

THE WALL STREET JOURNAL

What's News

Business & Finance

Alibaba said it plans to split itself into six independently run companies that could seek separate IPOs, effectively dismantling a business empire built over two decades by Jack Ma just as the tycoon reappeared in China. **A1, A6**

◆ **Prosecutors accused** FTX founder Sam Bankman-Fried of conspiring to bribe Chinese government officials to regain access to more than \$1 billion in frozen cryptocurrency. **A1**

◆ **Defaults and vacancies** are rising at high-end office buildings, in the latest sign that remote work and rising interest rates are spreading pain to more corners of the commercial real-estate market. **A1**

◆ **Traders are pulling** billions of dollars from Binance as problems plaguing the world's largest crypto exchange continue to mount. **B1**

◆ **Tech stocks fell**, contributing to a 0.4% decline in the Nasdaq, while the S&P 500 and Dow fell 0.2% and 0.1%, respectively. **B13**

◆ **Facebook parent Meta** Platforms plans to lower some bonus payouts and to assess employee performance more frequently, according to an internal memo. **B4**

◆ **Diageo named Debra** Crew as its next chief executive, tapping an internal candidate to succeed longstanding leader Ivan Menezes at the helm of the company. **B3**

◆ **Former Aetna CEO** Mark Bertolini will take the helm of Oscar Health, succeeding Mario Schlosser, who co-founded the firm. **B3**

World-Wide

◆ **Lawmakers at a** Senate hearing rebuked the Fed for failing to prevent the collapse of Silicon Valley Bank despite identifying risks beforehand, while the central bank's top regulator blamed the firm's executives for not fixing its problems. **A5**

◆ **A federal judge ruled** that Pence must testify before a grand jury about conversations he had with Trump before Jan. 6, 2021, rejecting executive privilege claims by Trump, people familiar with the ruling said. **A5**

◆ **The U.S. has informed** Russia that it will no longer exchange key data on its strategic nuclear forces following Moscow's decision to suspend its participation in the New Start treaty, U.S. officials said. **A7**

◆ **Thirty-eight migrants** were killed in a fire at a migrant-detention facility in Ciudad Juárez, Mexico, started by protesting occupants, authorities said. **A16**

◆ **McCarthy tried** to prod Biden into starting talks over spending cuts as a condition for raising the debt ceiling, just as Republicans are struggling to unite around a blueprint for negotiations ahead of dual deadlines later this year. **A4**

◆ **Netanyahu's coalition** met with opposition leaders to begin talks over a judicial-overhaul plan after widespread protests that shook Israel. **A6**

◆ **The grand jury** investigating Trump's role in paying hush money to a porn star has concluded its work for the week, according to people familiar with the matter. **A5**

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'Let's Go': Police Release Video of School Shooting Response



ON SITE: Body-cam footage from the Metropolitan Nashville Police Department shows officers responding to the attack inside Covenant School on Monday. The shooter, who was fatally shot by police, killed three students and three adults. **A3**

U.S. Accuses FTX Founder Of Bribing Chinese Officials

By JAMES FANELLI AND CORINNE RAMEY

Prosecutors accused FTX founder Sam Bankman-Fried of conspiring to bribe Chinese government officials to regain access to more than \$1 billion in frozen cryptocurrency, in a new indictment that charged him with violating U.S. anti-corruption law.

The indictment, unsealed Tuesday, is the third Mr. Bankman-Fried has faced since the collapse of the crypto exchange. It alleges that in 2021 he authorized bribing one or more Chinese government officials with at least \$40 million in cryptocurrency to regain access to accounts that the country's law enforcement had frozen as part of a continuing investigation into a party that traded with his crypto-investment firm, Alameda Research.

The accounts, held with two of China's largest cryptocurrency exchanges, contained more than \$1 billion in cryptocurrency, according to the indictment.

Mr. Bankman-Fried directed Alameda employees to pay the bribe after months of failed attempts to regain control of the accounts, prosecutors said.

The accounts were unfrozen at the time a first illicit payment was made, the indictment alleges. Mr. Bankman-Fried then authorized an additional payment of tens of millions of dollars to complete the bribe, the indictment alleges.

At the direction of Mr. Bankman-Fried, Alameda used the unfrozen crypto to fund additional trades, the indictment alleges.

Prosecutors said in a letter to the judge that a grand jury had handed up the new 13-count indictment on Monday. The latest indictment contains the 12 charges that Mr. Bank-

man-Fried already faces, plus one additional count, for conspiracy to violate the Foreign Corrupt Practices Act.

A spokesman for the U.S. attorney's office for the Southern District of New York, which is prosecuting the case, declined to comment. A representative from the Chinese Embassy in Washington didn't respond to a request to comment.

A spokesman for Mr. Bankman-Fried declined to comment.

The bribery allegations add to the mounting legal pressures facing Mr. Bankman-Fried. *Please turn to page A4*

Alibaba To Split Six Ways And Look Into IPOs

E-commerce company's reorganization plan comes as co-founder Ma reappears in China

By RAFFAELE HUANG AND CLARENCE LEONG

Chinese e-commerce giant Alibaba Group Holding Ltd. said it plans to split itself into six independently run companies that could seek separate IPOs, effectively dismantling a business empire built over two decades by charismatic entrepreneur Jack Ma just as the tycoon reappeared in China.

The reorganization of one of China's largest private-sector companies, once valued at more than \$800 billion but now worth about a quarter of that, comes after Chinese authorities signaled in recent months that they were winding down a sweeping regulatory clamp-down aimed at reining in the country's powerful tech sector.

Mr. Ma, a co-founder who built Alibaba into one of the world's biggest e-commerce companies on China's rising affluence, was once known for his outspoken views. But since China embarked on its campaign to tame internet companies, the billionaire has largely kept a low profile and remained abroad. He returned to mainland China in recent days for the first known time in almost a year, visiting a school. *Please turn to page A6*

◆ **Outside public eye, Ma ponders** world's food problems..... **A6**

Wait Till You See the Spaghetti

A meatball made using the genetic sequence of an extinct woolly mammoth was presented at NEMO Science Museum in Amsterdam on Tuesday. Vow, an Australian cultured-meat startup, said the meatball isn't meant to be eaten and its safety isn't known. **A16**



PHOTOS: VAN DE WOUW/REUTERS

Distress in Office Market Spreads to High-End Buildings

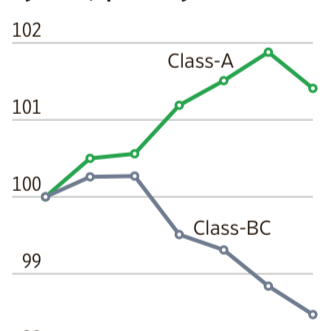
By KONRAD PUTZIER

Defaults and vacancies are on the rise at high-end office buildings, in the latest sign that remote work and rising interest rates are spreading pain to more corners of the commercial real-estate market.

For much of the pandemic, buildings in central locations that feature modern amenities fared better than their less-pricey peers. Some even were able to increase rents while older, cheaper buildings saw surging vacancy rates and plummeting values. Now, these so-called class-A properties, whose rents generally fall into a city's top quartile, are increasingly coming under pressure.

The amount of U.S. class-A office space in central business districts that is leased fell in the fourth quarter of last year for the first time since 2021, according to Moody's Analytics. The owners of a number of high-end properties recently defaulted on their mortgages, highlighting the financial strain from rising

Index measuring the amount of occupied office space, by class, quarterly



Note: Second quarter 2021=100 Source: Moody's Analytics

interest rates and vacancies. "Any property owner that says 'Oh we're fine' is a little bit fooling themselves," said Thomas LaSalvia, director of economic research at Moody's Analytics.

Some office landlords invested heavily in their buildings. *Please turn to page A2*

◆ **The Property Report**..... **B6**

Laundry Dispute Takes A New Spin

A detergent brand weighs in on the ideal temperature

By SHARON TERLEP

Is it better to wash your clothes with cold or warm water?

The maker of Tide detergent has thrown its marketing weight behind Team Cold. Procter & Gamble Co. argues that a chilly wash cycle reduces the impact of a costly and energy-guzzling domestic chore, and has enlisted rapper Vanilla Ice, actor/musician Ice-T, pro wrestler "Stone Cold" Steve Austin and other celebrities to promote the concept.

Some laundry experts say that's just spin. They contend cold water doesn't wash clothes as well, and the energy it takes to try to compensate diminishes the environmental benefits.

Patric Richardson is among *Please turn to page A8*

Russia's Economy Is Starting To Come Undone

Investment is down, budget is squeezed; Oligarch: 'There will be no money next year'

By GEORGI KANTCHEV AND EVAN GERSHKOVICH

MOSCOW—The opening months of Russia's invasion of Ukraine last year drove an increase in oil and natural-gas prices that brought a windfall for Moscow. Those days are over.

As the war enters continues into its second year and Western sanctions bite harder, Russia's government revenue is being squeezed and its economy has shifted to a lower-growth trajectory, likely for the long term.

The country's biggest exports, gas and oil, have lost major customers. Government finances are strained. The ruble is down over 20% since November against the dollar. The labor force has

shrunk as young people are sent to the front or flee the country over fears of being drafted. Uncertainty has curbed business investment.

"Russia's economy is entering a long-term regression," predicted Alexandra Prokopenko, a former Russian Central Bank official who left the country shortly after the invasion.

There is no sign the economic difficulties are bad enough to pose a short-term threat to Russia's ability to wage war. But state revenue shortfalls suggest an intensifying dilemma over how to reconcile ballooning military expenditures with the subsidy. *Please turn to page A8*

◆ **Ukraine touts its Bakhmut** tactics..... **A7**

INSIDE



PERSONAL JOURNAL
Two of Paul Newman's treasured Rolexes will be up for sale at a June auction. **A10**



BUSINESS & FINANCE
Whose jobs are the most threatened by the capabilities of artificial intelligence? **B1**

U.S. NEWS

Semiconductor Firms Face Quandary

Companies that take U.S. grants might have to limit their operations in China

By YUKA HAYASHI AND JIYOUNG SOHN

WASHINGTON—Semiconductor companies seeking federal grants under the Chips Act could face a tough decision: take Washington's help to expand in the U.S., or preserve their ability to expand in China.

The Biden administration last week proposed new rules detailing restrictions chip companies would face on operations in China and other countries of concern if the companies accept taxpayer funding.

Some of the proposed restrictions, known as the China guardrails, were tougher than industry executives, lawyers and national security analysts say they had expected—both for leading-edge semiconductor plants needed for advanced military weapons systems as well as factories making so-called legacy chips used in consumer electronics.

"It's going to make a good number of companies question whether they want to accept the Chips funding," said Angela Styles, an Akin Gump lawyer who advises semiconductor-industry companies.

The restrictions would be

particularly onerous for East Asian companies with significant operations in China, where they have already invested billions of dollars. These include Samsung Electronics Co. and SK Hynix Inc. of South Korea, the world's top two memory-chip makers, and Taiwan Semiconductor Manufacturing Co., or TSMC, the world's largest contract chip maker.

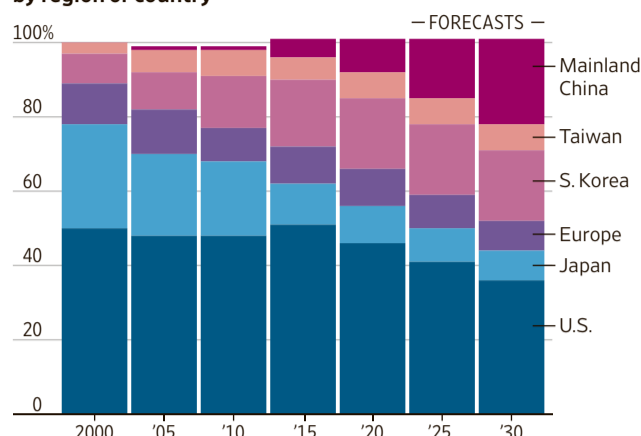
U.S. restrictions placed on exports of advanced chips and chip-making equipment to China would make it more difficult for South Korean companies to continue investing in China, Trade Minister Ahn Duk-geun said in Seoul recently, before the U.S. Commerce Department's detailed proposals on the Chips Act's guardrails. It would be up to the companies to make those decisions, he said.

Commerce Secretary Gina Raimondo said the Biden administration isn't seeking to decouple economically from China. "We want American businesses to continue to do business in and with China. And vice versa," she said in an interview. "But we do have to be eyes wide open about the risks presented to the United States."

She added that China has made it clear it wants access to the most advanced U.S. technology to incorporate it into its military capability. "We just can't allow that to happen," she said.

Big companies viewed as candidates for Chips Act fund-

Market share of semiconductor global sales revenue, by region or country*



*Region or country of company headquarters
Note: Percentages don't add up to 100% due to rounding.
Source: Semiconductor Industry Association

ing are largely withholding public comment for now.

Samsung said it has been in "close discussions with the relevant government agencies of the U.S. and Korea" and plans to determine its next steps after reviewing the funding details. Samsung is building a \$17 billion advanced chip-making plant in Taylor, Texas, and last year floated plans of potentially investing as much as \$200 billion in chip-making plants in Texas.

TSMC, with a \$40 billion plan to build a complex for advanced chips in Arizona, declined to comment.

SK Hynix has disclosed plans for a new U.S. advanced-chip packaging plant, where the final steps of the semiconductor-fab-

rication process would occur. It said uncertainties around the operations of its Chinese facilities had been cleared through talks between the South Korean and U.S. governments, and that it would closely review Washington's announcements.

The Chips Act, signed into law by President Biden in August, was aimed at renewing America's leadership in advanced semiconductor technology and fending off competition from China. The act prohibits "significant transactions involving the material expansion" of manufacturing capacity for leading-edge and advanced semiconductors in foreign countries of concern.

The proposed rules define "significant transactions" as

those costing at least \$100,000 and "material expansion" as increasing a facility's capacity by 5%. The rules cover a 10-year period, which would allow companies to make adjustments in their long-term China strategy.

The Commerce Department was blunt in explaining why such limits were necessary. "These thresholds are intended to capture even modest transactions attempting to expand manufacturing capacity," it said in the text of the proposed rule, which now goes through a 60-day public-comment period before being completed this summer. The program also places limits on the fund recipients' engagements in joint research and technological licensing with foreign entities of concern.

For chip makers, the China-based facilities represent years of investment and are responsible for a sizable portion of the world's chip-production capacity.

Samsung operates a NAND flash memory-chip plant in the central Chinese city of Xi'an and a chip-packaging facility in the eastern city of Suzhou. SK Hynix operates DRAM memory-chip production facilities in the city of Wuxi, and owns Intel Corp.'s NAND flash-memory-chip factories in Dalian through a deal struck in 2020. TSMC operates chip-making facilities in the Chinese cities of Nanjing and Shanghai.

—Erin Delmore contributed to this article.

Raimondo, GOP Spar Over Some Chips Act Provisions

By SABRINA SIDDIQUI AND YUKA HAYASHI

WASHINGTON—Republicans and Democrats are sparring over measures in the \$53 billion Chips Act that the Biden administration says are needed to ensure the measure's success, but which Republicans say are an effort to pursue liberal social policies.

The Commerce Department has set rules for semiconductor companies seeking grants under the act that encourage the hiring of union workforces and economically disadvantaged individuals. Companies seeking more than \$150 million must provide child care.

A group of Republican senators including Ted Cruz of Texas and Marsha Blackburn of Tennessee recently wrote a letter to Commerce Secretary Gina Raimondo saying the measures will make "domestic chip production more expensive, less competitive, and reliant on taxpayer subsidies over private investment."

In an interview, Ms. Raimondo pushed back on those claims. She said measures such as requiring chip makers to pay prevailing wages and provide child care are necessary to address a workforce shortage that could hinder efforts to expand semiconductor manufacturing in the U.S. "There is zero 'social policy' that we're trying to achieve here," Ms. Raimondo said.

She added that the success of the Chips Act largely hinges on overcoming a labor shortage that could imperil plans to compete with China. "We want them to show us a workforce plan, including how they think about child care, not because we have a social agenda but because we know [that] they're struggling to hire workers," Ms. Raimondo said.

Ms. Raimondo joined Presi-

Mr. Biden cited over \$435 billion in private sector manufacturing commitments.

dent Biden in North Carolina on Tuesday for a visit to a semiconductor manufacturer in Durham that has plans to build a \$5 billion chip-manufacturing plant projected to create 1,800 new jobs.

During the visit, Mr. Biden said more than \$435 billion in private sector manufacturing commitments have been made since he took office. A White House official said those investments would span at least the next decade and include more than \$200 billion in clean energy, electric vehicle and battery investments, over \$200 billion in semiconductors, and about \$15 billion in biomanufacturing investments.

Mr. Biden said the U.S. is "determined to lead the world in the manufacturing of semiconductors." He also aimed at Republicans who have proposed cuts to government spending, saying doing so would cede "the future of innovation and technology to China."

In their letter, dated March 22, 14 Republican senators said that many of the rules the Biden administration has imposed on chip subsidy applicants weren't specified in the Chips Act. Their criticism echoed prior complaints from Republicans that conditions for companies applying for semiconductor funding are being used "to pursue controversial policies that go beyond the requirements of the law."



Gina Raimondo

U.S. WATCH

MARYLAND

Murder Conviction Of Syed Reinstated

Adnan Syed's murder conviction was reinstated by a Maryland appellate court less than a year after a Baltimore Circuit judge vacated his conviction in the 1999 death of Hae Min Lee, a case that drew national attention on the hit podcast "Serial."

The Appellate Court of Maryland said in an opinion Tuesday that the lower-court judge had violated the rights of the Lee family when Young Lee, the victim's brother, wasn't given enough time to attend a hearing in person last year. Mr. Lee, who lived in California, attended the hearing remotely.

The three-judge panel ordered the lower court to hold a new "legally compliant, and transparent" hearing with sufficient notice for Mr. Lee to attend in person.

"There is no basis for re-traumatizing Adnan by returning him to the status of a convicted felon," said Erica Suter, a public defender for Mr. Syed. Ms. Suter said he remains out of jail.

Lawyers for the Lee family and the state's attorney for Baltimore City didn't immediately return requests for comment.



PRECAUTIONS: Shoppers in Philadelphia loaded up on water Tuesday following a chemical spill in the Delaware River on Friday. Philadelphia water officials say they still see no sign of contamination.

In September, prosecutors in Baltimore asked a judge to vacate Mr. Syed's first-degree murder conviction, saying an investigation revealed new evidence. Judge Melissa Phinn found the state had grounds to do so "in the interest of justice and fairness," and Mr. Syed was released from prison.

—Talal Ansari

DELAWARE

Judge Upholds Scouts Abuse Settlement Plan

A federal judge backed the Boy Scouts of America's chapter 11 plan to settle sex-abuse lawsuits that sent the youth group to bankruptcy, bringing it closer

to ending more than three years of court protection.

U.S. District Judge Richard G. Andrews of the U.S. District Court in Wilmington, Del., upheld the youth group's settlement plan for more than 82,000 claims of childhood sexual abuse, rejecting appeals from some victims and insurance

companies following its approval by a bankruptcy court last year.

Tuesday's ruling puts the Boy Scouts on the cusp of ending the largest-yeet bankruptcy case stemming from allegations of childhood sexual abuse and bolsters the use of chapter 11 to resolve mass litigation.

—Jodi Xu Klein

CALIFORNIA

New Storm Brings Wind, Rain, Snow

A powerful weather system from the Gulf of Alaska pushed into Northern California on Tuesday, bringing more wind, rain and snow to a state hit by months of storms.

Forecasters warned of heavy snow in coastal mountains and the Sierra Nevada, where accumulations up to 4 feet were possible, and a backcountry avalanche warning was issued for the greater Lake Tahoe area.

The National Weather Service said the storm was expected to pull a plume of Pacific moisture into California as it tracked south, but the rainfall wasn't expected to be as intense as the atmospheric rivers that hit the state in recent weeks.

—Associated Press

High-End Buildings Feel Strain

Continued from Page One
ings in recent years, adding spas, gyms, restaurants and modern elevators. The hope was that by modernizing their properties, these owners could benefit from a flight to quality as more tenants seek out environmentally friendly buildings with plenty of amenities and natural light.

This strategy has worked for some buildings, especially those developed in the past decade. Some new buildings

such as One Vanderbilt in Manhattan managed to add tenants at high rents.

But new leasing data and recent defaults indicate that many of these high-end properties aren't immune to the office market's crisis.

Take 777 South Figueroa St. in downtown Los Angeles. Completed in 1991, the 52-story tower features a lobby with 30-foot ceilings and rose-marble-covered walls, a landscaped plaza, valet parking and concierge services. Many of its tenants are financial companies and law firms, according to data from CoStar Group.

The owner, Brookfield Asset Management, recently defaulted on more than \$750 million in debt backing the building and another Los Angeles tower. Meanwhile, asset man-

ager Pimco recently defaulted on a mortgage backed by a portfolio of office buildings including Twitter offices in New York and San Francisco.

Older high-end properties are struggling in part because they face competition from towers built in recent years. In downtown Los Angeles, 28 office buildings have been completed since 2000, according to Moody's Analytics.

In New York, new developments such as One Vanderbilt and Hudson Yards have lured tenants from Park Avenue towers while pushing up Manhattan's overall vacancy by adding new supply. Close to 19% of all high-end office space in Manhattan was available for lease in the fourth quarter of 2022, according to brokerage Savills, up from

11.5% in early 2019.

The availability rate for top-shelf office space was slightly higher than the availability rate at cheaper class-B and class-C buildings, Savills said.

Rising interest rates have hit the entire commercial real estate sector hard. Higher mortgage costs eat into landlords' earnings and make it harder to refinance expiring loans. Rising yields on bonds and other securities also make real estate look less profitable in comparison, making buyers more reluctant to pay high prices and pushing down property values. Real-estate analytics firm Green Street recently estimated that U.S. property values are down 15% since March 2022.

Not all commercial property sectors are suffering equally. While the values of hotels and rental-apartment buildings have fallen, these properties are also benefiting from inflation, which is pushing up room rates and apartment rents. Office buildings have seen a steeper drop in values partly because they are also grappling with weak demand from tenants who are cutting back on workspace. Green Street estimates that office values are down 25% over the past year.

During a recent earnings call, the president of office landlord Boston Properties Inc. Douglas Linde said many office buildings are obsolete and could be converted to other uses such as apartments.

