailers cut orders to pare their inventory levels. "We expect many of the headwinds the company experienced in the second half of 2022 to persist in 2023, as we plan for a recessionary environment," said Mr. Peterson, 56 years old. He joined Newell

in 2018 and was its chief financial officer until early 2022. Newell, which makes Elmer's glue, Rubbermaid products, Coleman camping gear and Graco strollers, has struggled since closing a \$15 billion acquisition of Jarden Corp. in 2016. The company was targeted by activist investors in

2018, setting off a shake-up that later brought Mr. Saligram into the top role. The Atlanta-based company last month announced a restructuring plan that includes cutting 13% of its office workers. For the current quarter, the fiscal first quarter, Newell said it expects a loss of between 3 cents a share to 6 cents on sales between \$1.79 billion to \$1.84 billion. Analysts expected earnings of 22 cents a share on revenue of \$2.04 billion. The company also expects 2023 earnings to be between 95 cents a share and \$1.08 a share. Analysts surveyed by FactSet were expecting full-year earnings of \$1.42 a share. Shares of Newell fell about 6% in trading Friday morning but recovered to close at \$14.77, up 17 cents, or 1.2%. Coming into the session, the stock had risen 12% this year.



MARKETS

Options Activity Jumps in New Year

Bets on Apple, Meta and Tesla up sharply as shares make gains following brutal 2022

By ERIC WALLERSTEIN AND GUNJAN BANERJI

Options traders are riding this year's stock-market rally en masse, favoring bets on technology stocks to capture quick gains.

More than 40 million call-option contracts changed hands in a single day in early February—the highest level on record and nearly topping 2022's daily average volume for puts and calls combined. That propelled overall activity above 68 million contracts, also a record, according to Cboe Global Markets data.

The frenzied activity in the options market piggybacks on major U.S. indexes' rally to kick off the year. The S&P 500 has jumped 6.5%, while the tech-heavy Nasdaq Composite has added 12%, even with Friday's decline.

Shares of technology and growth companies that floundered in 2022 have raced higher, and many traders are rushing to options that might profit if they soar higher. Trading in calls tied to such tech and growth stocks has outstripped put options trading at the highest rate in nearly a year, Deutsche Bank data show. That activity has driven overall single-stock volumes to similar highs, after falling flat last year.

Call options give traders the right, though not the obligation, to buy shares at a stated

price by a certain date. Put options grant the right to sell.

Retail traders typically buy and sell options from institutional market-makers—such as Citadel Securities or Susquehanna International Group LLP—via brokerage accounts. Institutions servicing those trades typically don't like to bet one way or another, so they often hedge their positions and look to profit from the difference between buying and selling prices.

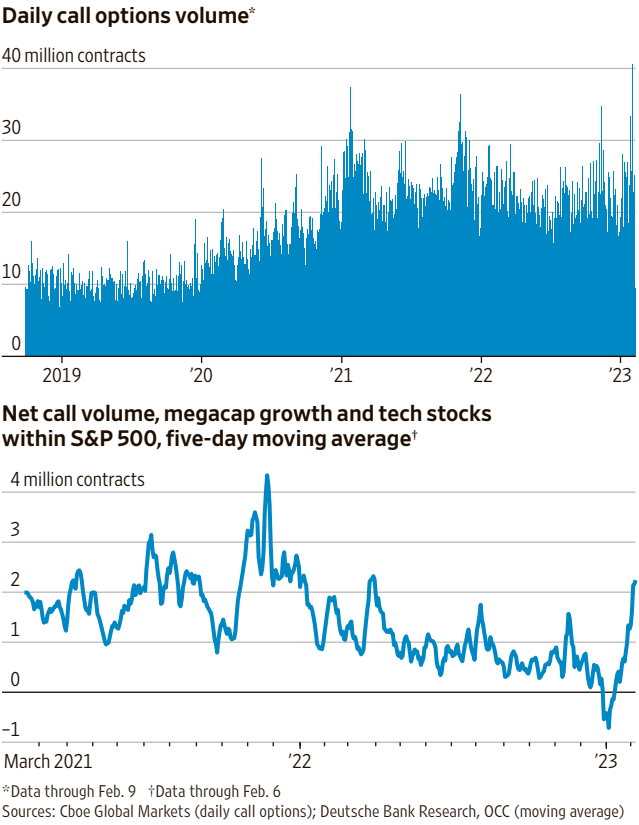
Investors who had shed stocks heading into 2023 may be scooping up calls to profit from the recent rise in share prices, traders said. Many investors sold stocks last year—or made outright bets against major indexes—as they grew worried about rising interest rates and a possible recession.