"A meaningful amount of the

CORRECTIONS & AMPLIFICATIONS

Tucson, Ariz., was misspelled as Tucson in a U.S. News article on Saturday about Adallerall shortages.

Lyft Inc. co-founder Logan Green celebrated his 39th birthday last year. In some editions Tuesday, a Business & Finance article about the ride-sharing company incorrectly said he celebrated his 40th birthday.

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

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U.S. NEWS

Police Seek Motive in School Shooting

Nashville authorities release body-cam footage, say suspect bought guns legally

BY CAMERON MCWHIRTER
AND MARIAH TIMMS

NASHVILLE, Tenn.—Police said Tuesday no clear motive had been identified in the school shooting a day earlier that took six lives at a private Christian school.

John Drake, chief of the Metropolitan Nashville Police Department, said investigators were examining evidence, including writings and hand-drawn maps that belonged to 28-year-old suspect Audrey Hale.

Hale on Monday killed three students and three adults at the Covenant School in Nashville's Green Hills neighborhood before being killed by police, investigators said. The shooter's target was believed to be the school itself, where Hale was a former student, rather than specific individuals, according to police spokesman Don Aaron.

Hale legally purchased seven guns from five different gun stores in the state recently, Mr. Drake said. Hale took three of those—two military-style, semiautomatic rifles and a handgun—to the school, where they were found at the scene, Chief Drake said.

Police interviewed Hale's parents, who haven't spoken publicly about the shooting. They believed Hale had sold a previously owned firearm, and they were unaware of the additional purchases, Chief Drake said, adding that the suspect had been under a doctor's care for an emotional disorder. Police said they hadn't been made aware of any reason to seize the firearms from the suspect's home before the shooting.

Police identified the victims as Evelyn Dieckhaus, William Kinney and Hallie Scruggs, daughter of the Covenant Presbyterian Church's lead



A mourner prayed Tuesday at a memorial for the victims of the shooting at the Covenant School in Nashville. Three 9-year-old students and three adults were killed.

pastor, all age 9. Also killed were three adults: Cynthia Peak, 61, a substitute teacher; Katherine Koonce, 60, the head of school; and Mike Hill, 61, a custodian at the school.

The police Tuesday released body-worn camera footage from two officers, Rex Engelbert and Michael Collazo, who were part of the team that confronted and killed the shooter. Footage showed officers arriving in their vehicles, getting rifles and quickly entering the building.

Officers shouted, "Let's go!" and identified themselves as police. They searched various

rooms on the first floor, then moved swiftly to the second floor. In an open area near large windows, multiple officers opened fire in short bursts at the suspect. The videos showed the suspect on the floor as officers approached.

President Biden said Tuesday that he believed he had used "the full extent of my executive authority" on guns.

"I can't do anything except plead with the Congress to act reasonably," he said.

There is little chance of Congress taking up new legislation regarding guns, given the sharp disagreements between

Democrats and Republicans on restricting firearms.

Police received a call of an active shooter at Covenant School at 10:13 a.m. Monday. The suspect had entered the school on the first floor and then proceeded to a lobby area on the second floor, firing multiple shots. Police arrived and killed the suspect by 10:27 a.m., according to police.

Police said Monday the suspect identified as transgender and may have resented having to attend the Christian school.

Hale attended the Nossi College of Art & Design in Nashville and graduated in

2022, according to a statement from Cyrus Vatandoost, the college's president. He described Hale as "a talented artist and a good student."

Surveillance-camera footage released by police showed the suspect shooting out the windows of doors to the school, then walking the halls holding a military-style semiautomatic rifle. Another rifle was slung on the suspect's side. The suspect wore a tactical vest, camouflage pants and a red cap.

The Covenant School is a private Christian school that enrolls students from prekindergarten to sixth grade, ac-

ording to the school website.

"Our community is heartbroken," the Covenant School said in a statement. "We are grieving tremendous loss and are in shock coming out of the terror that shattered our school and church."

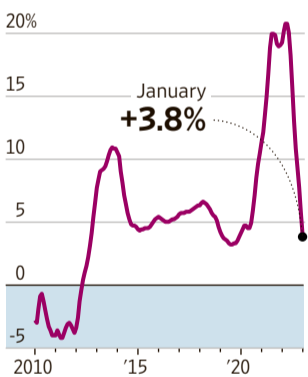
—Catherine Lucey
and Ben Chapman
contributed to this article.

Watch a Video

Scan this code to see police body-camera footage from the scene.

Home Prices Log Seventh Straight Monthly Decline

The S&P CoreLogic Case-Shiller National Home Price Index, change from a year earlier



Source: S&P Dow Jones Indices

BY NICOLE FRIEDMAN

Home prices declined in January from the prior month as increased mortgage rates continued to slow the housing market.

The S&P CoreLogic Case-Shiller National Home Price Index, which measures home prices across the nation, fell 0.2% in January compared with December on a seasonally adjusted basis. Prices have fallen for seven straight months, the longest streak of declines since 2012.

On a year-over-year basis, the index rose 3.8% in January, down from a 5.6% annual

rate the prior month. The annual increase was the smallest since December 2019.

The rise in mortgage rates in the past year has limited home sales and slowed home-price growth. Rates rose above 7% in October and November and have fluctuated so far this year. The average rate for a 30-year fixed mortgage was 6.42% in the week ended March 23, up from 4.42% a year earlier, according to Freddie Mac.

"Rising mortgage rates and growing affordability challenges have led to slower home price growth," said Lisa Sturtevant, chief economist at

Bright MLS.

Prices are declining fastest in Western markets, such as Seattle, where prices fell a seasonally adjusted 1.5% in January from the prior month, and Las Vegas, where prices fell 1.1%.

The Case-Shiller index, which measures repeat-sales data, reports on a two-month delay and reflects a three-month moving average. Homes usually go under contract a month or two before they close, so the January data is based on purchase decisions made early this year or late last year.

The median existing-home

price fell 0.2% in February from a year earlier to \$363,000, according to the National Association of Realtors.

The Case-Shiller 10-city index gained 2.5% over the year ended in January, compared with a 4.4% increase in December. The 20-city index rose 2.5%, after an annual gain of 4.6% in December.

Economists surveyed by The Wall Street Journal expected the 20-city index to gain 2.7%.

Housing markets in the western half of the U.S. have weakened the most in the past year, while many markets in

the east are continuing to post year-over-year price gains.

Miami had the fastest annual home-price growth in the country, at 13.8%, followed by Tampa, at 10.5%. The weakest market was San Francisco, where prices fell 7.6% on an annual basis.

A separate measure of home-price growth by the Federal Housing Finance Agency also released Tuesday found a 5.3% increase in home prices in January from a year earlier. The FHFA index rose 0.2% in January from the prior month on a seasonally adjusted basis.

In New York, Migrants Face Another Move

BY JIMMY VIELKIND

BROOKLYN, N.Y.—Warmer weather signals the return of cruise season, which means Wilmer Barrios is getting ready to move for the fourth time since he arrived in New York from Venezuela last year.

City officials this week are dismantling the 1,000 beds they set up in the cavernous waiting area of the Brooklyn Cruise Terminal, where Mr. Barrios, 44 years old, has been staying since January.

Many migrants there were housed at a Midtown Manhattan hotel before calling the cruise terminal their temporary home. They will next be relocated to two office buildings, including one in Times Square that until recently housed the U.S.'s busiest McDonald's restaurant. The city's \$3.3 million contract with Ports America Inc. to use the cruise terminal expires April 3, records show.

Repurposing office buildings is the latest turn in New York City's efforts to care for an estimated 54,000 migrants, some of the roughly one million people who were released in the U.S. after crossing the southern border illegally in 2022. Many are seeking asylum, and some rode buses to New York and other Northern cities—trips sponsored by the Republican governors of Texas and Arizona.

Court decisions have estab-

lished a legal right to shelter in New York City. As a result, Mayor Eric Adams has struggled to find space for an influx of asylum seekers who began arriving in higher numbers last year.

New York City officials set up (and took down) a tent city on Randalls Island and converted various hotels to emergency-relief centers. The city is now in talks with houses of worship to shelter hundreds of people in sanctuaries and parish halls, according to people familiar with the matter.

Mr. Adams traveled to Albany on Monday in part to press state lawmakers for more funding to help defray the estimated \$4.2 billion cost of caring for migrants.

For migrants like Mr. Bar-

rios, the different moves have made it more complicated to build a new life in the U.S.

"It's been hard," he said, recounting temporary placements at an intake center, a Bronx shelter and the Watson Hotel in Midtown Manhattan. "I've already had to start over twice."

Buses carrying migrants from the cruise terminal began arriving Monday at a five-story office building in Brooklyn's Bushwick neighborhood. It will eventually be home to between 500 and 600 men, who will sleep on cots in open floors, officials said. The remaining migrants will move to the Manhattan office tower by the end of this month.

Several new arrivals in interviews compared their new spot with the old. The Jeff-

erson Building in Bushwick is closer to a subway stop, and there are nearby restaurants and shops, but it comes with fewer storage lockers, the men said. They also said they believed one had to take showers according to a schedule. A city spokeswoman said showers didn't need to be scheduled.

David Ramos, a 36-year-old who migrated from Nicaragua, was originally housed in the Watson Hotel but was moved to the cruise terminal.

People at the cruise terminal were told in recent weeks where they would be going next—either Bushwick or the Candler Building on West 42nd Street, within sight of Times Square. Mr. Ramos said he had hoped to be assigned to Times Square, which is closer to a job doing food delivery that he has found on the Upper East Side.

On Monday, electricians walked in and out of the Candler Building, but there was no sign of new residents. The 24-story structure was built more than 100 years ago by Coca-Cola magnate Asa Griggs Candler, and until 2020 it contained the offices of Live Nation Entertainment Inc., according to a website for building owner Epic US LLC. Its website says the building is undergoing renovation and could convert some of its upper floors to hotel rooms.

The company didn't respond to requests to comment.



Migrants who were recently moved from the Brooklyn Cruise Terminal arrived at the Jefferson Building in Bushwick on Monday.

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U.S. NEWS

Xylazine
Use Draws
Lawmaker
Attention

BY JON KAMP AND JULIE WERNAU

A bipartisan group of U.S. senators and representatives introduced legislation to designate a veterinary tranquilizer worsening the fentanyl crisis as a controlled substance, aiming to help law-enforcement authorities crack down on illegal use.

Xylazine, known to some users as “tranq,” is approved only for use in animals such as horses and cattle. But dealers have been adding it to the fentanyl supply at an alarming pace, potentially to reduce their costs and lengthen the high for users.

The consequences are disparate and dangerous. The overdose-reversal drug naloxone that offsets opioids including fentanyl doesn’t work on xylazine. The tranquilizer can also cause severe wounds that, while treatable with proper care, can lead to people losing limbs.

The Drug Enforcement Administration issued a safety alert on March 20 about xylazine. The agency said its laboratory system found the tranquilizer last year in about 23% of seized fentanyl powder and 7% of fentanyl pills. The Food and Drug Administration in February said it would more carefully scrutinize xylazine shipments into the U.S. to make sure the drug was bound for legitimate users.

The Senate and House bills that lawmakers introduced on Tuesday would make xylazine a Schedule III drug, a category that includes ketamine, an approved anesthetic for people and animals, and anabolic steroids. The category on the five-tiered drug schedule is for substances with moderate-to-low potential for dependence. Xylazine would be a level below fentanyl, a Schedule II drug that in its legal form is prescribed for severe pain.

The legislation will make it easier for law enforcement to pursue xylazine traffickers, said Sen. Catherine Cortez Masto (D., Nev.), the Senate bill’s lead sponsor. “Right now law enforcement has no way to crack down on this dangerous drug in our communities,” Ms. Cortez Masto said.

She is sponsoring the Senate bill with Sen. Chuck Grassley (R., Iowa) and others. The House bill’s backers include Reps. Jimmy Panetta (D., Calif.), Ken Buck (R., Colo.) and August Pfluger (R., Texas).

Mr. Panetta said the drug is ubiquitous in agriculture and isn’t being tracked. Reporting requirements for producers and distributors will help ensure the drug is being used in animals, not humans, he said. “We’re not 100% sure how much of it is in the fentanyl supply,” he said.

The legislation would require producers and distributors to report how much is purchased to the DEA so the agency can look for suspicious order trends. The legislation wouldn’t require reports from end users.

The American Veterinary Medical Association said it supports the bills and emphasized the drug’s importance for treating livestock, wildlife and zoo animals.



Above and below: Wound-care nurses Jason Bienert and Kayla Peters help drug users who developed xylazine wounds. Empty drug bags are swabbed, sent for analysis.

‘Tranq’-Tainted Drugs Rot Skin

Nurses treat xylazine wounds at home for users at the fringes of healthcare system

BY ALYSSA SCHUKAR AND JULIE WERNAU

It was late 2020 when Jason Bienert noticed unusual wounds among a half-dozen of the fentanyl users he works with as a nurse in northeast Maryland.

Unlike the red, swollen abscesses he was used to seeing on people who inject illicit opioids, these were painful ulcers that started small and dark before consuming the surrounding skin and tissue. Some wounds led to amputation. Others were life threatening.

The culprit was xylazine, an animal tranquilizer that has since pervaded the region’s drug supply, compounding the opioid crisis and leaving people who survive disabled. Drug users become addicted to more than one substance without knowing what they injected.

“A lot of the wound-care people I’ve seen are in recovery now,” Mr. Bienert said. “Or they’re no longer alive.”

The Drug Enforcement Administration said about a quarter of seized fentanyl powder last year contained xylazine, known to some users as “tranq.” Once largely contained to the Philadelphia region and Puerto Rico, xylazine has been found in illicit drugs in 48 states.

Nurses around the country who have heard about Mr. Bienert’s work send him photos at all hours, asking him to identify wounds they are seeing at hospitals in Buffalo, N.Y., and Baltimore.

“Some hospitals don’t know what xylazine is,” he said.

Mr. Bienert visits drug users throughout Maryland’s Cecil County for Voices of Hope, a nonprofit that offers treatment, syringe exchanges, naloxone training and other care.

“The seldom seen, the



‘If they do decide to get clean or enter recovery, maybe they’ll still have their arm, maybe they’ll still have their hand.’

Wound-care nurse Kayla Peters

shadows of people you step over or you ignore,” he said, “we actually engage them.”

In the first quarter of this year, Mr. Bienert has already treated more than 200 individuals with xylazine wounds. He is training fellow wound-care nurse Kayla Peters to provide medical care to people in their homes across the 218-square-mile county with a population of 104,000.

Mr. Bienert and Ms. Peters brought medical supplies to the home of Tina Hutchins, 35 years old, so she could continue to care for herself.

About a dozen new xylazine wounds had spread across her arms and legs. One on her foot

needed additional care, but she was hesitant to go to the doctor. “The hospitals treat addicts so bad,” she said. A doctor who lanced a wound two months earlier was rude and rough with her, she said.

Mr. Bienert makes a point of involving people in their own healthcare.

“The wound is simple to assess. If it’s wet, it needs to be dry. If it’s dry, it needs to be moist. If it’s not covered, it needs to be covered,” he said.

He tells users he believes in them.

“If they do decide to get clean or enter recovery, maybe they’ll still have their arm, maybe they’ll still have their

hand,” Ms. Peters said.

Beau LaPoint, a longtime drug user, is staying with a friend in the Cecil County town of Elkton while she recuperates from treatment of xylazine wounds. To address tissue death, a surgeon removed the skin from her shin and calf, laying bare the flesh below.

Mr. Bienert examined the surgical excision of dead tissue. Ms. LaPoint should have been recovering in a hospital, Mr. Bienert said. Many people addicted to opioids leave hospitals rather than go through withdrawal. The paperwork from Ms. LaPoint’s hospital stay called for wound care and physical therapy, but she

doesn’t have a car or a way to make appointments.

The nurses identified a fresh xylazine wound on Ms. LaPoint’s knee. Mr. Bienert instructed Ms. LaPoint how to care for the damaged skin. “I don’t know what I’d do without him,” she said.

Mr. Bienert and Ms. Peters drove half an hour from Elkton to visit Tanya Semon in Crystal Beach. Mr. Bienert couldn’t reach Ms. Semon by phone. He made the drive anyway. Mr. Bienert knocked on Ms. Semon’s door and heard movement inside, then silence.

“It’s Jason from Voices,” he said. The lock clicked, and the door opened. Ms. Semon was relieved to see the nurses and began to cry. She said she thought they were the police.

Ms. Semon showed Mr. Bienert her swollen left hand and the xylazine wounds covering both forearms. The wounds terrified her. She tried to cut out some of the hardened skin and had been in pain through the night.

Ms. Semon took a seat. The nurses knelt next to her. They said they couldn’t care for her wounds that day because they needed to be cleaned first, ideally at a hospital.

Ms. Semon has had worse wounds. Mr. Bienert said he was concerned about chronically damaged flesh and exposed bone that could require amputation. Hoping to save her dominant right hand, she told Mr. Bienert she would inject drugs into her left arm from then on.

Mr. Bienert and Ms. Peters reminded Ms. Semon of recovery services that Voices of Hope offers. Ms. Peters gave Ms. Semon safe-use kits with new syringes. Mr. Bienert said he would check in again after a few days.

Involving people in their own healthcare maintains their dignity and sense of control, Mr. Bienert said. When they are ready, they can receive recovery support.

“You’re taking care of yourself,” he tells them.

Bribery
Charges in
FTX Case

Continued from Page One
Fried and demonstrate the breadth of the Justice Department’s investigation. In addition to a series of fraud charges, prosecutors have also alleged he violated U.S. campaign-finance law in a bid to curry favor in Washington.

Mr. Bankman-Fried faces an uphill battle as he prepares for a trial in October.

Three members of his inner circle have pleaded guilty to fraud and other offenses and are cooperating with prosecutors. Two have said in plea hearings that they worked with Mr. Bankman-Fried to mislead FTX investors and lenders to Alameda.

Prosecutors first charged Mr. Bankman-Fried in December, alleging in a bare-bones indictment that he stole billions of dollars of FTX customer funds, in addition to misleading investors and lenders. They unveiled a second indictment in February with new allegations, including that he conspired to commit bank fraud and operate an unlicensed money-transmitting business.

The new allegations
add to the mounting
legal pressures facing
Sam Bankman-Fried.

Mr. Bankman-Fried, 31 years old, has pleaded not guilty to the charges in the first indictment, but has yet to be arraigned on the additional charges.

U.S. District Judge Lewis Kaplan also approved on Tuesday new bail restrictions for Mr. Bankman-Fried after months of debate over his access to electronic devices while he is awaiting trial and under home detention at his parents’ house in Northern California.

Under the new restrictions, Mr. Bankman-Fried will be prohibited from using his parents’ computers and other devices, can visit only preapproved websites and may use only a phone without internet access. A security guard will also screen any visitors for electronic devices, which the guard will confiscate before the person enters Mr. Bankman-Fried’s home.

Prosecutors wrote in a letter to the judge Tuesday that the new charge didn’t change their position on bail conditions.

Mr. Bankman-Fried is scheduled to be arraigned on the latest indictment at a hearing Thursday.

McCarthy Pushes for Debt-Ceiling Talks

BY NATALIE ANDREWS

WASHINGTON—House Speaker Kevin McCarthy tried to prod President Biden into starting talks over spending cuts as a condition for raising the debt ceiling, just as Republicans are struggling to unite around a blueprint for negotiations ahead of dual deadlines later this year.

The White House released its own budget proposal earlier this month and has said it won’t negotiate on spending until Republicans put forward their own plan. Mr. McCarthy has rejected that notion and said in a letter to Mr. Biden that talks should start as soon as possible.

“The budget has nothing to do with the debt ceiling,” Mr. McCarthy told reporters.

In his letter to Mr. Biden on Tuesday morning, the California Republican reiterated that

he wanted to roll back nondefense discretionary spending and lock in low annual increases from there, while also proposing clawing back unspent Covid-19 relief funds and strengthening work requirements for social programs. He also called for measures to lower energy costs and secure the border, two priorities for House Republicans.

The White House dismissed the letter, calling again for the House to pass a debt-ceiling increase with no spending cuts attached—leaving any talks at an impasse. Mr. Biden has said the debt limit needed to be raised without conditions but has said he would engage in discussions over taxes and spending once Mr. McCarthy produces his budget plan. Many lawmakers expect the GOP budget to be completed in May or later.

Mr. Biden responded in his

own letter late Tuesday, telling Mr. McCarthy he looked forward to “talking about our nation’s economic and fiscal future” separate from the debt ceiling. “But for that conversation to be productive, we should both tell the American people what we are for,” he said.

The Treasury Department ran up against the roughly \$314 trillion debt limit in January. It is now deploying a series of special accounting maneuvers to keep paying the government’s obligations to bondholders, Social Security recipients and others. The U.S. could become unable to pay all of its bills as soon as this summer.

House Republicans are struggling to unite behind a detailed plan on a GOP budget laying out their priorities, as well as a separate decision over what concessions to demand in return for voting to increase the debt ceiling.

U.S. NEWS

Senators Press Fed Official on SVB's Failure

Senators rebuked the Federal Reserve for failing to prevent the collapse of Silicon Valley Bank despite identifying risks beforehand, while the central bank's top regulator blamed the firm's executives for not fixing its problems.

By Andrew Ackerman, David Harrison and Andrew Duehren

In an appearance Tuesday before the Senate Banking Committee, Michael Barr, the Fed's vice chairman for banking supervision, defended the actions of the Fed's supervisors and said the central bank had privately raised concerns with SVB before its March 10 collapse and had given the lender poor ratings for managing its risks.

"Fundamentally, the bank failed because its management failed to appropriately address clear interest-rate risk and clear liquidity risk," said Mr. Barr, who added that those concerns were initially highlighted by supervisors of the bank more than a year before it failed.

The hearing was the first step on Capitol Hill in what could be a monthslong process probing the failures of SVB and another institution, Signature Bank. Lawmakers are also scrutinizing whether stricter

supervision by financial regulators could have prevented the institutions' demise.

Regulators stepped in to protect depositors at both banks and launched a separate lending facility in a weekend intervention this month. Officials said the moves were necessary to prevent the failures from shaking the banking system and threatening other midsize banks. Mr. Barr said the Fed is now weighing tougher capital and liquidity rules for larger banks—generally those with more than \$100 billion in assets—in response to the failures.

Several members of the banking committee criticized regulators' oversight of SVB, asking why the Fed didn't act sooner even though SVB's problems were on supervisors' radar. Those issues included long-term securities that lost value as interest rates rose and a reliance on uninsured deposits that fled quickly as trouble mounted.

"By all accounts, our regulators appear to have been asleep at the wheel," said South Carolina Sen. Tim Scott, the panel's top Republican.

Sen. Jon Tester (D., Mont.) said, "It looks to me like the regulators knew the problem, but nobody dropped the hammer."

Mr. Barr said SVB hadn't adequately prepared for rising interest rates, and he criticized



Michael Barr, the Fed's vice chairman for banking supervision, defended regulators' actions at Tuesday's hearing, saying Silicon Valley Bank's management failed to address the institution's risk.

the bank for not having a chief risk officer in place. He said the problems that led to the bank's failure were "really basic" banking risks.

"The examiners at the San Francisco Federal Reserve bank called those issues out...and those actions were not acted upon in a timely way," he said.

An attorney for SVB's former chief executive, Greg Becker, declined to comment. Asked by Sen. Mike Rounds

(R., S.D.) how soon a bank should respond to supervisory directives from the Fed, Mr. Barr said he didn't know the time frame for such action. He said he learned about SVB's problems in February as part of a Fed presentation on how rising interest rates were affecting banks.

Mr. Barr was joined at the Senate hearing by Martin Gruenberg, chairman of the Federal Deposit Insurance Corp.;

and Nellie Liang, undersecretary of the Treasury for domestic finance. The three are set to appear before the House Financial Services Committee on Wednesday.

Some lawmakers questioned why the FDIC hadn't been able to sell SVB before it failed, saying that might have allowed the federal government to avoid intervening to protect all depositors at that bank and Signature.

Mr. Gruenberg said the FDIC received two bids to buy SVB the weekend it failed, one of which he said wasn't valid because it lacked approval of the would-be buyer's board. The FDIC determined that the other offer would have cost it more than liquidating the bank.

"In spite of all the preparation and tools at your disposal, the FDIC failed to do its job. There was obviously enough demand to orchestrate a sale," Sen. Bill Hagerty (R., Tenn.) said.

First Citizens Bancshares Inc., one of the country's largest regional banks, has since bought parts of SVB. Last week, New York Community Bancorp Inc.'s Flagstar Bank said it would take over Signature's deposits.

Mr. Gruenberg said his agency would in May propose a special assessment on banks to cover the costs to a federal insurance fund for the two failures. The bulk of those costs, an estimated \$22.5 billion, are tied to SVB's collapse.

Mr. Barr signaled that the run at SVB was larger than previously known. After the failed bank experienced \$42 billion of customer withdrawals on March 9, more than double that was expected to leave on March 10, he said.

◆ Banks look like bargains as SVB scare abates..... B1

Judge Orders Pence to Testify About Jan. 6

By Jan Wolfe and Sadie Gurman

WASHINGTON—A federal judge ruled that former Vice President Mike Pence must testify before a grand jury about conversations he had with former President Donald Trump before Jan. 6, 2021, rejecting executive privilege claims by Mr. Trump, people familiar with the ruling said.

In a sealed ruling Tuesday, Judge James Boasberg said that while Mr. Pence isn't im-

mune from testifying about any illegal conduct by Mr. Trump, the former vice president can decline to answer some questions relating to his role as president of the Senate during the certification that day of President Biden's victory, according to one of the people.

Judge Boasberg's ruling, which can be appealed, came less than a week after he held a closed-door hearing on the matter.

Mr. Pence told reporters

last month that he would challenge the subpoena calling for his testimony, issued by special counsel Jack Smith, "if needs be to the Supreme Court."

The ruling is the latest in a number of wins for the special counsel. Earlier this month, another federal judge in Washington found that Mr. Smith's team had presented enough evidence that Mr. Trump may have misled his own lawyers about his post-White House retention of classified docu-

ments to compel one of them, Evan Corcoran, to testify. Mr. Corcoran appeared before the grand jury for about three hours on Friday.

Mr. Smith is leading the Justice Department probe into the efforts of Mr. Trump and his allies to overturn his 2020 presidential election loss, as well as the inquiry into Mr. Trump's handling of classified documents.

A spokesman for the Justice Department declined to comment.

Trump Grand Jury Is Done With Its Work for the Week

By Corinne Ramey and Joe Palazzolo

The Manhattan grand jury investigating Donald Trump's role in paying hush money to a porn star has concluded its work for the week, according to people familiar with the matter, making the timing of any potential charges against the former president unknown.

It isn't clear whether grand jurors would consider the matter next week, the people

said. The panel last heard witness testimony Monday. There is no indication that the grand jury has voted on a potential indictment of Mr. Trump, they said.

A spokeswoman for Manhattan District Attorney Alvin Bragg, whose office has been investigating the payment, didn't respond to a request for comment. A lawyer for Mr. Trump declined to comment. Mr. Trump said on his social-media network Tuesday that he was "an innocent man."

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WORLD NEWS

Soldiers Forced Netanyahu's Hand

Talks on Judicial Overhaul Begin

Israeli reservists played a pivotal role in prompting delay in controversial overhaul

TEL AVIV—Israel's citizen soldiers, a pillar of the country's identity, played a pivotal role in pressuring Prime Minister Benjamin Netanyahu to pause a planned judicial overhaul that divided the nation.

By Dion Nissenbaum, Aaron Boxerman and Dov Lieber

For weeks, military reservists took to the streets in large numbers, joining huge popular demonstrations against Mr. Netanyahu's proposed changes, and, for some at least, imbuing the protests with a sense of patriotism and duty. Then some reservists began saying they would refuse to report for duty in protest.

That set off alarms with the military's chief of staff, Gen. Herzi Halevi, who warned Defense Minister Yoav Gallant that the crisis in the ranks endangered the country, Israeli security officials said. Mr. Gallant, in turn, publicly urged Mr. Netanyahu to hold off as a matter of national security.

Mr. Netanyahu then fired Mr. Gallant, setting off strikes and civil unrest, before ultimately backing down on Monday and agreeing to suspend his legislative campaign.

"It was the 'military lever' that got the government to back down, not the masses in the streets," said Yuval Elbanshan, an Israeli political commentator and former law school dean at Ono Academic College in Jerusalem. "It was the cracks in the army."

Political disagreements in Israel inevitably bleed into the armed forces, where a majority of Israeli men and women serve two-to-three-year stints. Most then continue to serve as reservists. Polls show that among Jewish Israelis, the military is by far the country's most trusted institution.



Giora Meher, a 79-year-old paratroop brigade veteran, protested against the planned judicial overhaul in Beit Lid Junction on Tuesday.

The political power of the military and its members stems from the fact that they are widely perceived as a "people's army" that broadly represents the society it serves.

Mr. Netanyahu and his allies want to give the government a bigger say in choosing judges and allow the nation's parliament to override Israel's Supreme Court. Supporters of the overhaul say Israel's courts have too many left-wing judges out of step with the country's increasingly right-leaning population.

The legislation draws support from the country's ultra-Orthodox Jews, who generally don't serve in the military and have sought to have that exemption codified into law, only to see those laws struck down by the Supreme Court.

Another base of support is the country's religious nationalists, whose women often don't enlist but whose men do. Supporters say the reservists were betraying their country

by refusing to serve.

Mr. Netanyahu nodded to the stakes raised by the reservists' actions in a national address on Monday night.

"The State of Israel can't exist without the Israel Defense Forces, and the IDF cannot exist if there's refusal to serve," Mr. Netanyahu said. "Refusal by one side will lead to refusal by the other. Such refusal will be the end of our country."

Israel's army is largely drawn from the country's large secular population, which drives the economy. For many of them, the fight against the judicial changes was personal, and they said they would continue to protest until the legislation died for good.

The Israeli military has about 126,000 active members and more than 400,000 reservists, according to the International Institute for Strategic Studies, a British think tank. The military turns to reservists to take part in airstrikes in neighboring coun-

tries and to help carry out raids targeting Palestinian militants in the West Bank.

Israeli soldiers in olive-green uniforms teach in schools, a radio station staffed by conscripted troops is a major source of daily news, and the mandatory service is a rite of passage for Jewish citizens in Israeli society.

The military is far less respected by Israel's Arab minority, which isn't required to serve in the army and doesn't reap the same kinds of benefits as those who do. For many Jews, the army is central to ensuring one of the core aims of Israel's founding—a haven for Jews from persecution.

"Our self-conception is that the Israeli army is still this force for unity and cohesion—the symbol of Israeli unity," said former Israeli naval chief Ami Ayalon, who also served as the head of Israel's domestic intelligence service. "Anything that damages that is very, very hard for us."

The soldiers' protests carried more weight than those of the country's other pillars, such as the tech industry and business leaders or even its president, who broke from the post's largely ceremonial role to call for Mr. Netanyahu to pause the overhaul, military experts said.

"To understand the power of this kind of protest, you need to understand that when parents here have a baby boy, the first thing they think about is what'll happen to him when he heads to the army," said Idit Shafra Gittleman, an expert on civil-military relations at the Institute for National Security Studies in Tel Aviv. "The army is in the veins of every citizen in Israel."

Members of Mr. Netanyahu's cabinet have denounced reservists who refused to serve. That only seemed to fuel the reservists' cause, as dissent and morale problems were also trickling into Israel's enlisted ranks, Israeli security officials said.

JERUSALEM—Israeli Prime Minister Benjamin Netanyahu's coalition met with opposition leaders to begin negotiations over a judicial-overhaul plan after widespread protests that shook the country.

Negotiating teams representing Mr. Netanyahu and the opposition began their first direct discussions Tuesday night over a plan to limit the power of Israel's Supreme Court, sending representatives to Israeli President Isaac Herzog's residence, a spokesman for the president said. Mr. Herzog—who holds a largely ceremonial role—has been trying to broker a compromise, but his efforts had been rejected by the coalition. Opposition leaders said they wouldn't join negotiations until Mr. Netanyahu delayed the legislation, which he did Monday night.

The meetings came as calm returned to Israeli cities after two days of civil unrest, including mass protests that closed a major highway in Tel Aviv, large demonstrations in front of the prime minister's house and a general strike that grounded planes, closed banks and shut government offices.

The turmoil was sparked when Mr. Netanyahu on Saturday night fired his defense minister, Yoav Gallant, for calling to delay passing the first part of the government's plan to overhaul Israel's judiciary. Israel's parliament, known as the Knesset, was poised to vote this week on the first pillar of the overhaul, which would have given the coalition a majority on the committee that appoints judges, although some appointments would still require compromise.

Other parts of the overhaul aim to limit the Supreme Court's jurisdiction and allow a simple majority of lawmakers to override the court's decisions.

Where Was Ma? Wandering, Wondering About Food

He used to be boss of a tech giant. Now he's studying fish and rice.

By Yang Jie, Raffaele Huang and Jing Yang

After he appeared to fall out of favor with China's leadership following a 2020 speech he gave that criticized financial regulations, Jack Ma, co-founder of Alibaba Group Holding Ltd., generally has kept a low profile.

Outside the public eye, the 58-year-old multibillionaire, who stepped down as Alibaba's executive chairman in 2019, has been quietly building a life that includes earnest investigation of the world's food problems, in an echo of Microsoft Corp. co-founder Bill Gates's work on global health.

During the past year, Mr. Ma visited a Japanese lab specializing in farmed tuna and a Dutch university to learn about sustainable food production.

This week, Mr. Ma returned to Alibaba's headquarters city of Hangzhou. On Tuesday, after a long-running regulatory push by Beijing aimed at reining in China's tech companies, Alibaba said it planned to split

itself into six independently run companies. Mr. Ma didn't respond to requests to comment sent through the Jack Ma Foundation and Alibaba.

The absence of the attention-loving executive from public events sparked comment from the likes of Tesla Inc.'s Elon Musk, who wondered aloud in September 2021, "Where is Jack Ma?"

But Mr. Ma never completely disappeared. He was spotted in China several times in 2021, and on May 10, 2022, he attended an internal meeting at Alibaba in Hangzhou, according to employees who saw him and a state media report.

That month was the last time Mr. Ma's presence in mainland China was confirmed until Monday, when he showed up again in Hangzhou and visited a school to discuss topics such as artificial intelligence with teachers, according to the school.

His reappearance comes as Beijing grapples with a battered economy and seeks to revive entrepreneurs' confidence following years of regulatory curbs and Covid-19 restrictions.

During his absence from China, Mr. Ma spent consider-



Alibaba Group founder Jack Ma, right, visited a Dutch flower grower in Bleiswijk, Netherlands, in 2021.

able time in Japan, said people who know him. Despite strained diplomatic ties with Beijing, the country has become a popular destination for wealthy Chinese who find their own country less hospitable.

A local magazine, Friday, reported he was living part of the time at a house in Hakone,

a venerable hot-springs resort about 50 miles from Tokyo. An employee of a sushi shop nearby told The Wall Street Journal that an assistant to the mogul often came by to pick up takeout, but the employee said the shop hasn't had orders from him recently.

Mr. Ma also traveled exten-

sively during this period, often to pursue his interests in food and related fields, according to people who know him.

In a 2017 speech, Mr. Ma said technologies such as cloud computing and big data could help farmers in China. He called modernizing agriculture "a bright spot and important

growth pillar for China's economic development," and in a 2019 appearance at the World Economic Forum, he said that if he could start a new business, he would go into farming.

This past July 2, he visited Wageningen University & Research in the Netherlands. The university said Mr. Ma "would like to fully devote his time and efforts to agriculture and food sustainability."

A few months later on Oct. 17, he toured Kindai University's Aquaculture Research Institute in Japan's Wakayama prefecture next to Osaka, according to a university official and a photo of the event. The university's researchers are noted for having figured out how to farm the unruly bluefin tuna, a step toward creating a stable supply of the fish beloved by sushi fans.

Mr. Ma was part of a delegation of businesspeople visiting and he didn't identify himself, the university official said. Days later, staffers saw a photo of the delegation and realized they might have had a famous visitor. "So we went through the names signed by the visitors, and his name was there," the official said.

Alibaba to Split Into Six Parts

Continued from Page One

in the eastern city of Hangzhou where Alibaba is based.

Alibaba's restructuring culminates a yearslong shift inside the company to make it more nimble after Mr. Ma stepped back from the company's helm in 2019. It reverses a centralization drive he embarked upon before his departure in which he sought to bring the company's subsidiaries and affiliates into closer alignment, part of the so-called Alibaba Economy.

The power of tech titans such as Mr. Ma and their influence over society caused unease in Beijing: Companies such

as Alibaba have a grip on data of more than a billion users and investments across a range of companies in China. Beijing has in the past criticized the "disorderly expansion" of big internet companies.

"If you don't change yourself, you will be defeated by the times," Alibaba Chairman and Chief Executive Daniel Zhang wrote in a letter to employees reviewed by The Wall Street Journal. He added that Alibaba's various businesses are facing different challenges and market conditions.

Under the restructuring, Alibaba's various businesses will be split up into six major areas: cloud computing, Chinese e-commerce, global e-commerce, digital mapping and food delivery, logistics, and media and entertainment, the company said Tuesday.

Each business group would have its own CEO reporting to a board of directors and be fully responsible for the group's

performance. Alibaba Group is set to become a holding company overseen by Mr. Zhang.

Those business groups will be allowed to raise external capital and seek initial public offerings when ready, Alibaba said. Its domestic commerce business would remain a wholly owned unit of Alibaba.

Mr. Ma, 58 years old, was listed as a committee member of Alibaba Partnership, a strategy-making body of executives, in the company's latest annual report. He held less than 5% in Alibaba Group at the time.

Mr. Zhang in February said he saw 2023 as a year of progress for Alibaba. In videotaped remarks published by Chinese business publication Yicai on Tuesday, he said the reorganization was a big step forward.

He explained the main reason to reorganize is to improve the sprawling business empire's organizational efficiency. He said splitting the businesses would make each

area more agile to better compete with rivals.

Alibaba has been weighed down by competition in its bread-and-butter domestic e-commerce business in recent years. Rivals JD.com Inc. and PDD Holdings Inc.'s Pinduoduo have continued to bite into Ali-

The CEO said the separate units will be more agile and competitive.

baba's market share. In addition, short-video platforms including ByteDance Ltd.'s Douyin, the Chinese version of TikTok, and Kuaishou Technology increasingly pose a challenge.

Alibaba's revenue growth in the past two quarters performed below the overall growth in China's e-commerce

sales of physical goods. Mr. Zhang has acknowledged competition and said the company would explore ways to better engage with customers.

Growth momentum of the company's cloud business also slowed in the past year as clients tightened their belts in a sluggish economy.

Last year, Alibaba focused on cutting costs, shedding 7.5% of its workforce.

In 2021, the Journal reported Mr. Zhang had been delegating more power to the heads of Alibaba's various business units, which had the potential to open the way for spinoffs and independent fundraisings.

The move echoes previous sweeping reorganizations by Western tech giants such as Google, which created Alphabet Inc. as a holding company while separating its growing cast of businesses.

Alibaba's split comes after Mr. Ma reappeared in China and at a time when Beijing is

seeking to revive entrepreneurs' confidence following more than two years of regulatory clampdowns and Covid-19 restrictions. The announcement wasn't related to his return, people inside the company said.

The listing status of Alibaba's shares in New York and Hong Kong won't be affected, people familiar with the matter said. Alibaba's American depositary receipts soared over 14% Tuesday in New York.

Beijing started to crack down on the tech sector in late 2020, calling off Ant Group Co.'s blockbuster IPOs. The cancellations came after Mr. Ma's speech drew the ire of regulators by criticizing their work. Regulators subsequently launched a probe into Alibaba for alleged anticompetitive behavior and later hit the company with a \$2.8 billion fine.

—Shen Lu contributed to this article.

WORLD NEWS

U.S. Stops Sharing Data With Moscow On Nuclear Forces

By MICHAEL R. GORDON

The U.S. has informed Russia that it will no longer exchange key data on its strategic nuclear forces following Moscow's decision to suspend its participation in the New Start treaty cutting long-range nuclear arms, U.S. officials said.

"This is the first action we have taken within the treaty in response to Russia's suspension," a senior Biden administration official said Tuesday. "It is our goal to encourage Russia to return to compliance with the treaty."

Russian President Vladimir Putin said in February that Moscow would step back from the last remaining major nuclear-arms-control treaty between the U.S. and Russia, heightening concern among experts that a decadeslong era of constraint might be starting to unravel.

The U.S. decision to halt data sharing was conveyed on Monday to Deputy Russian Foreign Minister Sergei Ryabkov by Bonnie Jenkins, the undersecretary of state for arms control and international security.

Some former officials said the move was needed to drive home the costs to Moscow of its decision to step back from the treaty.

"It's extremely unfortunate, but entirely predictable and appropriate. Why should Russia continue to benefit from transparency measures when it is denying them to the United States?" said Lynn Rusten, a former senior U.S. official who is now vice president of the Nuclear Threat Initiative, a nonprofit organization focused on security issues.

Other arms-control proponents expressed concern that it could lead to a gradual weakening of the arms-control framework that has regulated the nuclear competition between Washington and Moscow for decades.

"Withholding this information provides the U.S. with little or no leverage with Russia and further clouds the situation with respect to both countries' compliance with the treaty," said Daryl Kimball, executive director of the Arms Control Association.

The U.S. data that are being withheld include detailed information on the number of bombers, missiles and nuclear warheads that are deployed at specific U.S. bases that is to be exchanged every six months under the New Start accord.

Ms. Jenkins proposed continuing those data exchanges in her Monday call with Mr. Ryabkov, U.S. officials said. But after Russia indicated it wouldn't be providing data on its forces, the U.S. said it would also refrain from providing such information. A diplomatic official in Moscow confirmed U.S. officials' account.

"It gives you the best kind of status update on U.S. nuclear forces," the senior administration official said of the U.S. data that would be withheld. "I would guess that the people who actually work on these issues in the Russian system are going to be missing this."

The U.S. still plans to make public very general information on the overall number of its warheads, deployed missiles and bombers, and nuclear systems that aren't fully operational.

The Biden administration is also continuing to provide the virtually daily notifications to Russia of the movements of its strategic missiles, bombers and submarines or changes in their operational status, as the treaty requires.

Russia is no longer providing such notifications, which has raised the question of whether the U.S. should follow suit. Administration officials are assessing what effect withholding such notifications might have on stability between the two nuclear-armed powers.



Ukrainian soldiers from the 28th brigade fired a mortar at Russian positions on the front line near Bakhmut on Monday.

Ukraine Touts Its Bakhmut Tactics

By IAN LOVETT AND THOMAS GROVE

Ukraine's efforts to exhaust and deplete Russian forces in the eastern city of Bakhmut will help it reclaim other territory in the country, a Ukrainian commander in the area said.

"Our main task is to wear down the overwhelming forces of the enemy and inflict heavy losses on them," Ukrainian Col. Gen. Oleksandr Syrskiy wrote on Telegram below a video in which he delivered a similar message to troops. "It will create the necessary conditions to help liberate Ukrainian land and speed up our victory."

For six months, Russian forces—led by Wagner Group paramilitaries—have been pushing to capture Bakhmut in Ukraine's eastern Donetsk region. Much of the city has been flattened and both sides have endured heavy losses, leading some Western analysts to question whether holding the city was worth the resources Ukrainians were expending there.

Gen. Syrskiy, who visited troops around Bakhmut on

Monday, acknowledged the difficulty of defending the city but told the soldiers their efforts were part of a larger strategy. Ukraine says it is preparing to launch its own offensive, which some analysts say could aim south toward the Sea of Azov, a band of territory including the cities of Melitopol and Mariupol that Russia has occupied since early in its 2022 invasion.

"The enemy is trying to capture Bakhmut, using their best units," Gen. Syrskiy said on the video. "Our task is to destroy as many of these enemies as possible and create the conditions for offensive actions. Therefore, it is necessary to put an end to those units of the enemy that oppose you."

In recent weeks, Russian progress in Bakhmut has appeared to stall, with the pace of assaults slowing. The leader of Wagner has publicly complained that his forces are being hindered by a lack of ammunition.