"Because of that lighter positioning...people use shorter-dated call options to protect themselves against a rally," said Stuart Kaiser, head of U.S. equity trading strategy at Citigroup.

Many individual investors are piling in, too. By one measure, individual traders have ramped up purchases of call options on single stocks to the highest level since August, according to JPMorgan Chase & Co. figures as of Feb. 3. The firm analyzed buy orders for call options relative to sell orders for trades with fewer than 10 contracts.

The fourth-quarter earnings season has led to whipsawing stock moves, drawing in many individual traders.

"Retail involvement always spikes around earnings events—they're drawn to volatility," said Layla Royer, senior



equity derivatives salesperson at Citadel Securities.

This year's options trading echoes the call options frenzy of 2021, when many turned to the trades to profit from the nearly relentless rally in the stock market. At the time, many traders had a fear of missing out, or FOMO, on further stock market gains, dishing out cash for trades that might double or triple their money if the market kept rising. And bullish trades tied to tech and meme stocks in particular were all the rage.

For example, trading in options tied to **Bed Bath & Beyond** Inc. shares has popped this year while the stock has gone on a wild ride. More than 500,000 contracts have changed hands on an average day in 2023, a fivefold surge from the past two years. One of the most popular trades has been for shares to jump to \$45 by next week. The stock closed Friday at \$2.35 a share.

"It's a bit of a repeat of what we saw during the meme mania," said Tobias Hekster, Chicago-based co-chief investment officer of True Partner Capital.

Sliding market volatility has created opportunities for traders to position for big

moves in the stock market, Mr. Hekster said. Options prices often fall along with market volatility.

Activity in the options market ballooned during the Covid-19 pandemic, with volumes more than doubling since the start. It has shown no signs of deflating: Roughly 46 million contracts are changing hands on an average day in 2023, nearly 12% higher than last year.

Options activity tied to shares of **Apple Inc.**, **Meta Platforms Inc.** and **Tesla Inc.** has touched some of the highest levels in history in recent weeks, Cboe data show. That includes a frenetic session for Meta in February when shares surged 23% and call options significantly outpaced puts.

Shares of all three companies have raced higher in 2023 after one of their worst years on record, with Apple and Meta jumping 16% and 45%, respectively. Tesla shares have added 60%.

Trading in options tied to single stocks is a "significant driver of increased activity this year," said Citadel's Ms. Royer.

Trades tied to indexes such as the S&P 500 and Nasdaq-100 have also been popular. Individuals have traded index-level bets alongside their institutional peers—nearly one in 10 options trades tied to the S&P 500 involve just a single contract, Cboe data show.

Derivatives traders aren't the only ones pouncing on this year's rally—both active investors and quant strategies have boosted their stock-market exposure to the highest levels in nearly a year.

Cyberattack Forced Firms To Confirm Trades Manually

By JAMES RUNDLE

A ransomware attack on a technology company that helps underpin the financial markets gave the sector a preview of the havoc a large-scale attack might inflict.

The cyberattack of the cleared derivatives unit of Dublin-based ION Trading Technologies Ltd. sent financial institutions scrambling to confirm trades manually after Jan. 31, when the strike occurred and the firm took its systems offline. ION builds software that automates the matching of both sides of a trade and clearing the transaction.

The incident showed how even banks and other financial companies with polished disaster plans and mature cybersecurity must assess how ready their business partners—counterparties, fintechs, any company it has technical links to—are to weather outages, said Sumeet Chabria, chief executive of consulting firm ThoughtLinks Group.