Still, Denis Pushilin, the head of the Russian-backed statelet Donetsk People's Republic, based in a region Mos-

cow said it had annexed last year, said Wagner forces had pushed Ukrainian troops from an industrial plant in the center of Bakhmut.

"The enemy has already moved to previously prepared positions...beyond the periphery of the factory," Russian state news agency TASS reported him as saying. "Our

Kyiv says its approach will help it reclaim territory from Kremlin troops.

boys are on the move."

Secretary of State Antony Blinken on Tuesday led a panel of foreign ministers who discussed a peace plan proposed by President Volodymyr Zelensky at the start of a virtual democracy summit organized by the Biden administration.

"We all have to be very much aware and beware of what may seem to be well-in-

tioned efforts, for example, to call for cease-fires which would potentially have the effect of freezing in place the conflict, allowing Russia to consolidate the gains that it's made and simply use the time to rest and refit and then re-attack," Mr. Blinken said.

Ukrainian Foreign Minister Dmytro Kuleba urged Russia to withdraw from "every square meter" of his country. "There should be no misinterpretation of what the word 'withdrawal' implies."

In Ukraine, Russian forces launched another wave of drone attacks overnight. Fourteen of 15 Iranian-made Shahed drones that Russia launched were shot down, the Ukrainian military said. The remains of one drone fell onto a neighborhood in Kyiv, starting a fire, local officials said.

In addition, Russian missile and artillery attacks across northern, eastern and southern Ukraine killed at least eight people and injured 66 others, Ukrainian officials said.

—William Mauldin contributed to this article.

Father of Russian Girl Who Drew Antiwar Picture Is Jailed

By THOMAS GROVE

A Russian court sentenced a father to two years in prison for his social-media posts after his sixth-grade daughter caught the attention of the authorities for an antiwar drawing, said a legal advocacy defending him.

Alexei Moskalyov was found guilty Tuesday of discrediting the Russian military following a monthslong ordeal that saw Russian authorities take his daughter, whom he raises alone, to an orphanage and put him under house arrest, said the advocacy group OVD-Info.

Mr. Moskalyov, who fled house arrest before sentencing, wasn't present at the hearing

in the town of Yefremov, south of Moscow, the group said.

The case underscores the growing repression of antiwar sentiment in Russia, and is a striking example of the way Russian authorities use a loosely worded law against discrediting the armed forces, which was passed following Moscow's invasion of Ukraine.

Human-rights group Memorial, which has come under growing legal pressure since the start of the war, has called Mr. Moskalyov a political prisoner.

The Russian government hasn't publicly commented on the sentencing.

Last April, authorities at the school Mr. Moskalyov's

daughter attends called the police after the girl made a drawing for art class with Russian and Ukrainian flags side by side with the caption: "No War," rights groups say.

Later, when the father and daughter were taken to the police station for questioning, officers said they found pro-Ukrainian content and caricatures of Russian President Vladimir Putin on Mr. Moskalyov's social media. They fined him 32,000 rubles, just over \$400, for discrediting the armed forces.

Agents from Russia's Federal Security Service broke into Mr. Moskalyov's house just before New Year, saying he had once again posted pro-Ukrainian material on his social media. His legal team said he didn't post the material and his account had been hacked.

In the months that followed, Mr. Moskalyov fled with his daughter from Yefremov, where they live, but he was again detained and put under house arrest, his lawyer told OVD-Info.

In March, his daughter, whom he had home-schooled since he was first fined, was placed in a youth correctional facility. She hasn't had contact with him since, rights groups say. Last year eight cases were opened against minors for allegedly making antiwar statements, legal groups note.



Alexei Moskalyov was found guilty of discrediting the military.

Greece Foils Attack Targeting Jews

By LAURENCE NORMAN

Greek and Israeli officials said Greece's authorities foiled a terror attack against Jewish and Israeli targets in the country, arresting two Pakistanis over an alleged plot Israel's foreign minister blamed on Tehran.

Greek police on Tuesday said their antiterrorist division and the country's intelligence services had dismantled a terrorist network that was planning attacks in the country and whose aim was "to cause the loss of life of innocent citizens but also to undermine the sense of security in the country."

They said two foreigners were arrested and that the target was of "high symbolism." A person familiar with the investigation said a Jewish restaurant was one target.

Greek Public Order Minister Takis Theodorikakos identified the two foreigners as Pakistanis. He said the brains of the operation was a Pakistani living in Iran.

"I thank the Greek government and the Greek intelligence and security service for thwarting the terrorist attack against Jewish and Israeli targets," Israeli Foreign Minister Eli Cohen said on Twitter.

"The government of the Ayatollahs in Tehran exports terrorism to the Middle East and the whole world and only a firm and joint stand will stop the terrorist activities of the Iranian regime."

Iran's mission to the United Nations didn't respond to a request to comment on the allegations.

In an unrelated incident, Belgian police detained eight people across the country in several raids conducted on Monday evening connected to the suspected preparation of Islamist terrorist attacks, the federal prosecutor's office said.



ENLIGHTENED EDOUARD MANET

Revered artist. Introspective composition. Rare subject.



Works by the iconic Edouard Manet are centerpieces of the most esteemed museum collections and almost never come on the market. A luminary figure in the history of art, Manet was a celebrated Salon painter who challenged the status quo and brought credence to the Impressionists. A contemplative and rare work, scholars often interpret Manet's Christ as a Gardener as a partial self-portrait of the revered artist. Accompanied by a certificate of authenticity from the Wildenstein Institute. Oil on canvas. Circa 1856-59. Canvas: 26 3/4" h x 22 1/4" w. Frame: 36 3/8" h x 32 1/8" w. #31-6692

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FROM PAGE ONE

Russian Economy Languishes

Continued from Page One
 dies and social spending that have helped President Vladimir Putin shield civilians from hardship.

Russian billionaire Oleg Deripaska warned this month that Russia is running out of cash. "There will be no money next year, we need foreign investors," the raw-materials magnate said at an economic conference.

Having largely lost its European market, and with other Western investors pulling out, Moscow is becoming ever more reliant on China, threatening to realize long-simmering fears in Moscow of becoming an economic colony of its dominant southern neighbor.

"Despite Russia's resilience in the short term, the long-term picture is bleak: Moscow will be much more inward-looking and overly dependent on China," said Maria Shagina, a senior fellow at the International Institute for Strategic Studies think tank in London.

A big part of the dimming outlook stems from a bad bet by Mr. Putin last year that he could use Russian energy supplies to limit Western Europe's support for Ukraine.

European governments, instead of tempering their support for Kyiv, moved rapidly to find new sources of natural gas and oil. Most Russian gas flows to Europe stopped, and after an initial jump, global gas prices fell sharply. Moscow now says it will cut its oil production by 5% until June from its previous level. It is selling its oil at a discount to global prices.

As a result, the government's energy revenue fell by nearly half in the first two months of this year compared with last year, while the budget deficit deepened. The fiscal gap hit \$34 billion in those first two months, the equivalent of more than 1.5% of the country's total economic output. That is forcing Moscow to dip deeper into its sovereign-wealth fund.

The government can still borrow domestically, and the sovereign-wealth fund still has \$147 billion, even after shrinking by \$28 billion since before the invasion. Russia has found ways to sell its oil to China and India. China has stepped in to provide many parts Russia used to get from the West.

Russian officials have acknowledged the difficulties but say the economy has been quick to adapt. Mr. Putin has said his government has been effective in countering the threats to the economy.

"You know, there is a maxim, guns versus butter," Mr. Putin said in an address last month. "Of course, national defense is the top priority, but in resolving strategic tasks in this area, we should not repeat the mistakes of the past and should not destroy our own economy."

For much of Mr. Putin's more than 20 years in charge, high oil and gas revenue underpinned a social contract that saw most Russians largely staying out of opposition politics and protests in exchange for rising living standards.

The International Monetary Fund has estimated that Russia's potential growth rate—the rate at which it could grow without courting inflation—was around 3.5% before 2014, the year it seized Crimea from



Oleg Mansurov, rear, lost investors in his firm after Russia's invasion of Ukraine. The war also halted plans by Artem Temirov, above, to expand his coffee business.



FROM LEFT: NANIMA HEITMAN FOR WSJ; ISEWIA IVANOVA FOR WSJ

Ukraine. That has fallen to around 1%, some economists say, as productivity drops and the economy becomes technologically backward and more isolated.

"For an economy like Russia, 1% is nothing; it's not even a maintenance level," said Ms. Prokopenko, the former central bank official.

The fall in exports, tight labor market and increased government spending are worsening inflation risks, the central bank said this month. Russia's inflation was running at around 11% in February compared with that month last year. That rate will temporarily fall below 4% in the coming months, the bank said, though that is due to the high comparison base of the post-invasion price surge. Some other economic indicators will also temporarily improve in the coming months because of such effects, economists say.

The country's industry is in its worst labor crunch since records began in 1993, the Moscow-based Gaidar Institute for Economic Policy has said. The post-invasion brain drain and last fall's 300,000-man military mobilization have resulted in around half of businesses facing worker shortages, according to the central bank.

On a recent visit to an aircraft factory, Mr. Putin said the labor shortage is hampering military production. He said the government has a list of priority professions for deferment from service.

Investor flight

Before the war, Oleg Mansurov dreamed of competing with Elon Musk's SpaceX. After the invasion, investors in Mr. Mansurov's Moscow-based SR Space pulled their funds.

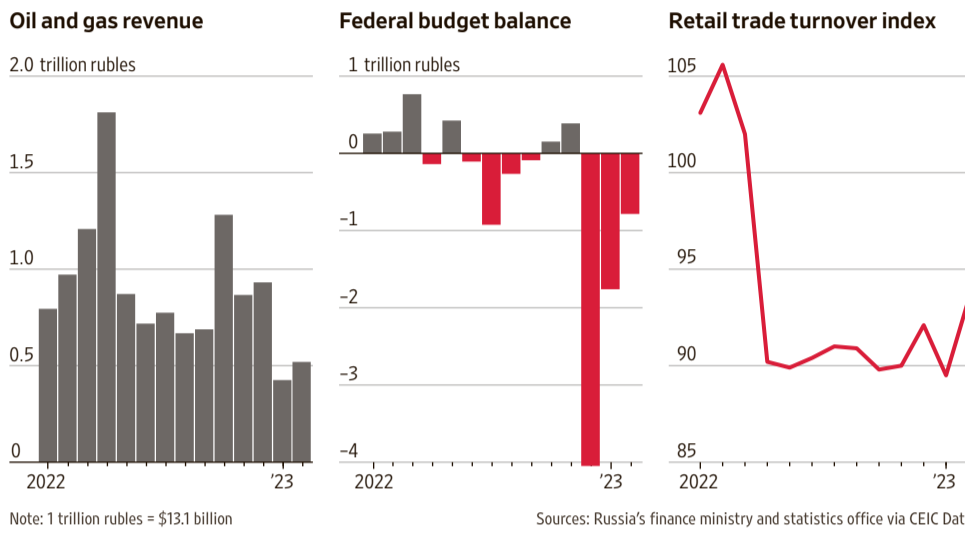
By April 2022, the private company, which he launched in 2020 with venture-capital funding, was facing bankruptcy. To save it, he turned it into an IT business, providing services from web design to analyzing satellite imagery.

Western satellite-imaging-service companies had left the Russian market over the war, and Mr. Mansurov secured interest from large state-controlled enterprises that previously rejected his approaches.

"We became more focused not on the development of a long-term product that would make some kind of qualitative leap but on simply becoming a classic business and generating revenue," Mr. Mansurov said. "We understood we just had to survive."

Companies are adapting to the West's import bans. While Moscow has boosted imports of technologies critical to its war in Ukraine from other

As sanctions have cut into Russia's oil and gas revenues, the government is running budget deficits, and consumers have pulled back on spending.



countries, including semiconductors and microchips from China, in many civilian sectors, parts are difficult to replace.

The central bank has said risks are rising in the airline sector, where a deficit of new aircraft and parts could lead to problems with maintenance. IT and finance firms are struggling without access to Western technologies such as software, database-management systems and analytics tools and equipment, the bank said.

Russia tried import substitution—replacing foreign goods with homemade ones—for years before the current sanctions, with limited success. A large chunk of its telecommunications equipment and advanced oil drilling software is imported.

"This is a little bit like going back to Soviet times, doing

everything ourselves," said Vasily Astrov, an economist at the Vienna Institute for International Economic Studies. "It will be nearly impossible to properly replace what's missing." Analysts at the central bank have called the postwar reality "reverse industrialization," suggesting a reliance on less-sophisticated technology.

Ilya Korovenkov, director of Chili. Lab, a boutique IT company in Nizhny Novgorod developing web services and e-marketplaces, said that before the war, clients would often order new capabilities and functions. Now, the work is focused on fixing and improving existing systems.

With all these changes, the Russian economy is becoming more dependent on the state.

Much industrial-production growth now comes from factories turning out missiles, artil-

lery shells and military clothing, replacing the vast quantities used in the war. Some factories are working multiple shifts to cope with demand, Mr. Putin has said.

While official statistics don't break out military production, the output of "finished metal goods"—a line that analysts say includes weapons and ammunition—rose by 7% last year. Production of computers, electronic and optical products, another line said to include military output, rose by 2% for the year and 41% in December compared with November. By contrast, auto output fell about 45% year-over-year.

Military production masks the problems. "This isn't real, productive growth. This doesn't develop the economy," Ms. Prokopenko said.

Russia managed to avoid the worst last year, aided initially by high global energy prices. Gross domestic product fell 2.1%, according to official data, far less than some early forecasts of a 10% to 15% drop.

Gas exports to Europe didn't start tailing off until last summer. The EU's ban on Russian seaborne oil and a Group of Seven price cap began to take effect only in December. Sanctions on oil products such as diesel took effect last month. These delays kept energy revenue up and helped the government unleash a huge fiscal stimulus of around 4% of GDP in 2022, according to the IMF.

In January and February of this year, however, oil and gas tax revenue, which accounts for nearly half of total budget revenue, fell by 46% year-over-year, while state spending jumped more than 50%.

Analysts estimate that Russia's fiscal break-even oil price—what it would need to balance its books—has swelled to over \$100 a barrel as war spending weighs on the budget.

The country's flagship Urals

crude fetched an average of \$49.56 a barrel in February, according to the Ministry of Finance, a deep discount to the benchmark Brent, which traded around \$80 a barrel that month, although some analysts argue the difference is smaller. The government last month changed its oil-taxation formula in an effort to squeeze more from producers.

"Russia now has a lower bargaining power in the world oil market because they have much less choice where to ship the oil," said Mr. Astrov, the Vienna Institute economist.

Consumers are ailing, too. Retail sales fell 6.7% in 2022, the worst showing since 2015, according to official data. New-car sales fell by 61% in February year-on-year, according to the Moscow-based Association of European Businesses.

Dark roast

Nearly a decade ago, Artem Temirov and his brother launched a coffee shop in central Moscow they called Kooperativ Chernyy, or the Black Cooperative. Just before the war, they opened a roaster and planned to begin selling their coffee beans in supermarkets.

The invasion halted those plans. Russia's postwar exodus has included many who could afford to spend at a high-end shop like Kooperativ Chernyy, and sales fell. Despite a pickup in the summer—which Mr. Temirov attributed to Russians wanting to ignore their new reality—sales cratered again after Mr. Putin's September troop mobilization.

For this year, most analysts expect another fall in GDP, although some, including the IMF, forecast modest growth.

But the fund said that by 2027, economic output is projected to be around 7% lower than pre-war forecasts had indicated. "The loss in human capital, isolation from global financial markets, and impaired access to advanced technology will hamper the Russian economy," the IMF said.

Rystad Energy, a consulting firm, expects investment in Russian oil and gas exploration and production to fall to \$33 billion this year from a predicted \$57 billion before the invasion. That would mean less output down the line. Analysts at BP PLC estimate that Russia's total oil production, which was around 12 million barrels a day in 2019, will be down to between 7 million and 9 million a day by 2035.

"We're not talking about a one-year or a two-year crisis," said Mr. Astrov. "The Russian economy will be on a different trajectory."

Laundry Debate Hits Spin Cycle

Continued from Page One
 the skeptics. The host of "The Laundry Guy" on Discovery+ says that using less detergent, washing less frequently and moving to a shorter warm cycle are better ways to save energy.

Some 20 people a day write to him for laundry advice, he says, including at least a few asking about water temperature. Many don't buy his argument for warm-water washing. "I get people who tell me, 'I'm just going to use cold water,' and they'll tell me in a defiant way," he says. "I'm like, 'Go ahead.'" P&G has sold a line of Tide

designed for washing in cold water for almost two decades and still sells that product, called Tide Plus Coldwater Clean. The latest campaign pitches the overall brand as being effective in cold water. The company says it has reformulated Tide over the years to be more effective.

The company says that while hot water cleans more effectively than cold water when all else is equal, Tide's products are strong enough to render warmer cycles unnecessary.

"If we set the water on cold, how strong do we need our product to be to be sure we don't need more temperature?" says Todd Cline, a technical expert in P&G's fabric-care business. "We don't think you need to use warm or hot."

He says the company has found clothes get just as clean in cold cycles in both controlled lab tests and in consumer tests.

Convincing the public is another matter. "Habits are hard to change," Mr. Cline says. "People just hit the button to normal, and normal defaults to warm."

P&G says that cleaning clothes in cold water could save \$150 a year on a household's energy bill, or somewhat less with the high-efficiency washing machines used in about 70% of U.S. households. Tide is among the priciest of mainstream detergents. The price per load can be double that of some discount brands, according to a search of online prices.

Mary Gagliardi, an in-house scientist and cleaning expert for Clorox Co. nicknamed Dr. Laundry, says three kinds of energy go into cleaning clothes: chemical energy from detergent, mechanical energy from the physical agitation of the washer, and thermal energy determined by the water temperature. If you cut the temperature, she says,

you need to either use more chemicals or churn clothes more. She says warmer water is generally the best way to ensure clean clothes, especially in colder climates. Ms. Gagliardi says manufacturers are able to test garment-washing in water as warm as 85 degrees Fahrenheit and define it as a cold-water wash according to levels set by standards organization ASTM International. A warm cycle is around 100 degrees, while hot is 122 degrees, she says.

"If you are in Minnesota right now and your cold-water temperature is 45 degrees, some people are washing in temperatures barely above freezing," she says.

Washing machines generally warm water to around 60 degrees for the cold cycle, which is the temperature P&G says it uses for its technical testing. Some machines have a setting called "tap cold," which doesn't

heat the water at all.

Retiree Beth Wilson, of Centerville, Utah, says she sticks with warm water, uses whatever detergent is on sale, and mingles whites and colors in a single load. "It's easy and I think my clothes turn out pretty clean," she says.

Sharyn Blum, who does freelance writing, editing and graphic design and lives in Baltimore, has long been a cold-water loyalist and uses a plant-based detergent. Mx. Blum, who uses the gender-neutral honorific, sometimes adds other products to get out tough stains or scents. "Ultimately, I feel like there's no need to use a product with special formulations and extra compounds for every ordinary load," they say. "It feels to me like the equivalent of taking a multivitamin when you're only deficient in one."

Laundry sucks energy and creates waste on several fronts,

says Greg Keoleian, director of University of Michigan's Center for Sustainable Systems.

Bulky detergent bottles wind up in landfills and are cumbersome to ship. Doing the laundry requires a lot of water. Harsh chemicals from detergents can end up in wastewater. But heating the water is the biggest culprit, he says, drawing slightly more energy on average than an entire dryer cycle.

Water-heating needs comprise 13.3% of an average household's energy use, and roughly one-quarter of that, or around 3%, is used to wash clothes, according to Mr. Keoleian. That's roughly the same amount of energy expended on drying clothes.

He and his wife generally wash clothes in cold water, using a discount brand that isn't tailored to cold water.

"A load just finished," he says. "The clothes are clean."

Concert season is in full swing, with Taylor Swift, Beyoncé and other artists dominating calendars in the coming months. But a new villain is hurting the experience for many: superfans seeking five minutes of social-media fame.

Homemade signs, screaming teenagers and bouncing beach balls aren't new to concerts. What has changed is that, largely thanks to TikTok, any moment of a concert can go viral. More fans are trying to force that moment to happen with wild shenanigans, annoying noises or demands on artists to play unusual songs.

That desire to create a quick piece of content to share online has become a buzzkill for everybody else at the show.

Folk-pop singer Maggie Rogers performed in Los Angeles on

'It's more like they're there to make an experience to be viewed by others.'

March 1. Before starting her song "I've Got a Friend," she asked the crowd if anyone came with their close friends. Two fans near show attendee Maggie Dale erupted. But when everyone else quieted back down, they continued screaming.

The singer tried to tell a heartfelt story about her own best friend, but they drowned her out. Most of it was incoherent, says Ms. Dale, but at one point they yelled, "Maggie!" and asked to come on stage.

Finally, the exasperated singer stopped. She reminded audience members they were there to hear her, and that nobody was getting on stage. The two shrieking fans, feeling seen by the artist, freaked out even more, says Ms. Dale. She said a couple nearby appeared to give the pair a souvenir video of the incident. But the antics were a distraction for many ticket holders.

"That's not everyone's way of enjoying entertainment," says the 26-year-old Ms. Dale.

Social media is messing with other parts of the concert experience, too. Sometimes, viral hit songs and artists are so popular they're the only reason people show up at the venue. Last year, videos surfaced showing fans at R&B singer Steve



Maggie Dale, left, said attention-hungry fans disrupted a Maggie Rogers concert in March.

fans, or are you just there to get something for your TikTok channel?

Obstructed views

Joey Rathburn, a Lizzo fan since way back in 2015, was excited for her concert last September in Boston. But the 23-year-old political consultant found his view of the superstar obstructed by a giant poster—a desk-sized one like those seen at science fairs and school presentations. The sign's bearer, standing in front of Mr. Rathburn, held it up as a plea to go on stage, saying she was Lizzo's biggest fan.

The fan held it aloft for much of the show, until Mr. Rathburn and his friends asked her politely if she could put it down. She appeared shocked, but consented.

People view concerts as a chance to build a personal brand and get exposure, Mr. Rathburn says. "It's more like they're there to make an experience to be viewed by others."

TikTok Fans Disrupt Concerts

Rowdy wanna-be influencers seeking their viral moment wreck the experience for others



FROM TOP: PHOTO ILLUSTRATION BY RACHEL MENDELSON/THE WALL STREET JOURNAL; GETTY IMAGES; MAGGIE DALE

Early exits

Opening acts are used to playing to thin crowds who shuffle in late, since most people pay to see the main attraction. Lately, the opposite has been happening.

Chloe DeMello bought tickets to see the hard rock True Power tour, headlined by I Prevail, last November. A bonus: One of the opening acts, Pierce the Veil, had just gone viral on TikTok with its song "King for a Day." Even Lizzo herself had done a riff on it.

Ms. DeMello had heard rumors about people supposedly leaving the earlier tour dates after Pierce the Veil performed, but didn't think much of it. Then, during the show the 24-year-old attended, it happened. She recorded a TikTok showing a sea of people exiting before the main act. Some may have been heading for bathrooms or concession stands, but she noticed significantly fewer people in her own section from that point on.

Unruly audiences

Distracting rowdiness seems to be on the rise.

In Sydney, at the February con-

cert of indie rock artist Phoebe Bridgers, people heckled and made snide comments about opening performer Christian Lee Hutson, according to attendee Karni Woods.

Even when Ms. Bridgers began performing, the yelling continued, says Ms. Woods, a 22-year-old event manager.

Some asked the singer to play Taylor Swift songs, since unexpected cover tunes have extra cachet on TikTok.

"This fear of missing out, the need to be first to post something, has changed the dynamic of concert culture," says Ms. Woods. (Ms. Bridgers's publicist said the singer wasn't available to comment.)

The artists are starting to respond to the misbehavior they're witnessing from the stage. Maggie Rogers—whose representation didn't respond to requests for comment—posted a TikTok in February telling people who are drunk and yelling during quiet parts of her show to please stop.

"It's my time to sing," she said. "This is not your time to make sound—it's not your space."

You Are Spending More Than You Think

By VERONICA DAGHER

Many people have a gap between what they think they spend and what they actually spend. This gap has widened recently as the financial and psychological effects of higher prices further strain people's budgets.

Elevated inflation has rippled through American's wallets for more than a year now. Some have cut back, while others have increased their spending to keep up. Credit-card balances were staying relatively flat for a while, but have jumped higher.

In the fourth quarter of 2022, the average household's credit-card balance was \$9,990, up 9% from the fourth quarter of 2021, according to WalletHub, a consumer-finance website. Meanwhile, the average credit-card interest rate rose to a record high of about 20% last week, according to Bankrate.

Financial advisers say the larger amount of credit-card debt while rates are higher is one indication that some Americans are spending more than they think they are. This type of spending can reduce people's ability to pay for important items down the road, such as college for a child or even fund their own retirement. More immediately, it will put people in costlier debt.

"If people spend too much on credit, they could end up trapped in a cycle of debt," said Courtney Alev, consumer financial advocate at Credit Karma.

Spending less isn't always possible when everything from groceries to travel is generally more expensive. Still, people can find ways to cut back if they understand more

about why they are overspending and take a closer look at their finances.

Inflation compounds

The power of compounding is a boon to investors, but not to shoppers.

Money grows much faster than most people expect because interest is earned on interest, said Michael Liersch, head of Wells Fargo & Co.'s advice and planning center. A similar concept applies to inflation: Prices rise, and if inflation remains high, prices continue to grow on top of already-inflated prices, leaving people off guard.

"People get constantly surprised that their money isn't going as far as they thought it would," he said.

The cost of eating out and going for drinks continues to take Dina Lyon aback. Even though the 36-year-old married mother of one is dining out and ordering in far less than she did a year ago, some prices still give her sticker shock.

"The difference between cooking at home—about \$10 for nice pasta and quick sauce from canned tomatoes—versus Italian takeout of \$50 is astronomical," said Ms. Lyon, who lives in Brooklyn, N.Y.

Outdated budgets

People tend to underestimate their future spending in large part because they base their predictions on typical expenses that come to mind easily, said Abigail Sussman, a professor of marketing at the University



of Chicago Booth School of Business.

She and other researchers found that when people are coming up with predictions, they tend to think about what they usually spend money on—such as groceries, rent and gas—and base their predictions primarily on these expenses. They are less likely to consider atypical expenses, such as car repairs or birthday presents, the researchers found.

This pattern is particularly problematic when inflation is high, said Prof. Sussman. When the price of the same basket of items rises, people might not account for these price increases in their future budgets, she said.

Further, times of stress cause people to be less intentional about tracking their money, said Mr. Liersch. They might also spend more than they know they can afford to soothe feelings including anxiety and depression.

According to a recent survey by Credit Karma, 39% of Americans identify as emotional spenders (defined by the study as someone who spends money to cope with emotional highs and lows).

Take control

You have a better chance of staying under budget if you become more aware of your spending instead of

sticking your head in the sand, financial advisers said.

One thing Adam Alter, a professor of marketing at New York University's Stern School of Business, does is create a line item in his monthly budget for one-off expenses, such as an unexpected medical bill. This gives him a cushion in his budget and enables him to more fully examine how much he is spending each month, said Prof. Alter, who has studied overspending.

People might also wish to include an escalating buffer into their budgets of say, 2% to 5% a year, to account for inflation, he said.

Jay Zigmont, a financial planner in Water Valley, Miss., looks at clients' total take-home income from the year, subtracts everything they must spend money on such as their mortgage and how much they saved. The remaining number is how much they spent on discretionary spending.

In most cases, clients are surprised they spent so much, he said.

Once people know how much they spend, Britta Koepf, a financial planner in Independence, Ohio, suggests they practice mindful spending. Before any purchase, ask yourself if you really want or need what you are buying. Frequently, the answer is yes, but sometimes waiting five seconds will prevent you from overspending, she said.

You can also practice mindfulness by delaying purchases further. "A lot of the time, if I tell myself that I will purchase it next week, I find that I am no longer interested a week later," she said.

PERSONAL JOURNAL.

By COURTNEY VINOPAL

Knowing Colleagues' Pay Motivates Workers

Comparisons prompt feelings of both aspiration, need to prove worth

Increased pay transparency leads employees to work harder, as long as they believe the pay system is fair, according to several new studies.

New laws mandating that pay ranges be included on job listings have gone into effect in recent months in New York City, California and other places. In states where there are no such laws, companies still have to contend with national job boards, such as Indeed.com, that often put their own salary estimates on job advertisements.

The new laws mean more employers are weighing how much detail to share with their current workforces, according to human resources executives. Many executives say they are worried about the impact such information could have on productivity and morale. A prevailing fear: If workers know what their colleagues make, it could create tension in the ranks, undermining performance.

Now, a growing body of research from scholars at Indiana University, Harvard Business School and the University of California suggests that when employees find out how their earnings stack up against peers, it can compel them to work harder.

Pay transparency came to U.S. public universities several years ago, and in some cases the published salary data has boosted outcomes. That's according to a recent working paper that analyzed the performance of academics in eight states, measured by factors such as the number of books, papers and patents they produced.

Pay disclosures spurred academics who found out they were overpaid compared with peers, according to Tomasz Obloj, a professor of strategy at Indiana University's Kelley School of Business, who co-wrote the paper. These higher paid academics produced roughly 7% more articles, on average, once transparency efforts revealed salary information.

Dr. Obloj said he suspects the counterintuitive finding stems from people feeling like they have to work harder to prove they are worth their more expensive price tag.

More broadly, Dr. Obloj said pay disclosures in academia didn't produce drops in productivity, though

the study highlighted an important exception. When pay transparency revealed high levels of inequity within an institution or department, overall productivity decreased, Dr. Obloj said.

"You realize that you're working in an environment that is not fair," he said.

Two other studies conducted in Asia have also found pay transparency can be motivating, though workers' reactions vary depending on the information revealed.

One study of 2,060 employees of a large commercial bank found participants worked harder after they discovered their managers earned more than they expected. Seeing a pathway for career growth, these employees logged longer hours and generated higher sales revenue, ac-

7%

The increase in articles produced by higher-paid academics after salaries were revealed

cording to Zoë Cullen, a professor of business administration at Harvard Business School who co-wrote the paper. When workers found out their peers earned more than they expected, productivity decreased, Dr. Cullen added.

Though surveys show employees generally support pay transparency, there's a limit to how much information they're comfort-

able with being public. When the bank's workers were asked whether they wanted everybody's name and salary published online, nearly three-quarters of employees opposed the approach.

A separate working paper published last year suggests employers don't have to reveal the granular details of their compensation structure to motivate workers. University students who participated in an experimental study worked harder and performed better at a simple videogame when they found out what their peers were earning for playing the game, said Christopher Tang, a professor at UCLA's Anderson School of Management who worked on the research.

But pay transparency doesn't

make workers uniformly happy, according to another paper Dr. Tang co-wrote. People who are overconfident in their abilities, and assume they make more than peers, will grow dissatisfied when pay disclosures reveal they are in line with co-workers.

Together, the findings on how pay transparency can impact workers' feelings pose a challenge for human resources departments that don't have sharp policies on promotions or haven't trained managers on how to discuss compensation with their teams.

"Unless they have very good performance metrics, it could lead to a lot of unhappiness, a lot of complaints," Dr. Tang said.

Talking about pay can be tricky, but those doing it are finding more transparency can be a motivator, according to human resources executives at half a dozen companies.

Exabeam Inc., a cybersecurity firm in Foster City, Calif., started publishing salary ranges in January. Gianna Driver, chief human resources officer, said the move prompted an employee to ask why she was on the low end of the pay range for her role. The worker, who earned \$130,000 in base compensation, saw a job posting that advertised a range of \$120,000 and \$180,000.

Ms. Driver explained the worker was earning less than some of peers because she had recently been promoted. It's typical for recently promoted people to start on the lower end of a position's pay range. Making more money, she added, requires spending time mastering the job.

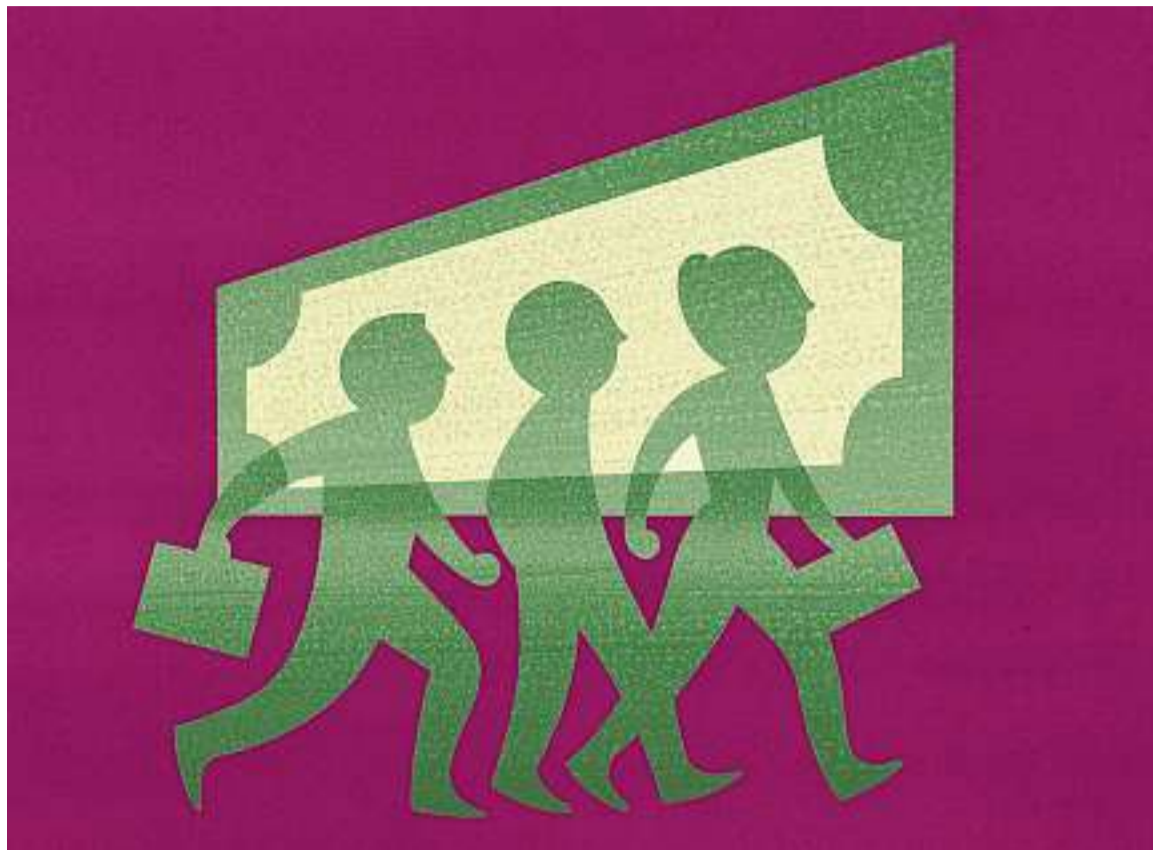
Despite some uncomfortable conversations, Ms. Driver said she's seen no discernible drop-off in productivity.

"If anything, we've observed higher levels of engagement," she said, adding that employees appear to gain motivation from understanding what they need to do to advance.

The upside of pay transparency is the way it shifts the tenor of discussions, said Pearlle Oni, head of people at Philo, a San Francisco-based television company.

"It allowed us to start having really frank conversations with our staff," she said. "What it takes to make more money here, and what skills you need to acquire in order to be promoted."

ILLUSTRATION BY ALEX NABAUM



Time to Shine for Newman Rolexes



ON TREND
JACOB
GALLAGHER

Years ago, Nell Newman was rooting around for a pencil in the Connecticut home office of her late father, the actor Paul Newman, when she unearthed two horological treasures: a pair of Rolex Daytona watches worn by Mr. Newman in his latter years.

"There they were with his driver's license," said Ms. Newman. "They were just in a box on his desk."

Now the pair of chronographs is destined to cause a commotion in the watch world when they're put up for auction in June at Sotheby's, part of the sale of more than 300 mementos from the estate of Mr. Newman and his wife, actress Joanne Woodward. Sotheby's has estimated \$500,000 to \$1 million per watch, though watch experts say they're likely to fetch more than a million dollars each.

One of the most coveted provenances in horology is having been strapped to Mr. Newman's wrist.

"We can tie vintage-watch collecting, vintage-Rolox collecting to him," said Andrew Shear, a watch dealer in New York City. "The Hustler" actor persistently wore Rolexes throughout his lifetime. He is most closely associated with the Daytona model; his late-1960s version with an "exotic" dial sold for nearly \$18 million in 2017.

Mr. Shear speculated that simply because Mr. Newman used these watches to track his lap speed or ensure he wasn't late for dinner, it adds hundreds of thousands of dollars to their value.

Were he still alive, the Hollywood icon may balk at such princely prices. "He did not put his watches on a pedestal," said Ms. Newman. For her father, watches were "all about keeping time, being on time and timing race cars."

She recalled that he had the "quirky habit" of betting

houseguests a quarter that his Rolex kept better time than whatever was on their wrist. He'd call a "What time is it?" hotline, hold up the phone to prove his watch was more accurate and collect his reward.

The first timepiece, a 1993 Rolex reference 16520 "Zenith" Daytona with a pearly white dial, was awarded to Mr. Newman in 1995 when his racing team won the 24 Hours of Daytona Race in Daytona Beach, Fla. At 70, Mr. Newman was the oldest person to win that race, and the watch is reverently in-

life later repurchased the watch.

The second Rolex is a later model—a 2006 white-gold reference 116519 Daytona on a black leather strap. The watch is one of three known models given to the blue-eyed actor by Ms. Woodward, and bears the inscription "Drive Very Slowly Joanne" on the caseback.

A variation of that gentle chide is inscribed on all the known Rolexes the actress gave to Mr. Newman. Photos from 2008 show Mr. Newman wore the white-gold watch at Lime Rock Park in Connecticut



Paul Newman wearing one of the Rolexes heading to auction.

scribed: "Rolex at Daytona 24 Hours of Daytona 1955."

The championship ticker has come up for auction before. In 1999, Mr. Newman donated it to the "Famous Faces" sale held by Antiquorum and Tourneau. Mr. Newman's steel watch hammered at \$39,000, which he directed to his charity "The Hole in the Wall Gang," a camp for children with cancer and other life-threatening illnesses.

While that is a relatively meager sum when stacked up against today's celebrity-watch sales, Mr. Newman's Rolex notched the highest sales price in the auction.

That '93 Daytona meant so much to Mr. Newman that either he or someone in his

during his final racing laps. He died that year.

In 2020, Phillips auction house sold a Rolex reference 6263 watch given to Mr. Newman by his wife, with the inscription "Drive slowly, Joanne," for nearly \$55 million. The sale of Mr. Newman's Rolex Daytona reference 6239 for \$17.8 million three years prior remains the high-water mark for his watches.

The actor received the watch from his wife around the late '60s, coinciding with the start of his time-consuming side-gig behind the steering wheel. As The Wall Street Journal has previously reported, Ms. Woodward likely purchased it for around \$300 at Tiffany's. On its caseback is the inscription "Drive Carefully, Me."

JONATHAN FERREY/GETTY IMAGES

ARTS IN REVIEW



SHERVIN LAINEZ

Julien Baker, Phoebe Bridgers and Lucy Dacus are boygenius; the trio's first full-length album, 'the record,' is out on Friday.

when expressed vulnerability is met with kindness. "True Blue," a midtempo number with a tumbling drum beat, makes terrific use of ambiguity, describing a relationship where everything seems to be going well but heartbreak lurks around the corner. "You've never done me wrong except for that one time / That we don't talk about" is one of a few lines where what the songwriter omits does a great deal of the emotional work. Ms. Dacus

Three distinct creative visions beautifully coalesce on an impressive new record.

can also be very funny—on the brief "Leonard Cohen," found later in the record, she quotes the titular songwriter's line about how cracks in things let the light in, and follows that with "And I am not an old man having an existential crisis / At a Buddhist monastery writing horny poetry, / But I agree."

The songs that feature Ms. Bridgers build on her work from "Punisher" and bring to mind the revealing introspection of Elliott Smith, her greatest influence. Though she usually sings with an expressive whisper, Ms. Bridgers, too, is skilled at leavening lines about sadness and fear with humor. On the hushed acoustic ballad "Emily I'm Sorry," she deftly navigates the seams in a collapsing relationship, the nature of which is never quite clear, while on the similarly stripped-down closer, "Letter to an Old Poet," she addresses a lover who may or may not be good for her and notes in a self-aware aside, "You said my music is mellow / Maybe I'm just exhausted."

While it's impossible not to trace these contributions back to each boygenius member's solo work, the strength of "the record" is in how well it hangs together as a single expression, how the three women manage to meet each other in a shared space. They are different, but they complement one another, and the pacing and structure of this album, with solo songs by each member and others where they trade verses, mean the LP remains exciting and surprising as each track unfolds—not a given when you're talking quiet, inwardly focused folk. Even taking into account its members' individual accomplishments, boygenius's full-length debut is exceptional, easily ranking with the year's best indie-rock offerings.

Mr. Richardson is the Journal's rock and pop music critic. Follow him on Twitter @MarkRichardson.

MUSIC REVIEW | MARK RICHARDSON

An Indie Supergroup Steps Up

Three young singer-songwriters reunite on an inwardly focused project

Boygenius is a supergroup of singer-songwriters operating on a relatively small scale. You may have heard of Phoebe Bridgers even if you don't follow indie music—thanks to her guest vocals on songs from superstars like Taylor Swift and SZA or to her 2020 album "Punisher," which was nominated for multiple Grammys. But you may not be familiar with her bandmates, Julien Baker and Lucy Dacus, both of whom have released solo work on the indie-rock imprint Matador.

Ms. Dacus and Ms. Baker met on the road when playing shows together, and the latter brought Ms. Bridgers into the fold. They were friends first and had much in

common as women making their way in music in their 20s, and they finally came together in a studio to record a self-titled EP as boygenius in 2018. Five years and a number of individual solo records later, they return with "the record" (Interscope), the project's full-length debut, out Friday, a huge leap forward from its first release.

While the members of boygenius have overlapping backstories, they are ultimately three very distinct songwriters, and the joy of this set is in puzzling out how their individual contributions fit together (all are credited as songwriters for each track). In her own work, Ms. Bridgers tends to write about how inner turmoil finds its way into the world. Her characters have a lot on their

minds, and she lets us listen in on what they're thinking. Ms. Baker, who came up in punk and emo scenes, communicates with large gestures, zeroing in on explosive moments and catharsis with her powerhouse voice. And Ms. Dacus is a gifted storyteller, making her points through careful narrative—one imagines she'll write a good book someday.

The members of boygenius harmonize together beautifully on the brief a cappella opener "Without You Without Them," but harmonies are not the point of this collaboration: This is a songwriter's band. Ms. Baker sings lead on the album's more raucous numbers, as on the second track, "\$20," where she touches on themes—self-destruction as a

means of avoiding problems, suburban ennui—familiar in her own music. "Satanist," another lead vocal by Ms. Baker later in the record, seems inspired by her troubled upbringing—she grew up gay in a deeply religious environment in Tennessee—but she delivers her angst with a wink, spitting lines like "Will you be an anarchist with me? / Sleep in cars and kill the bourgeoisie / At least until you find out what a fake I am" over a dissonant and catchy guitar riff.

The songs on which Ms. Dacus sings lead are often about a couple getting to know each other, the tentative back-and-forth as they choose what to share and what to hold back, the fear of revealing too much, and the rush of excitement

TELEVISION REVIEW | JOHN ANDERSON

Medical-System Checkup on Netflix

One of the better documentary series in the annals of Netflix was 2020's "Lenox Hill," an exhilarating, multi-episodic exploration of the eponymous New York hospital and a multi-character story rich in high-stakes medicine and dedicated people. The lingering dread? That there might be a sequel. An obligatory, perfunctory sequel.

But like a couple of creative obstetricians, Israeli filmmakers Ruthie Shatz and Adi Barash have instead delivered "Emergency NYC," a healthy, bouncing, eight-part spinoff that looks at the medical system not only from the perspective of doctors in operating theaters but that of emergency medical technicians, helicopter nurses, trauma doctors, pediatric surgeons, transport coordinators and the patients they're dragging back from the brink of death. It's not better than "Lenox Hill," necessarily. It has its own system, its own level of tension. And lots of it. Things happen that can't possibly have been foreseen, even by filmmakers already chronicling the routinely amazing/appalling goings-on in medical New York.