"It is a stark reminder of vulnerabilities in supply chains and third-party resilience. You are as good as your weakest link," said Mr. Chabria, who formerly held senior technology positions at HSBC Holdings PLC and Bank of America Corp.

ION didn't respond to a request for comment on where it is on fully restoring its systems.

The incident also illustrated how an attack on one piece of the market's infrastructure can quickly gum up the gears.

After ION disconnected its servers, the U.S. Commodity Futures Trading Commission said its closely watched report on how traders are betting on commodity prices would be delayed, owing to problems with data submissions. It advised the largest trading firms, which are required to submit daily activity reports, to make their best estimates and revise them later. The Futures Indus-

Mormon Church Faces SEC Investigation

By DAVE MICHAELS AND JONATHAN WEIL

The Securities and Exchange Commission is investigating the Mormon Church's past efforts to keep its giant investment portfolio a secret, a practice that ended after a former employee revealed in 2019 that the church had amassed \$100 billion of holdings.

The SEC's investigation has focused on whether the Church of Jesus Christ of Latter-day Saints, also known as LDS, complied with disclosure requirements for large money managers. It is at an advanced stage and is likely to lead to a settlement in the coming months, people familiar with the matter said.

The SEC historically has punished violations of money-manager reporting rules by levying fines. The agency sometimes closes investigations, even those that have reached an advanced stage, without taking formal enforcement action.

The entity at the center of the SEC's investigation is Ensign Peak Advisors Inc., an investment firm owned by the church that manages its assets. Ensign Peak has made disclosure filings under its own name with the SEC since February 2020. Doug Andersen, a spokesman for the Church of Jesus Christ of Latter-day Saints, declined to confirm or deny the SEC investigation. "The church works with many government regulators to ensure we are in compliance with the law," he said. "We take those responsibilities very seriously." Ensign Peak executives didn't respond to requests for comment.

The current size of Ensign Peak's holdings remains a



The investigation has focused on whether the church complied with disclosure requirements for large money managers.

tightly held secret. Under SEC rules, it must disclose some types of investments, like U.S.-listed stocks, that it manages directly, which amounted to roughly \$40 billion on Sept. 30. The remainder of the portfolio is made up of investments such as fixed-income securities, private companies or funds. Ensign Peak had an estimated \$100 billion of holdings in 2019. Investment managers with at least \$100 million under management publicly report their stockholdings quarterly.

The size of the church's investment holdings first came to light in 2019, after a former Ensign Peak investment manager, David Nielsen, filed a whistleblower complaint with the Internal Revenue Service, claim-

ing that Ensign Peak shouldn't be treated as a tax-exempt charity because it didn't engage in any charitable activities.

The complaint showed for the first time how big Ensign Peak had grown. At the time it was more than twice the size of the Harvard endowment and on par with some of the biggest sovereign-wealth funds in the world. "We've tried to be somewhat anonymous," Roger Clarke, then head of Ensign Peak, said in an interview at the time. The firm operated out of a fourth-floor office, above a Salt Lake City food court.

Ensign Peak and church officials said they hadn't violated any tax laws and that the fund was a rainy-day account to be used in difficult economic

times. Mr. Clarke said he believed church leaders were concerned that public knowledge of the scale of the firm's assets might discourage church members from making donations, known as tithing.

At the time, some church members asked why details about the fund had been tightly held for so long, what the money was for, and whether tithing so much to the church should still be the standard practice. Members of the church must give 10% of their income each year to remain in good standing.

More recently, attorneys for Mr. Nielsen on Jan. 31 gave a 90-page memo to the Senate Finance Committee in which they alleged that Ensign Peak had

made false statements to the IRS in publicly available filings about the size of its assets and whether the firm held foreign bank accounts. Mr. Nielsen's attorneys asked the committee to investigate.

Mr. Andersen, the church spokesman, said: "The church, along with our investment manager, Ensign Peak Advisors, have only recently been made aware of allegations brought forward by a former Ensign Peak employee. We are always willing to work with government regulators to resolve concerns and are committed to full compliance." A spokesman for the Senate Finance Committee confirmed it received the memo, but he declined to comment further.