Seeing a tumor the size of a walnut plucked out of someone's brain, or watching a days-old infant having his misaligned organs repositioned, or monitoring—episode after episode—the painfully slow progress of a 17-year-old shooting victim will have viewers holding their breath, maybe looking away. "Emergency

NYC" goes a little deeper into the gore than "Lenox Hill" did, but it would seem impossible to divorce oneself from the humanity that's also being exposed and the chest-constricting effect of the drama, something of which the filmmakers are well aware: After absorbing whatever chaos has been captured—in an operating room, a helicopter, a brutally congested hospital corridor or the aftermath of a hit-and-run on a New York street—the eye is invariably taken skyward, drone-ward, providing a moment to breathe, to unclench, maybe to reflect. An optical palate cleanser.

Some of the faces will be familiar—neurosurgeons David Langer and John Boockvar were principal characters in "Lenox Hill," as was Mirtha Macri, a doctor based at the Lenox Hill outpost in Greenwich Village, where the series occasionally makes a house call. Jose Prince, a pediatric surgeon working at the Cohen Children's Medical Center in Queens, emerges as an empathetic star of this series. (All the facilities included in "Emergency NYC" are associated with the mono-



Jose Prince tends to patient Josh, above; Kristina McKoy and Vicky Ulloa, left



lithic Northwell Health, including SkyHealth, the helicopter transport service; this, presumably, accounts for the filmmakers' astonishing access.) Ambulance drivers Kristina McKoy and Vicky Ulloa are a wry Greek chorus racing to get whomever wherever. (The cinematographers were probably grateful they were in the backseat, most of the

time.) One of the more hair-raising sequences is the cross-country retrieval of a donor liver for a dying woman in New York, who needs the organ before her brain starts shutting down. Nobody can move as quickly as he or she wants. And the clock is ticking.

Everyone who is fortunate enough to come into contact with the doctors in "Emergency NYC" is already an unfortunate, but some are less lucky than others. "I don't see how he can live more than six, 12 months," Dr. Boockvar concedes, having opened up the brainpan of a patient and removed a tumor the size and shape of a portobello mushroom. He's not wrong. He wishes he were.

The Covid-19 pandemic is a pres-

ence in "Emergency NYC." Not only is everyone masked most of the time, which often makes the dialogue less than intelligible; the virus haunts the medicine: As is pointed out routinely, especially by Dr. Macri—who gets much more "walk-in" traffic at the former St. Vincent's than they would uptown at Lenox Hill—the doctors and nurses and pilots and drivers are dealing with a population due for a checkup. People have largely neglected their health for the past few years due to fear and lockdowns, and they are now feeling the effects. As is the system.

Emergency NYC
Wednesday, Netflix

Mr. Anderson is the Journal's TV critic.

SPORTS

College Stars From Abroad Get In on Endorsement Deals

The global athletes of March Madness may not have to entirely miss out on name, image and likeness money after all

By LOUISE RADNOFSKY AND ALICIA A. CALDWELL

March Madness has made instant stars of college players from Britain, Mali and Russia. And after months of hand wringing, immigration lawyers, agents and foreign student advisers have figured out how to help them cash in on this one shining moment.

The most popular way: Making sure those athletes literally don't have to lift a finger as part of their endorsement deals.

It didn't take long for the problem with name, image and likeness opportunities for international students to become clear. College athletes from overseas are in the U.S. on student visas known as F1s that explicitly bar them from working. Flouting that rule could jeopardize both their ability to stay in the country and their university's ability to sponsor future foreign students.

That led to many agents and immigration lawyers taking a hyper-cautious approach to what it means to work in the new era of college sports. A photo shoot would definitely involve work. So would signing autographs. And so would social-media posts, whether or not the athlete had written them. Even a click of a mouse, they felt, was too risky to pursue.

But now they have found one easy out. A student visa doesn't say anything about the holder's ability to make money while in the U.S.—just about working for it. Owning Apple stock, or a rental property that they don't manage, and accepting the profits is generally considered to be fine. Under that logic, reaping the rewards of a name also seems safe.

"What we've been really trying to focus on for the international clients is completely passive income," said Russ Spielman, executive vice president for talent, marketing and broadcasting at GSE Worldwide. "It has to be completely, completely passive."

That typically means a deal involving a player profiting from



Connecticut power forward Adama Sanogo, above, and Florida Atlantic center Vladislav Goldin, right, will be playing in this year's Final Four.



their name and number on a jersey, without them taking any additional steps to promote sales, and instead relying on the speed of printing on demand.

"Someone can have an amazing moment and there's merchandise on the virtual shelves the next day, that night," Spielman said. "It's a great plan B."

Approaches like that are how Florida Atlantic's 7-foot-1 center Vladislav Goldin may not miss out on the money after all as the Owls find themselves in the Final Four, and other sudden standouts like Princeton's Tosan Evbuomwan might still be able to accept some offers coming in after the Tigers went far deeper into the tournament than expected.

"I'm navigating that very carefully with my status," Evbuomwan told reporters after Princeton's Sweet 16 loss to Creighton Friday. "There's been some stuff, but, yeah, navigating it carefully."

Passive income isn't the only

workaround that's emerged for international students. Some athletes have flown out of the country for photo shoots or exhibition games, or considered applying for different visas for people with "extraordinary ability," which do allow them to work in the United States.

But for opportunities that need to be taken immediately, or not at all, simpler has turned out to be better. Ksenia Maiorova, a Florida sports immigration lawyer, said she was aware of only one prospective or current college athlete to have secured an extraordinary ability visa, a category she tracks closely.

Such visas don't make a lot of sense for most college athletes

eyeing endorsement deals unless there's upwards of \$100,000 at stake, said Aaron Blumberg, a lawyer at the immigration firm Fragonome.

That's because proving extraordinary ability is hard, but also because the costs of even applying for the visa would likely run into five figures between payments for processing on an expedited track, and attorneys fees, and a decision would still take weeks to arrive.

Blumberg got a call last week from a school that had made it through to the Sweet 16, and had suddenly been offered a deal by a company that wanted to promote its merchandise using the players' names, with the students receiving a commission.

The test, as far as Blumberg was concerned, was whether an international student on the team would have to do anything as part of the deal. Satisfied that they didn't, he gave the green light to the school, which he declined to name.

"The way I've been advising schools, the F1 regulations do not prohibit making money," he said, adding that those regulations for student visas were written before officials had fathomed all the ways someone could make passive income. "Once you cross that line, and that line could be clicking that button to reshare that tweet to promote your journey, that's where I draw the line."

"When NIL was first announced everyone in the immigration space was a little hesitant, a little conservative," he said. "While you do want to be safe and conservative because maintaining your status is priority one, we don't want to just have a blanket no."

Schools with international players who aren't so surprised to find themselves in the Final Four already had more complicated arrangements in place coming into the tournament.

The University of Connecticut's power forward Adama Sanogo has done basketball camps in home country of Mali, among other activities. An immigration lawyer representing the school said he wasn't authorized to go into further detail on the specific arrangements they have made for international players, and officials with the athletic department didn't respond to requests for comment.

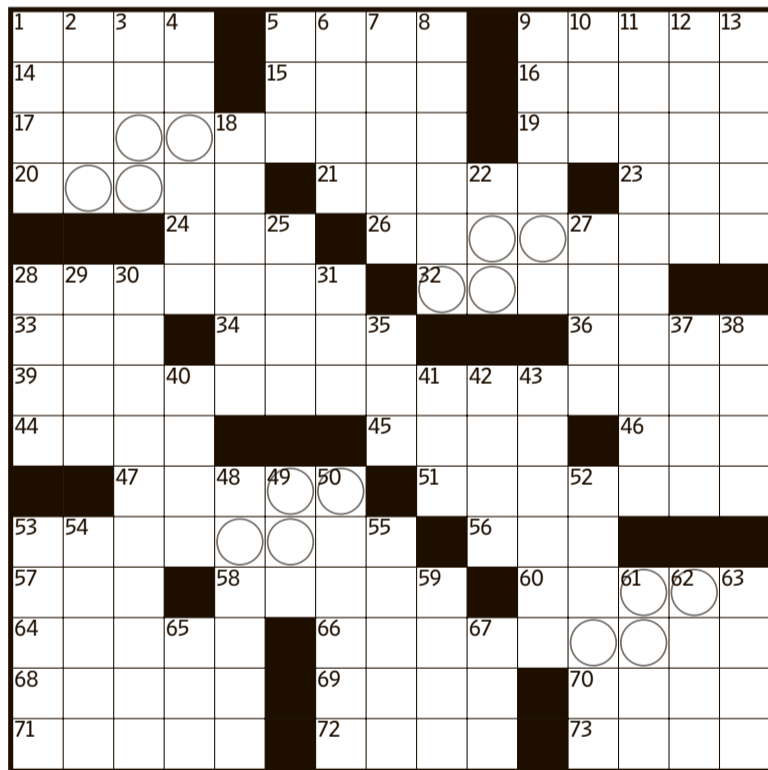
"Listen, creatively, I think there [are] opportunities for all Division I athletes to be able to take part in it. Certainly a player of Adama's caliber deserves it for everything he's done in his career and everything he's done for UConn basketball," coach Dan Hurley told reporters.

Hurley said that officials continue to hope for regulatory action from the Department of Homeland Security, but know that it remains a long shot.

"You would hope that would change, but that's obviously something that, again, Homeland Security and government, and that stuff doesn't tend to move super quickly," he said.

—Laine Higgins contributed to this article.

The WSJ Daily Crossword | Edited by Mike Shenk

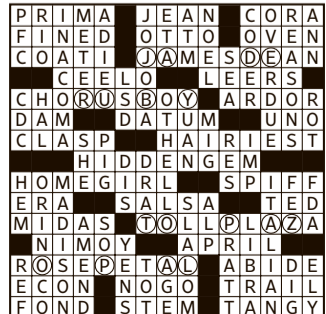


- 30 Plush place for watching a game
- 31 Telepathic gift
- 35 Like some drugs and stocks: Abbr.
- 37 Twice tetra
- 38 Orderly
- 40 Brightest star in Lyra
- 41 It might be tipped, passed or checked
- 42 Yale Bowl cheerers
- 43 It has a supporting role
- 48 Judo grappling technique
- 49 Confucian path
- 50 Spike at a cello's base
- 52 Bit of minutiae
- 53 Hitters' gambits
- 54 Japanese beer
- 55 Crystal-laden rock
- 59 Hershey brand
- 61 Game stopper
- 62 Sandy color
- 63 Signing, maybe
- 65 Mine material
- 67 Fantasy figure

INFLATION | By Prasanna Keshava

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- 1 Water bearer
 - 5 Bowen of "SNL"
 - 9 Built up, in a way
 - 14 Major provider of traveler's checks
 - 15 Greek portico
 - 16 "The Alchemist" author Coelho
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 - 19 Boot parts
 - 20 Ice cream parlor unit
 - 21 "Seriously!"
 - 23 Born as
 - 24 Turn to mush
 - 26 Party poopers
 - 28 Ecstatic feeling
 - 32 Big fusses
 - 33 Plural possessive
 - 34 Not terrible, but not terrific either
 - 36 Japanese noodles
 - 39 Make dear? (and a hint to this puzzle's circled letters)
 - 44 Other than
 - 45 Place that LL Cool J was "going back to"
 - 46 Words with profit or loss
 - 47 Ornamental stone
 - 51 Attacks with a lance
 - 53 Weapon in a Gotham superhero's arsenal
 - 56 Pro camera initials
 - 57 Put into service
 - 58 Functions
 - 60 Ran on the radio
 - 64 Tycoon
 - 66 Natasha Lyonne series
 - 68 Birch of "Ghost World"
 - 69 Fan favorite
 - 70 Money of Milan, once
 - 71 Philly player
 - 72 "World's first official indoor ball" brand
 - 73 Texter's plenty
 - 9 Sustained
 - 10 "Norma ___"
 - 11 Greeting in Granada
 - 12 Site of some strikes
 - 13 Smoke detectors?
 - 18 Not a single person
 - 22 U.N. agency for workers
 - 25 What a prankster might drop
 - 27 Day, in Dijon
 - 28 Some retinal cells
 - 29 Certain something
- Down**
- 1 Campaign-backing orgs.
 - 2 Tech debut of 1998
 - 3 Cuban coin
 - 4 Blackmail
 - 5 Fashion initials
 - 6 Heaps
 - 7 Unacceptable
 - 8 Starz thriller series with Julia Roberts as Martha Mitchell

Previous Puzzle's Solution



Reims Finds a Winning Formula With 30-Year-Old Coach Will Still

By JOSHUA ROBINSON

Reims, France

WILL STILL UNDERSTOOD that his charmed run in the first head coaching job of his soccer career would have to end eventually. At just 30 years old, he had landed on the bench at Stade de Reims in France's top tier in October as the youngest boss in Europe. And nearly five months later, he had yet to lose a single league game.

If it all felt a little surreal to Still, it's because it was. Thirty-year-olds who have never played professional soccer or coached a pro team don't suddenly end up in charge of a top-division club. Nor do they kick things off by going undefeated for 19 games.

So when the streak came to an end this month, the British-Belgian Still took the result as a sign that he was finally growing into the job. Victories had come with surprising ease. Fixing a defeat would be his first proper test.

"Football reality hit us right in the face," he said after his Reims side fell 2-1 to Olympique Marseille here. "Maybe I'm becoming a real manager now that I've lost."

Still's youth has become one of the more curious story lines in European soccer this season.

At an age when most players have several more seasons ahead of them on the pitch, he is directing things from the dugout. Still is five years younger than his own team's captain, the starting central defender Yunus Abdelhamid. He is also the same age as the first text message.

By the standards of American sports, Still makes the 37-year-old head coach of the Los Angeles Rams, Sean McVay, seem more ancient than Knute Rockne. "He's young," Abdelhamid

said recently, "but he might be the best coach I've ever worked with."

Which is a ringing endorsement considering the fact that Still hasn't even had the chance to collect all the certifications required to be a professional head coach in Europe. Still was serving as an assistant at Reims last October when the club fired his boss, manager Oscar Garcia, and handed him a battle-field promotion. The joke around Still soon became that his public fondness for the "Football Manager" video-

game was his primary qualification—ignoring his years of grinding tape as a video analyst.

"Obviously, the diplomas are important, but I'm not just some geek who played Football Manager," Still says. "I didn't land at Reims from sitting at my laptop."



Stade de Reims coach Will Still took over after Oscar Garcia was fired.

The club, currently ninth in the standings, wasn't bothered by the gaps on his résumé.

The situation just made life a little more expensive in the short term. Because Still doesn't hold what is known as the UEFA Pro Diploma, handed out by European soccer's governing body, Reims must now pay a €25,000 (\$27,000) fine every time he leads his team out for a game.

The arrangement was supposed to be temporary until

to professional clubs, spread out over at least one full season, according to European soccer's governing body. Some 220 hours of that must also be completed as work experience on the practice field. Still, who spent some of this month's international break taking courses back in Belgium, expects to complete it in the summer.

In the meantime, he's found that what he lacks in official certification, he makes up for in understanding a locker room full of millennials and Gen Zers. Still can be equal parts tactics and TikTok.

"I listen to the same music as them, I talk about the same things, we have the same social media," he says. "It allows me to connect to them in a way that maybe other people can't."

FROM LEFT: JOHN MINICHILLO/ASSOCIATED PRESS; ADAMA SANOGO/ASSOCIATED PRESS

OPINION

Mayor Pete Plans Higher Fares



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

It's not a great sign when airline executives complain about a "lack of engagement" from top Biden administration officials over what is shaping up to be another summer of air-travel turmoil.

On the proposed JetBlue and Spirit Airlines merger, the Justice Department has apparently been little open to discussion—unlike Florida, which reached an agreement with the two carriers despite having the most to lose if the deal were really as anticompetitive as the federal government says.

Airline operators also say they struggle to get the attention of top Biden officials on traffic delays and congestion. Only last week the Federal Aviation Administration came clean on staffing problems at its New York-area traffic center, routinely scrounging up 54% of the needed workers. The agency wants to move 30 controllers from Long Island to Philadelphia but has been stymied for more than a year by Sen. Chuck Schumer and organized labor. The effort, says Long Island's *Newsday*, is actually part of an on-again, off-again "realignment" that has been stalled since 2007.

The result: The FAA last week called on carriers to cut flights 10% this summer in the busy New York region to accommodate its controller

shortage, virtually guaranteeing higher fares and fewer choices. Yes, the Biden administration is committing the antitrust sin it accuses JetBlue and Spirit of.

Washington offers no hoarier tale than the FAA's struggles with modernization. London City Airport now has a digital control tower allowing personnel to be used far more efficiently. Canada's system has been commercially self-funding since 1996 and speedily incorporates new technology. The U.S. still relies on radar operators handing slips of paper to each other.

Reforming air-traffic control would actually be the best way to enhance competition. Fuel costs and delays would be lessened. Carriers could more quickly deploy planes whenever price signals dictate.

Putting Mr. Buttigieg in charge of the U.S. Transportation Department, which oversees the FAA, was one of President Biden's more interesting experiments. But Project Pete isn't going well. Near misses at airports, apparently due to the post-Covid introduction of thousands of less-experienced workers, are being addressed the only way the system can: by slowing things down and aggravating customers.

January's FAA software meltdown that halted traffic across the country happened on Mr. Buttigieg's watch. He can't be blamed for Southwest's epic scheduling mishaps in December, but neither has he shown any great desire to leave a mark on the over-

stretched air-transport system before he moves on to something else.

The problem is clearly more systemic than anecdotal. Witness the Senate failure Tuesday of the administration's FAA nominee, Phil Washington, who lacked aviation experience except a single year running the Denver airport,

To alleviate air-traffic woes, the FAA proposes to commit an antitrust offense.

overseeing concessions and amenities. His previous 20 years were spent in public transit in Denver and Los Angeles, where he remains embroiled in an investigation over a no-bid contract for a sexual harassment hotline allegedly granted to a political ally.

The character of the Biden administration is coming into focus. In 1993, Vice President Al Gore, as part of his Reinvesting Government initiative, attempted a root-and-branch reform of the air traffic control system and succeeded—his idea was adopted in Canada. Donald Trump strove to revive the plan for the U.S. but was thwarted by a pork-barreling Congress.

Team Biden, in contrast, apparently lacks any managerial ambition at all, except to spend as much money as possible with decorative language

to appeal to the left.

One of the genuine services the U.S. government provides the economy is air-traffic control. Mr. Buttigieg, a former McKinsey consultant, might have been an appointee to try doing something with his tenure besides being a ticket puncher who provides a path to advancement for other ticket punchers.

Equally devoid of substantive ambition are Biden trustbusters. JetBlue and Spirit make a reasonable case that their deal would create more competition against the four giants that account for 80% of the domestic air-travel market. Their merger is remarkably unopposed by economists except a few cultists who long for 1978's deregulation to be undone.

Justice's opposition seems mainly a matter of adhering to an anti-merger bias the administration has adopted to appease progressives. Permeating its case is an unrealistically static notion of airline competition: Though airplanes are highly mobile assets, competitors somehow won't descend on routes where fares go up if JetBlue and Spirit no longer are rivals.

Mr. Biden during a long career earned a reputation for loquaciousness in the Senate. Fifty years of not having any job outside politics wouldn't make a manager out of most of us. But the U.S. government could still use some managing. The lack of it is likely to be apparent to Americans during the summer travel season.

BOOKSHELF | By Benjamin Shull

Their Back Pages

We Should Not Be Friends

By *Will Schwalbe*
(Knopf, 314 pages, \$29)

In the spring of 1983, Yale junior Will Schwalbe met Chris Maxey, a wrestler from Berwyn, Pa. Both were fresh recruits to a campus secret society, but friendship didn't seem likely. "By the time I was a junior at college, I'd already met everyone I cared to know," Mr. Schwalbe writes in "We Should Not Be Friends," a memoir. "I was friends with most of the other gays and lesbians; this wasn't difficult because, in the early 1980s, not many of us were out of the closet. . . I also knew those I didn't want to know. The jocks. And they didn't seem to want to know me."

Mr. Schwalbe was initially wary of Mr. Maxey, who spoke loudly, guzzled beer and high-fived everyone at the group's initiation. The author, born in New York, was a theater kid who entered Yale as a classics major; he didn't know what to make of this "all-American" star athlete

before him. "We had come from all over," he writes of the society's members, "suburbs and small towns; an industrial city whose factories had closed a generation ago; a university campus; our nation's capital and NYC." The environment proved conducive to breaking down barriers. "Perhaps I didn't care to know Maxey," he writes, "but fortunately the matter was taken out of my hands."

"We Should Not Be Friends" recounts the unlikely bond of Messrs. Schwalbe and Maxey,

who not only learned to get along but forged a lasting friendship, popping in and out of each other's lives over the decades. It's a charming read with plenty of surprises in store for the two principal characters.

As a student, Mr. Schwalbe had become involved with Gay Men's Health Crisis, a group based in New York, and he worked on AIDS hotlines in New York and New Haven. He was candid with his fellow society members about his devastation watching the death toll from AIDS rise and his fears that violence might be committed against him as a gay man. After the author confided in the group, Mr. Maxey pulled "Schwalbs" aside and told him: "I just wanted you to know, if anyone ever gives you a hard time, tries to hurt you, or even looks at you funny, you just let me know—and I'll kick the s— out of them."

After graduation, Mr. Schwalbe moved to Hong Kong, where he took various freelance writing jobs and met David Cheng, his future husband. He got an assignment from a travel publication to take the Trans-Siberian Express from Irkutsk, near the border with Mongolia, to Moscow. During that journey, Mr. Maxey, training for the Navy SEALs, endured Hell Week, a brutal stretch that he survived and later happily recounted to his friend. With David, Mr. Schwalbe eventually settled in New York, where the author built a career in the book-publishing industry.

Messrs. Schwalbe and Maxey stayed in touch, despite stretches of time where they didn't speak and where the author worried if he was being a good friend. Recounting the events of their respective lives, Mr. Schwalbe explains up front, was an effort in joint memory. "For the details throughout," he writes, "we relied on contemporaneous notes we kept and interviews with others who were with us on parts of our journey."

A charming literary memoir recounts the unexpected bond between a professional bookworm and a college jock.

Mr. Maxey served in the SEALs for six years before taking a job with a tech company owned by Ross Perot in Texas. He later worked as a teacher and wrestling coach at a New Jersey prep school. He and his wife, Pam, would go on to raise four children whose names Mr. Schwalbe struggled to remember. As Pam would tell the author, her husband never took to the office life. His real passion was always the water, and with help from his New Jersey employer, he and Pam raised the money to establish an experimental school in Eleuthera, an island in the Bahamas, built around marine activities and ocean preservation.

Aside from the rooftop where the Yale crew congregates during reunions, Eleuthera is where the book's most memorable scenes play out. Mr. Schwalbe details the exercise regime that his hyperactive host would inflict on guests to the island, along with the heartfelt conversations he and Mr. Maxey had there across multiple visits. There was no shortage of drama in the latter's life—setting up the school, evacuating the island during Hurricane Floyd in 1999, divorcing and later remarrying Pam, dealing with a brain tumor. He comes across in these pages as a fascinating character, who, like the author, has his own hidden traumas.

Mr. Schwalbe has written books that showcase the importance of reading in his life, including "The End of Your Life Book Club" (2012) and "Books for Living" (2016). At age 50, he reread Evelyn Waugh's "Brideshead Revisited," in which protagonist Charles Ryder recalls his life at college: "The languor of Youth—how unique and quintessential it is! How quickly, how irrevocably lost!" His friend has his own opinions on literature, including Barry Lopez's "Rediscovery of North America," which he makes his students read, and the poetry of Derek Walcott.

One night in Eleuthera, the author asked Mr. Maxey what his favorite book was. Mr. Schwalbe was surprised by the answer: "The Agony and the Ecstasy," published in 1961. "I didn't know what book I was expecting," he writes, "but it wasn't Irving Stone's novel about Michelangelo." The question led the two old friends to reminisce more broadly about life and the way books bring people together. Mr. Maxey reflected on his delayed literary awakening:

"Funny, I went to Yale for four years, and it was only after graduating that I really fell in love with reading."

"How come you never told me about the books you were reading?"

"I don't know. Maybe it's because you never asked." "Maxey," Mr. Schwalbe writes, "helped me realize that people you don't like aren't always who you think they are, even when you are quite sure." His book celebrates not only an unlikely friendship, but the strange turns a life can take.

Mr. Shull is a books editor at the Journal.

Netanyahu Takes a Judicious Pause



**POLITICS
& IDEAS**
By *William
A. Galston*

I called last week on Israeli Prime Minister Benjamin Netanyahu to pause his government's proposed judicial legislation for negotiations.

On Monday, the *Journal* published a letter from Simcha Rothman—a member of the governing coalition and longtime advocate of reining in Israel's Supreme Court. Mr. Rothman criticized my recommendation.

Evidently he failed to persuade his prime minister, who agreed to a pause later that day. "Out of national responsibility, from a desire to prevent the nation from being torn apart, I am calling to suspend the legislation," Mr. Netanyahu said, adding that the majority of his coalition agreed. "When there is a possibility to prevent a civil war through negotiations, I will give a time-out for negotiations."

Although a belated sense of national responsibility may have played a role in his decision, so did political reality. Mr. Netanyahu faced increasing dissent within his own party, and it was no longer clear that he could muster a majority to proceed with the legislation. Meanwhile, two polls released Monday showed public support for the coalition declining sharply while confidence in leaders urging compromise—especially Benny

Gantz, a major figure in the previous government—soared. If elections were held today, the coalition, which controls 64 out of 120 seats, would shrink to 53 or 54 while the opposition would rise to 61 or 62.

Mr. Netanyahu's announcement offers hope that one of the worst domestic crises in Israel's history can be brought to a peaceful and constructive conclusion. It would be a tragedy if the contending parties squandered this opportunity to place the nation's governing institutions on a sound foundation that enjoys broad public support.

The path to resolving the crisis begins by accepting President Isaac Herzog's proposal to convene the negotiations. From the beginning, Mr. Herzog has sought to act as a moderating force, offering both principles for negotiations and then his own plan as the basis for talks. His suggestions have encountered resistance in most quarters, but they have bolstered his credibility as an honest broker.

Negotiators must grapple with a fact that has bedeviled Israel since its founding: The first Knesset, established in 1948 to write a constitution, was unable to do so. Instead, succeeding Knessets passed a piecemeal series of "Basic Laws" that were intended to serve as building blocks for a constitutional structure. Unfortunately, these laws were enacted through the normal legislative process, sometimes

passing with a minority of elected members and never with ratification by the people.

Since the mid-1990s, the Israeli Supreme Court has asserted an expansive conception of judicial review, but the anomalous status of the Basic Laws has left this assertion on a weak foundation. If these laws aren't the product of procedures that differ from ordinary legislation, what gives

The decision was wise and necessary. Now, a path lies in President Herzog's proposal.

them special status as higher law, and how can they justify judicial review? Conversely, what stops the court from applying judicial review to the Basic Laws themselves? (Some justices have referred to them as "unconstitutional constitutional amendments.")

A special procedure for enacting Basic Laws would help resolve this problem. So would adopting Israel's Declaration of Independence as a Basic Law that codifies the state's fundamental principles and provides the foundation for at least some instances of judicial review.

The Netanyahu government has proposed allowing the Knesset to override Supreme Court decisions with a simple majority. But when the question involves the court's use of

laws with constitutional status to invalidate ordinary legislation, a parliamentary override is difficult to justify. Here again, procedures to distinguish more clearly between Basic Laws and other legislation could help resolve otherwise intractable disputes.

Another key issue is the procedure for selecting justices, which currently gives sitting justices and members of the Israeli Bar Association five seats on the nine-member selection committee. Although the appointment of justices requires the concurrence of seven members, critics charge that the influence of sitting justices and lawyers creates a self-perpetuating elite and results in selections that don't adequately reflect Israel's demographic, ideological and religious diversity. The evidence partially supports their complaints. It should be possible to find a formula that reduces the influence of the legal establishment while preventing the government from choosing justices without the agreement of the political opposition and civil society.

Although it was the Romans who tore down the Second Temple in Jerusalem, the Talmud says that the real cause of its destruction was the "baseless hatred" of Jewish factions for one another. Israeli leaders have the power—and the duty—to ensure that this history isn't repeated and that the first sovereign Jewish state in two millennia doesn't destroy itself from within.

A Proven Way to Avoid Moral Hazard

By *William M. Isaac*

While the government's quick action to protect depositors at Silicon Valley Bank and Signature Bank somewhat calmed fears of a financial meltdown, it also raised new concerns of instability. The Federal Deposit Insurance Corp. would've been better off taking a page out of the 1980s.

Banking necessarily involves taking short-term savings from depositors and investing them in longer-term loans to families and businesses. Because the deposits come due sooner than the loans, no bank could repay all its depositors in the short run. The Federal Reserve is in place, in part, to help banks meet these short-term liquidity needs.

Upon a bank's failure, the FDIC promptly pays in full all insured depositors, but there are usually a fair number of accounts that exceed the agency's \$250,000 deposit insurance cap. These people and

businesses can be left scrambling, which can roil the economy into a panic and potentially herald a major economic downturn.

That's why the FDIC stepped in to cover fully even those depositors who were uninsured at SVB and Signature. But putting a 100% guarantee of those banks' rich mega-depositors on the FDIC's tab was

In the '80s, the FDIC paid off uninsured depositors at 80%.

terribly unwise. If the government protects every depositor in a bank failure, even those who are rich and sophisticated enough to have known better, it erodes marketplace discipline and makes banks less stable going forward.

Instead, the FDIC should have turned to its 1982 innovation: the modified deposit payoff. The idea was that when a bank closed, the FDIC would

pay uninsured depositors the full insured amount—today \$250,000—and give them receivership certificates for 80% of their uninsured funds, which was the minimum amount large depositors historically recovered from failed bank receiverships. Large depositors could then take that certificate to Federal Reserve banks and exchange it for cash. If the FDIC ultimately collected more than the 80% from the failed bank receivership, it'd pay large depositors those extra funds until they were made whole.

This would ameliorate the damage a bank failure inflicts on the economy without creating the moral hazard accompanying a 100% guarantee. Uninsured money that would otherwise sit idle for years at the failed bank receivership would be returned promptly to the local marketplace to support economic growth.

The government should have used modified deposit payoffs in the case of SVB and Signature. The FDIC can, and

has in the past, used modified deposit payoffs without new legislation. Though that opportunity has passed, it could make clear to the public that it will use that tool in any future failures as far as it's feasible.

It would be even better if Congress passed the provision explicitly into law, with another critical reform: All non-interest-bearing checking accounts held by individuals or businesses should be fully insured—no matter how large. Such funds aren't chasing high yields or taking large risks. This reform would protect business accounts that are essential to keeping the economy moving and would reduce substantially the risk of panics.

No one loses under this plan—not American savers, workers, or taxpayers.

Mr. Isaac was chairman of the Federal Deposit Insurance Corporation (1978-86) and Fifth Third Bancorp (2009-14) and is chairman of Secura/Isaac Group and related financial consulting companies.

OPINION

REVIEW & OUTLOOK

The Fed Passes the Buck on Banks

One certainty in politics is that the Federal Reserve will never accept responsibility for any financial problem. Fed Vice Chair for Supervision Michael Barr played that self-exoneration game on Tuesday before the Senate as he blamed bankers and Congress for Silicon Valley Bank's failure. This act is simply unbelievable.

Michael Barr's excuses for regulatory failure are simply unbelievable.

No one disputes that bankers failed to hedge the risk posed by rising interest rates to asset prices and deposits. What Mr. Barr didn't say is that the Fed's historic monetary mistake created the incentives for the bank blunders. The Fed fueled the fantastic deposit growth at SVB and other banks with its prolonged quantitative easing and zero interest-rate policy that caused banks to pile into longer-term, higher-yielding assets.

Federal Deposit Insurance Corp. Chairman Martin Gruenberg noted in his testimony Tuesday that SVB's balance sheet more than tripled in size between the end of 2019 and 2022, "coinciding with rapid growth in the innovation economy and a significant increase in the valuation placed on public and private companies." That's a cagey way of saying the Fed inflated tech valuations.

Silicon Valley investors cashed out shares at elevated prices and poured their windfall into startups with SVB accounts. SVB had more deposits than it could safely lend, so it loaded up on long-dated Treasuries and Fannie Mae securities that offered relatively high yields and were deemed low or no risk by regulators. What could go wrong?

When near-zero interest rates persist for nearly 13 years with hardly a blip upward, some bankers will bet this will last forever as they hunt for yield. The Fed had also assured the world until very late in 2021 that it had no plans to change its policies because inflation was transitory.

The Fed's rapid and necessary course correction last year to subdue inflation seemingly caught banks like SVB off guard. SVB's long-dated assets lost value and had to be sold at a loss to cover deposit outflows as startups burned cash and customers moved their money into money-market funds or Treasuries.

Mr. Barr also passes the buck on the failures of bank supervision. He claims Fed supervisors

flagged deficiencies in SVB's liquidity risk management, stress testing and contingency funding in late 2021 and with its board oversight, risk management and internal audits in May 2022. In October 2022, he says, supervisors raised concerns with senior management over its interest rate risk profile.

He blames bank managers for failing to heed those warnings. But are these supervisors helpless bystanders? Surely they had the power to raise a louder fuss with management or kick the matter up to more senior regulatory officials. Congress should subpoena all of the internal supervisory documents and emails.

Mr. Barr's exoneration of supervisors contradicts his narrative blaming a 2018 bipartisan law for liberating midsize banks from too-big-to-fail regulations. But SVB had higher capital than some bigger banks and likely would have met Dodd-Frank's liquidity coverage ratio requirement, according to the Bank Policy Institute.

Mr. Barr acknowledged that the 2018 law gave the Fed "substantial discretion" to impose too-big-to-fail regulations on banks with more than \$100 billion in assets to promote financial stability and soundness. Fed supervisors therefore could have demanded that SVB comply with too-big-to-fail regulation had they deemed the bank systemically important.

Yet regulators only did so after SVB's collapse so they could guarantee its uninsured deposits. In any case, the Fed's "severely adverse scenario" stress test in February 2022 forecast a hypothetical world in which the three-month Treasury rate stayed near zero while the 10-year Treasury yield declined to 0.75%. This suggests the Fed staff in Washington were oblivious to risks from rising interest rates.

When monetary policy creates perverse incentives with negative real interest rates for years, regulators have a particular obligation to watch for banking mistakes and rising risks. And when interest rates suddenly turn upward to correct the Fed's monetary mistake, examiners have an obligation to impel bankers to hedge or unwind their interest-rate risks.

Why regulators and supervisors failed to do so is a question that Mr. Barr needs to be asked with far more vigor when he appears before the House on Wednesday.

Wisconsin's Supreme Court Stakes

Wisconsin voters go to the polls next week to elect the swing Justice on an ideologically divided state Supreme Court, and the stakes are high. Consider the refusal of progressive candidate Janet Protasiewicz to say if she'd recuse herself from hearing a case she admits she has already pre-judged.

Judge Protasiewicz has publicly declared that she believes that former Gov. Scott Walker's landmark 2011 collective-bargaining reform, known as Act 10, is unconstitutional. She admits she joined protests against the law and even signed a petition to recall then Gov. Walker.

In an interview last week with the Milwaukee Journal Sentinel, Judge Protasiewicz was asked whether she would remove herself from cases challenging the law. "I'd have to think about it," she said. "Given the fact that I marched, given the fact that I signed the recall petition, would I recuse myself? Maybe. Maybe. But I don't know for sure."

Maybe? How can anyone believe she'd be able to fairly judge a challenge to a law she has already reached a conclusion about?

The Wisconsin Supreme Court has considered the constitutionality of Act 10, upholding it in a 5-2 ruling in 2014. Judge Protasiewicz's "unconstitutional" comments are best read as an invitation to liberal groups to try again with

a new challenge if she makes it to the court. They are also an admission that she won't defer to the precedents of the state court she aspires to join. She has signaled the same about the state's legislative maps, which she has called "rigged," despite their approval by the state high court.

Under Wisconsin law, judges decide whether to recuse themselves from specific cases. Common conventions for recusal focus on a judge's apparent bias or inability to judge a case on the merits, owing to financial or other entanglements that make impartiality unlikely. Judge Protasiewicz's impartiality is impossible.

A liberal U.S. Supreme Court majority required judicial recusal in a far less clear instance of bias. In *Caperton v. Massey* (2009), the Court ruled that a state court justice should have recused himself from a case concerning a campaign contributor. Justice Anthony Kennedy wrote that recusal was required due to the "serious risk of actual bias."

Wisconsin's Code of Judicial Conduct requires that "a judge, candidate for judicial office or judge-elect should not manifest bias or prejudice inappropriate to the judicial office."

The fact that Judge Protasiewicz has any doubt at all about recusal on Act 10 shows she is unfit for the court. She'd bring clear and disqualifying political bias to the bench.

IRS Snooping at the Supreme Court

The government says Remo Polselli owes \$2 million in taxes and penalties. So the IRS, searching for his assets, issued summonses demanding financial records from the banks used by his wife and a law firm where he was a longtime client. The agency did not notify Mrs. Polselli or the law firm. Is this legit? The Supreme Court will take up that question Wednesday in *Polselli v. IRS*.

When the IRS seeks records like this from a third party, it generally must "notify persons identified in the summons," as the Justice Department's brief explains. "A person entitled to such notice may sue the government to quash the summons." Yet Congress made exceptions, using classically muddy language. No notice is needed when a summons is sent "in aid of the collection" of an assessment "against the person with respect to whose liability the summons is issued."

The feds say this case is simple: Mrs. Polselli's bank records might help the IRS locate her husband's money. His lawyers' records might reveal "the accounts or funds that Mr. Polselli used to pay the firm." Since the IRS acted "in aid" of collecting an assessment, they have no legal right to challenge the demand for records or even to be appraised of it. Instead, the banks "unilaterally informed" Mrs. Polselli and the law firm, who lost in the lower courts.

They ought to have better luck with the Justices. "The IRS is overreaching," their brief argues. The IRS is using an exception to the notice rule that applies "only when the assessed taxpayer whose liability the IRS is trying to collect has a legal interest in the summonsed

account." No alert is needed to get Mr. Polselli's bank records, but the IRS can't secretly demand the same for his wife, his lawyers, or anybody else he might pay.

They also say the law has another exception. No notice from the IRS is required when the agency is trying to collect from a taxpayer's "transferee or fiduciary." The defect in the government's position is that, under its theory, the first exception swallows the second one. A summons about a "transferee" is already "in aid" of collecting an assessment. If so, as Judge Raymond Kethledge wrote in dissent in the Sixth Circuit of Appeals, then in devising the second exception, "Congress was wasting its time."

If the IRS is correct, is there any summons that would still need the second exception? "For all its experience administering the tax code," Judge Kethledge said, "the government offers not a single concrete example." The IRS overreach puts companies like banks in a tight spot. Do they keep the summons secret, at the risk of alienating clients who did nothing wrong, like the law firm? Or do they tell the clients, at the risk of alienating the IRS?

If Mr. Polselli owes \$2 million, he should pay up. But federal agents have to turn square corners when dealing with the public, and shortcuts used in difficult cases have a way of becoming the rule for everybody. "An IRS agent," as the petitioners protest, "doesn't get to secretly comb through years of law-firm bank records—and all the attorney-client information they contain—just because he thinks doing so might be convenient." Right on the money.

LETTERS TO THE EDITOR

Gen Z's Malaise and the Desire for Stability

In "Generation Z Yearns for Stability," Suzy Welch cites the stress students feel when entering the workforce (op-ed, March 23). After graduating college in 1956, I was either going to be drafted into the U.S. Army for two years or commissioned in the Marine Corps for three or more years. I chose the Marine Corps, and the drill sergeants at Quantico provided a great deal of stability for me. Coddling was not part of the program. The lessons I learned in the Marine Corps provided a solid foundation to face challenges in the business world because I learned how much stress I could handle.

JAMES SYNK
Hilton Head, S.C.

Ms. Welch pinpoints the Gen Z malaise perfectly. As an older baby boomer, I was raised by members of the "greatest generation" that endured the Depression and World War II. That generation emphasized working for a living, even if you were well off, because work is respectable. My peers all had jobs growing up, whether that was a paper route or a fast-food gig, to save for a first car. And we were expected to keep our grades up. No

one handed us iPhones or wads of cash for eyelash treatments and gaming consoles.

These values appear to have been lost with greater prosperity in succeeding generations, as can be seen in the paucity of Gen Zers working part time. Without early work experience, Gen Z won't learn how to strive.

LARRY ISACSON
Laguna Niguel, Calif.

When the material things that matter (housing, education, medicine) balloon in cost and the cultural things that matter (marriage rates, friendships, community activities, unified morality) all but disappear, one has to wonder what's the point? No wonder Gen Z feels apathetic about the world it has grown up in.

COLE KASTENS
Marietta, Ga.

I think Ms. Welch misses the mark. What Gen Z yearns for is a return to childhood. Its members long for ignorance about real-world trials and tribulations, economic concerns, and they don't want to take responsibility for the well-being of others. They need a dose of reality to grow up.

PETER A. CERRA SR.
Wilmington, N.C.

Apprenticeships Teach Better than Classrooms

The article "More Choose Apprenticeships Instead of Heading to College" (U.S. News, March 18) highlights the appeal and diversification of apprenticeships in sectors such as insurance, banking and tech as well as the profound economic benefits for employers, workers and society. However, the claim that other countries' experiences demonstrate that apprenticeship skills are short-lived is completely inaccurate.

As U.S. ambassador to Switzerland and Liechtenstein, I witnessed a comprehensive and sustainable apprenticeship system delivering 21st-century skills—creative thinking, citizenship, collaboration, communication, problem solving and digital literacy—better than any other. There is nothing short-lived about it, as substantial research has shown. These countries are creating the future-ready workforce

any country would envy.

Before my service, I visited myriad U.S. schools building project-based-learning programs to attract students. During my time in Switzerland, I realized that apprenticeship is project-based learning, but with a paycheck and more dignity. In fact, joining with industry to build apprenticeships is how K-12 and post-secondary institutions can keep pace with innovation and create more paths to success, especially when coupled with a focus on diversity, equity, inclusion, accessibility and belonging.

I studied aerospace engineering in college and frankly I believe that the 16-year-old apprentices at RUAG Space helping to build the Atlas rocket fairings learned much more than I did in the classroom.

SUZI LEVINE
Seattle

U.S.-Taiwan Bond Would Foil Beijing's Plans

Regarding Simone Gao's "The Chinese Communist Party's Plan A for Taking Taiwan" (op-ed, March 23):

Recently Wellington Koo, secretary-general of Taiwan's National Security Council, publicly warned of potential Chinese meddling in our 2024 presidential election.

One concerning early sign is that China, through local collaborators, is mounting influence operations aimed at seeding U.S. skepticism among the Taiwanese population to torpedo Taiwan-U.S. relations. Once isolated from the democratic coalition led by the U.S., Beijing's reasoning goes, Taiwan might be willing to elect a leader more amenable to China's wishes—thereby greasing the wheels of reunification.

Taiwan and the U.S. can blunt such a machination, however, if their partnership continues to make visible strides. The hard men in Beijing want to divide and conquer. We must make sure they don't get their way.

CHENEY WEN
Taipei

Raise FDIC Insurance Limit

Regarding "Janet Yellen's Blurred Lines" (Review & Outlook, March 24): One solution could be to simply raise the Federal Deposit Insurance Corp. insurance amount, which hasn't changed since 2008.

If your house were insured today at its 2008 value, you would be significantly underinsured. Similarly, from the policy change in October 2008 to October 2022, the money supply increased from \$7.965 trillion to \$21.43 trillion, a 169% increase. Using this as a proxy for the increased cash flow into bank accounts, the current \$250,000 FDIC insurance limit should be adjusted to around \$672,500.

This change would alleviate much of the anxiety and fear surrounding the banking system.

FRANK KENNA
Branford, Conn.

Pepper ... And Salt

THE WALL STREET JOURNAL



"I like a bit of mindlessness with my mindfulness."

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GEORGE GRAHAM
Ann Arbor, Mich.

PETE MEULEVELD
Salem, Ore.