'It is a stark reminder of vulnerabilities in supply chains and third-party resilience.'

try Association, a lobby for large derivatives trading houses, said it was coordinating calls with market participants.

Part of the problem stemmed from how trading works. Without systems to match both sides of a trade, banks and brokers were forced to call exchanges and their affected trading partners to marry the trades together by transaction identifiers and other data, and account for them.

Years ago, banks employed large numbers of people who specialized in doing just that sort of work. Now it is mostly automated, and reliant on that technology.

While financial services are regarded as among the most sophisticated critical-infrastructure sectors in terms of cybersecurity, industry observers have long feared what a successful cyberstrike could do to that infrastructure.

Derivatives markets handle exchange-traded and over-the-counter contracts that are collectively worth trillions of dollars a year. A cyberattack that successfully froze a key part of the plumbing could bring markets to a halt.

Big financial companies have strict standards governing their operational risk. In December, the Federal Reserve consulted on draft rules for clearinghouses to enhance such protections, including on cybersecurity.

Yet few such rules exist for the tech companies that run the services, utilities and software that also keep the market humming, said Boaz Gelbord, chief security officer at security firm Akamai Technologies Inc.

"A lot of the improvements that are coming from a cybersecurity perspective in these second- and third-order providers are being driven by the primary regulated entity," Mr. Gelbord said. "They cascade those things downwards."

Tether Puts Key Assets At Cantor

Continued from page B1

ways supposed to be worth \$1—is a critical piece of the cryptocurrency ecosystem. It depends on investors' faith in the assets that back tether. That makes the company similar to a more traditional financial institution such as a bank or a money-market fund. And like those institutions, it requires sophisticated portfolio management and trading strategies.

The portfolio is an indication that some firms on Wall

Street are willing to look past the regulatory and governance concerns that have characterized the crypto space for a chance to manage some of the billions of dollars in assets that some cryptocurrency companies have amassed.

U.S. regulators told banks last month that they would exercise caution in reviewing banks' proposals to engage with the crypto market after a series of failures of companies in the industry.

Closely held Cantor, one of the largest intermediaries for Wall Street traders, has been interested in crypto for years. In 2017, the firm said it would offer futures contracts tied to the price of bitcoin on a small futures exchange that it runs.

An affiliate of Cantor's, BGC Partners, was planning to launch a crypto exchange by

the first quarter of 2023, Chief Executive Howard Lutnick said last year on a conference call with analysts.

By hiring Cantor, Tether is getting a firm that is deeply entrenched in the Treasury market. Cantor is one of the 25 so-called primary dealers for the U.S. Treasuries market, a status that allows them to trade directly with the Federal Reserve Bank of New York and underwrite sales of U.S. government debt.

At times, other U.S. financial institutions have been reluctant to involve themselves in Tether's business. In 2017, Wells Fargo & Co. stopped processing Tether's wire transfers as a correspondent bank for its Taiwanese accounts.

Tether and Cantor didn't reply to requests to comment. Despite Tether's importance

to the crypto ecosystem, the company hasn't shared much information on its ownership or holdings. It has asked courts to prevent the name of its chief investment officer from being revealed or for detailed information on its holdings being made public through open records requests. The Wall Street Journal recently reported that 86% of the company was owned by four men and that its executives have little experience at that scale of finance.

In 2021, Tether and related companies paid \$61 million to settle two investigations that found Tether had regularly misrepresented the true state of its reserves to the public between 2016 and 2019. One of those settlements also prohibited the company from offering its products and services to New York residents. The

company has said it no longer operates in the U.S. or allows U.S.-based users onto its platform. Tether didn't admit or deny wrongdoing in either settlement.

As part of one of the settlements, it began publishing more information on its holdings. On Thursday it said it ended 2022 with \$67 billion in its reserves backing the \$66.1 billion tether issued after generating \$700 million of profits in the fourth quarter.

The company said it no longer held any commercial paper, reduced its loan exposure and that the \$39.2 billion in Treasuries it held accounted for 59% of its portfolio. The rest of its assets included billions of dollars held in money-market funds, cash, reverse repurchase agreements, corporate bonds and precious metals.