OPINION

In Today's Banking Crisis, Echoes of the '80s

By Charles W. Calomiris
And Phil Gramm

It's natural to look to the 2008 subprime crisis for insights about why our banking system is at risk. But that crisis was a housing finance collapse driven by government policies encouraging banks to take enormous default risk in the mortgage market to promote housing policy. The 1980s offer a better perspective on our current banking instability. Losses on securities at Silicon Valley Bank, Signature Bank and many others still waiting to be addressed reflect the risk from borrowing short and lending long—reminiscent of thrift strategies of the 1970s and the government's decision to ignore losses from pursuing those strategies in the early 1980s.

Losses at SVB, Signature and other banks reflect the risk from borrowing short and lending long.

Between 1980 and 1994, 1,617 banks and 1,295 thrifts either were closed or received government assistance. For thrifts, the story began with a government mandate forcing them to specialize in long-term mortgage loans funded with deposits. As the Federal Reserve raised rates, funding costs rose and many thrifts became insolvent.

If losses had been recognized and dealt with by raising capital, reducing leverage and accumulating cash, many institutions would have recovered. Those that couldn't would have closed with little fallout. Initial losses became a crisis because of a combination of bad accounting, valuing assets at book value rather than market value, and the complacency produced by deposit insurance: Almost all

thrift deposits at the time were below the insurance limit.

The centrality of delayed loss recognition was universally recognized, including in 1991 by Federal Home Loan Bank Board member Lawrence White, who wrote: "The bank and thrift regulatory . . . information system looks backward at historical costs rather than at current market values. . . . The re-vamping of this accounting framework—a switch to market value accounting—is the single most important policy reform that must be accomplished." It wasn't. Recognition delays allowed losses to grow as institutions at or near insolvency faced incentives to increase risk, a practice some labeled "resurrection risk taking."

In 1991, new legislation was enacted with the goal of ensuring accurate loss recognition and "prompt corrective action." As recent events show, that reform failed. Securities holdings held under "hold-to-maturity accounting" weren't marked to market at SVB, Signature or the roughly 200 other banks that appear to be in similarly perilous condition. Not only did accounting rules allow SVB and the others to avoid formally recognizing losses; supervisors—who have the authority to intervene and look beyond accounting measures to force banks to shore themselves up with new capital—chose to do nothing. It took runs by uninsured depositors at SVB and Signature to force regulators to act.

Why did supervisors fail to pursue prompt corrective action? Calculating a bank's duration risk (its exposure to loss from asset-liability maturity mismatch) is part of every bank exam in the U.S., one of the legacies of the 1980s thrift bust.



A 1985 run on Baltimore's Old Court Savings & Loan.

Notwithstanding the accounting fiction of SVB's balance sheet, supervisors knew that its securities holdings were of long durations and therefore declining in value. SVB wasn't just any bank. It and First Republic were the two largest banks for which the San Francisco Fed had primary supervisory responsibility.

SVB's strategy was profiting from taking carry-trade risk, or borrowing short and investing long. Its balance sheet looked more like that of a money-market firm than a bank, with purportedly as much as 94% of its deposits over the insurance limit. It held much more in long-term securities than in loans. In December 2022, SVB total securities' book value was more than \$123 billion and loans were only \$73.6 billion. It paid above market for wholesale deposits to fund its carry-trade strategy. In 2022, as interest rates rose and the market value of its assets fell, SVB's deposits fell \$16 billion and it borrowed \$15 billion from the Federal Home Loan Bank at higher cost to

replace lost deposits.

The composition of deposits also changed. Non-interest-bearing deposits fell \$45 billion, and interest-bearing deposits rose \$29 billion. The increased reliance on borrowed funds and the decline in retail deposits have been a red flag of rising failure risk for bank supervisors for at least 130 years. By December 2022, SVB had an unrecognized loss of \$24 billion on its hold-to-maturity securities combined with a new reliance on hot money. In 2022, as interest rates rose, Fed supervisors must have known the bank was deeply under-capitalized and headed toward insolvency.

Instead of raising the deposit insurance limit or expanding supervisory powers, Congress should require all assets held by banks to be marked to market. It should also invite supervisors from the San Francisco Fed and other agencies to explain why they failed to act. Was there political pressure not to? If so, from whom? Congress should press

supervisors to intervene immediately to address similar problems at the 200 or so banks that are to some degree suffering similar weaknesses, rather than allowing those problems to fester.

Congress also should note that the unprecedented federal spending spree combined with accommodative monetary easing caused high inflation and forced the Fed to respond with dramatic hikes in interest rates that caused the losses at so many banks. Unintended long-term costs from myopic policy actions are a major threat again as Congress considers further expansion of deposit insurance.

The difference today, in contrast with the 1980s, is that SVB and Signature Bank relied largely on uninsured

deposits, whereas thrifts and banks then had relatively few such deposits. As their risk of failure grew, uninsured depositors (who were slow to respond) still responded fast enough to prevent the banks from becoming deeply insolvent. If those deposits had been insured *ex ante*, we might now be quietly experiencing resurrection risk-taking from SVB and Signature Bank, with much larger losses to come in those banks and throughout the banking system. The failures of SVB and Signature illustrate the usefulness of what remains of market discipline, which comes from limiting deposit insurance. Regulation failed, but the market didn't.

Mr. Calomiris is director of the Center for Economics, Politics and History at UATX and a finance professor at Columbia Business School. Mr. Gramm is a former chairman of the Senate Banking Committee and a nonresident senior fellow at the American Enterprise Institute.

Chicago May Elect a Sensible Mayor



UPWARD MOBILITY
By Jason L. Riley

Democratic mayors have run Chicago exclusively since 1931. That streak will continue no matter who wins the runoff election on April 4 because the candidates, Paul Vallas and Brandon Johnson, are both Democrats.

The good news for voters in the nation's third-largest city is that they nevertheless have two clear choices on the ballot. Party affiliation is about the only thing the candidates have in common. Mr. Vallas is a white moderate backed by the police union. Mr. Johnson is a black progressive backed by the teachers union. Mr. Vallas has run hard on restoring public safety in a city that saw crime continue to rise in 2022 and that has long been the poster child for big-city mayhem. He also wants to expand school choice for low-income families. Mr. Johnson opposes the creation of additional charter schools and has called for cutting the police budget.

Theoretically, Mr. Vallas ought to win the race handily. But we elect candidates for office based not on theories but on how many votes they can muster. And in Chicago, where white (33%), black (29%) and Hispanic (29%) representation in the population is remarkably balanced, politics are about as tribal as they come.

In the first round of voting, which featured nine candidates, all but two of whom were black, Mr. Vallas led with 32.9% of the votes, and Mr. Johnson placed a distant second with 21.6%. The lone Hispanic candidate, Jesús García, won just 13.7% of the vote. Matt Rosenberg, a local journalist and author of a book about the city's multi-decade decline, "What Next, Chicago?," told me that Mr. García's voters may well determine who prevails in the runoff race next week.

"In the six wards that García won—all of which are heavily Hispanic—"Vallas took second place in five of them, but Johnson in just one of them," Mr. Rosenberg said. In other words, even without significant black support, Mr. Vallas could

run up his numbers among whites and Hispanics and still win. Nevertheless, Mr. Rosenberg predicted that Mr. Vallas would perform well among blacks. "Blacks, like Hispanics and whites, are very concerned about crime. About 80% of murder victims in Chicago are black even though they are just 30% of the population."

Paul Vallas and Brandon Johnson are Democrats, but that's where the similarity ends.

Surveys that ask voters about the issues would seem to give Mr. Vallas the edge. Polling conducted by Echelon Insights for the Illinois Policy Institute, a state think tank, found that the top issue for Chicago voters was crime and that two-thirds of parents support school choice. Mr. Vallas wants to fill 1,600 vacancies on the police force and add 700 new officers. When it

comes to public education, he says that "the money needs to follow the kids."

Chicago spends just under \$30,000 a student annually, nearly double the state average and up from \$20,000 in 2017. According to the Illinois State Board of Education, only 11% of blacks and 17% of Hispanics in Chicago public schools could read at grade level in 2021, the same year that 100% of Chicago public school teachers somehow were rated "excellent" or "proficient." In 2022, 80% of 11th-graders of any race or ethnicity could not read or perform math at grade level.

"Public safety is the overriding issue," Mr. Vallas said in a speech earlier this month. "But we will not have true public safety in this city until the schools become part of the public-safety solution." Give Mr. Vallas credit for connecting the dots. He understands that people who get a decent education are less likely to become violent criminals.

Mr. Johnson, meanwhile, has given Second City residents little reason to believe that his priorities

would differ much from those of the progressive incumbent mayor, Lori Lightfoot, whose re-election bid ended when she failed to finish in one of the top two slots in the first round of voting. In a 2020 radio interview, Mr. Johnson approvingly said that defunding the police is "an actual, real political goal." He's since distanced himself from that language, but as a commissioner for Cook County, which includes Chicago, he sponsored a resolution to reduce resources. On the campaign trail, he's said that he would cut the police budget by at least \$150 million.

Polling shows that the race is tight, and it's not due to Mr. Johnson's skillful messaging. Mr. Johnson currently works as an organizer for the Chicago Teachers Union, which has spent millions of dollars supporting his candidacy. With the CTU in his corner, he can't be counted out. Teachers unions know how to get people to the polls on Election Day like no other special interest group in politics. Even with public sentiment largely on his side, Mr. Vallas has his work cut out.

What the U.S. Can Do to Prepare for a War With China

By Seth Cropsey

The U.S. is unprepared for an impending great-power conflict. That's widely understood, but most commentary on American military preparedness misses three critical points: the time horizon for a conflict with China, the logistical challenges of building and sustaining American military power, and the industrial difficulties of replenishing and expanding current stockpiles. A war with Beijing wouldn't be decided primarily with high-end weapons systems but with the traditional elements of military power.

A new cold war has begun. At its heart is a fundamental disagreement between the U.S. and China over the structure of Asian security considerations. The original Cold

War's antagonism stemmed from Soviet insistence that Washington remove itself from Europe and Eurasia more broadly. China's strategic effort to deny U.S. forces access to international waters where a naval conflict could occur, its increasing numbers of military bases around the world, and its growing ability to interrupt logistic communications with America's Indo-Pacific allies demonstrate that Beijing has the same ambition today. Just as Soviet Russia sought to destroy the North Atlantic Treaty Organization and thereby eliminate U.S. political engagement in Western Europe, communist China now seeks to capture Taiwan and to fragment the U.S. alliance system in Asia.

China has something against which to measure its policy that the Soviets never had: history. Beijing

has studied Moscow's Cold War mistakes, notably the tendency among Soviet strategists to wait patiently until their military power exceeded that of the U.S. This never occurred, primarily because the West engaged in a massive military expansion in the 1980s that nullified Soviet gains over the preceding two decades.

The Chinese aren't going to wait patiently. They are prepared to capitalize on an apparent shift in their favor. China enjoys a growing advantage in geographic position, fleet size and missile numbers. In Xi Jinping, it also has a leader willing to use force to achieve political objectives. China stands a better chance now than it ever has of defeating the U.S. and its allies in a major war. The U.S. should expect an attack on Taiwan within this decade, perhaps as soon as 2025.

The imminence of conflict means the U.S. must consider how it would fight with the military as currently constituted. In some cases that would mean repurposing equipment and hardware for new uses. In others it would require reconceiving the service branches' approaches to war fighting. The legacy systems of the U.S. military—fighter planes, heavy bombers, destroyers and aircraft carriers—would be crucial in a major Indo-Pacific war. The immediate question isn't how to replace these platforms, but rather how to amplify their effectiveness.

America's traditional forces aren't particularly vulnerable or outdated, at least intrinsically. The aircraft carrier has always fought as a system—it needs fighter and strike aircraft that can reach targets

without exposing the ship to attack, and an escort screen of smaller ships that can shoot down enemy missiles. The American surface fleet, if used for strike operations, needs long-range missiles to hit the infrastructure that supports the Chinese military.

But the nuts and bolts of American military power are lacking. Most glaring, the U.S. has no logistical capacity to support a major-power

The military's problem isn't technological. It's a strategy designed only for low-intensity conflict.

war. The military cargo fleet is designed for limited contingencies. According to the Government Accountability Office, ships in the reserve fleet are on average more than 40 years old and in poor repair. According to a 2020 Center for Strategic and Budgetary Assessments analysis, there simply wouldn't be enough merchant mariners to crew American ships in a major logistical effort. Even during the Gulf and Iraq wars, the U.S. contracted for significant added merchant capacity. Most ships that call at U.S. ports are foreign-flagged or foreign-crewed, if not both. This means that once a conflict begins, Washington can't rely on them. Without an effective link between American forces in the Indo-Pacific and materiel depots in the continental U.S., a fight will be hard to sustain.

Some commentators have claimed that aid to Ukraine has run down American stockpiles for the defense of Taiwan. That isn't right. What we've been sending to Ukraine is radically different from what would be required in a war over Taiwan and, critically, is built in entirely different locations and with entirely different processes. The real problem stems from Washington's decision to "rationalize" the defense industrial base after the Cold War, allowing a healthy ecosystem of defense producers to shrink to a handful of corporations. These companies operate far better than their predecessors bureaucratically but can't deliver results rapidly. Unless the U.S. can scale up production of the weapons it will need in the Indo-Pacific—hypersonics, cruise and ballistic missiles, and short-range antiship weapons—it would lose a fight for Taiwan in weeks.

This is the core issue. The U.S. military isn't behind the curve in some grand transformation in warfare. It simply can't employ the combat tools it has so carefully cultivated over the past 30 to 50 years because it has spent that time preparing to fight low-intensity wars, not a major strategic contest with a peer. If stagnation continues, deterrence will fail. So will the prospects for American victory in any major-power conflict.

Mr. Cropsey is founder and president of the Yorktown Institute. He served as a naval officer and as deputy undersecretary of the Navy and is author of "Mayday" and "Seableness."

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WORLD NEWS

Mexico Protest Fire Kills Migrants

Detainees lighted mattresses when they heard they would be deported, officials say

By Santiago Pérez

Thirty-eight migrants were killed and 30 others injured in a fire at a migrant-detention facility in the border city of Ciudad Juárez, Mexico, started by occupants protesting against their impending deportation, authorities said Tuesday.

A surveillance video showed migrants trapped in locked cells as the fire erupted, while two guards appeared to make no attempt to release the detained men as smoke filled the detention area. The authenticity of the video was confirmed by Interior Minister Adán Augusto López.

The fire started at about 10 p.m. Monday when some detained migrants lighted mattresses as a protest when they heard they would be deported, said Mexican President Andrés Manuel López Obrador, citing initial reports.

"They didn't imagine that it was going to cause this terrible tragedy," he said.

The fire spread quickly because the mattresses in the detention center are highly flammable, said one government official familiar with the incident. Many of the detained migrants died of suffocation, the official added.

The injured were in serious condition and sent to four hospitals in Ciudad Juárez, said Mexico's Interior Ministry. Dozens of emergency workers, ambulances and vehicles from the Ciudad Juárez coroner's unit were at the detention facility, where bodies were outside on the ground covered with emergency blankets.

A spokeswoman for the Na-



Officers guard the bodies of migrants who died in a fire at a Ciudad Juárez detention facility.

tional Migration Institute said the agency is cooperating with federal prosecutors to determine the cause of the fire and the conditions at the detention facility, which lies a few steps from the city hall and is close to one of the border bridges that connect Ciudad Juárez with El Paso, Texas.

Late Tuesday, the migration institute lowered the death count to 38 from the previously reported 40 after officials visited the hospitals where the injured were taken.

The facility was holding 68 adult males from Central and South America, the Interior Ministry said. It is used to detain foreign migrants apprehended because of their illegal status in Mexico as they attempt to cross the Rio Grande or jump the border fence into the U.S.

Nearly 450,000 migrants were apprehended in Mexico last year—a record—and sent to detention facilities across the country, according to esti-



mates from Human Rights Watch. The Mexican government operates about 50 migrant-detention centers nationwide, the most anywhere except the U.S., said HRW.

Many of these centers are

overcrowded and lack proper medical care, said Tyler Mattiace, a Mexico researcher for HRW. "Mr. López Obrador's administration has significantly expanded immigration enforcement efforts, including the de-

tection of people who are trying to reach the U.S.," he said.

Many detention centers don't have fire codes, and they aren't staffed around the clock by officers from the immigration agency, which sometimes hires private security guards, Mr. Mattiace added.

Elias Silva, a 31-year-old Venezuelan migrant who was detained for two days this month at the center that caught fire, said there wasn't a single fire extinguisher at the station. He said there was just one private security guard who allowed migrants to keep some of their belongings such as cigarette lighters and matches.

"It was pretty chaotic. You could see a lot of mattresses scattered on the ground, a lot of people smoking," he said in a telephone interview from Ciudad Juárez.

Mr. Silva said people he talked to had been expelled by U.S. authorities under Title 42, the pandemic-era policy that allows for immediate removal of migrants who cross illegally into the U.S. Most of them were held at the facility for several days, and some more than a week, as Mexican authorities processed them, he said. Mr. Silva was sent to Mexico City, but returned to the border several days later.

Guatemala's National Migration Institute said 28 of the victims were Guatemalans. The agency urged potential migrants to reconsider trips from which many times "there is no return."

Mexican authorities said other victims included Hondurans, Salvadorans, Venezuelans, a Colombian and one Ecuadorian. Deputy Foreign Minister Maximiliano Reyes met with ambassadors and consuls of the six countries to coordinate the repatriation of bodies and assistance to those injured.

Pension Marches Escalate In France

By Noemie Bissesse

PARIS—President Emmanuel Macron faced a rash of violent protests as demonstrators clashed with police over his use of constitutional powers to raise France's retirement age without Parliament's consent.

More than 740,000 people took to the streets Tuesday across France, the Interior Ministry said, in demonstrations that spiraled into violence in some cities. Protesters in Paris set trash on fire and threw projectiles at police, who responded by firing tear gas.

Tens of thousands of young people joined the demonstrations, injecting more volatility into a protest movement that shows no sign of letting up after more than two months.

Mr. Macron has refused to back down. Revamping the pension system—the centerpiece of which is raising the retirement age to 64 from 62 by 2030—was one of the main planks of his re-election campaign last year. The French leader says the measures are necessary to preserve the pension system without raising taxes or increasing the country's debt.

On Tuesday Mr. Macron's government mobilized 13,000 police officers, including 5,500 in Paris, in a bid to rein in the violence.

Protesters marched through Paris in a demonstration that was mostly peaceful before massing in Place de la Nation as night fell to square off with police. Trains and public transportation were severely curtailed and many schools were forced to shut. Hundreds of flights were canceled.

Taiwan President's U.S. Trip Fuels China Tensions

By Charles Hutzler and Joyu Wang

The U.S. and China have described Taiwan as the most volatile flashpoint in their increasingly fraught bilateral relations.

Now, after months of sparring by Washington and Beijing over the Ukraine war, a suspected surveillance balloon, TikTok and other issues, Taiwan is set to return to the center of great-power tensions, with the island's leader traveling to the U.S.

Taiwanese President Tsai Ing-wen is stopping in New York and Los Angeles on her way to and from Central America, with plans to meet House

Speaker Kevin McCarthy next week in California. Some in the Biden administration are concerned the visit will give Beijing the pretext to conduct military exercises near the island, as it did last summer, or erode Taiwan's security in other ways, officials said.

With Ms. Tsai set to arrive in New York on Wednesday, U.S. officials have been sounding out her government to ensure her trip stays within past norms, while also urging Beijing against reacting strongly, the officials and people familiar with the talks said.

Visits by Taiwanese presidents to the U.S. are always carefully managed affairs, with

Washington trying to give the island's leaders a way to show their government has U.S. support, without giving Beijing an opening for forceful retaliation.

How the three governments handle the visit is likely to determine whether Washington-Beijing relations deteriorate further. All three are readying their militaries for a potential conflict in the Taiwan Strait. Taiwan is a longstanding U.S. partner that Beijing regards as its territory, and domestic politics make compromise difficult for each.

"There is a possibility that the transit, if not carefully handled, could blow up in everybody's face," said Bonnie Glasier, who heads the Indo-Pacific

program at the German Marshall Fund of the U.S. "It could end up with a major display of military force by the Chinese, which will introduce even more friction into the U.S.-China relationship," she said.

China, which stated its displeasure at Ms. Tsai's trip, opened formal diplomatic relations over the weekend with Honduras, which cut its decades-old ties with Taiwan. Ms. Tsai's trip takes her to two of Taiwan's 13 remaining diplomatic partners, Guatemala and Belize, neighbors of Honduras.

Ms. Tsai's stops in the U.S. are officially called "transit" visits—language that is part of the delicate diplomacy meant

to maintain a U.S.-China-Taiwan equilibrium. Taiwanese presidents have made dozens of such visits over the years, including several by Ms. Tsai, with, Biden administration officials said, minimal pushback from Beijing.

"There is no reason for Beijing to turn this transit, which is consistent with longstanding U.S. policy, into something it is not or use it to overreact," the State Department said.

China carefully scrutinizes the visits for signs that the U.S. and Taiwan are testing the limits of Beijing's tolerance, and Taiwan's leaders at times have pushed the envelope to try to show their influ-

ence in the U.S. Mr. McCarthy would be the highest-level U.S. politician to meet a Taiwan president on American soil since the transit visits started.

Ties now between Taiwan and the U.S. are more robust than at any time since Washington switched diplomatic recognition from Taipei to Beijing in 1979, according to officials and political analysts, with more communication among defense officials and higher-level contacts between the governments. That closeness puts immense pressure on Chinese leader Xi Jinping, who has said the Taiwan issue shouldn't be passed from generation to generation.

WORLD WATCH

NORTH KOREA

Kim Seeks Expansion Of Nuclear Material

North Korean leader Kim Jong Un called for expanding the production of nuclear material to boost the country's arsenal exponentially, saying his weapons program was aimed at defending the country.

Photos released by North Korean state media on Tuesday showed Mr. Kim inspecting new tactical nuclear warheads, called "Hwasan-31," for the first time. Around 10 red and green nuclear warheads were displayed alongside short-range ballistic missiles and long-range cruise missiles. He also reviewed plans for a nuclear counterattack and was briefed on a nuclear-weapons management system called "Haekbangshoe," which means nuclear trigger, state media said.

"Only when we perfectly prepare the ability to use nuclear weapons at any time and from any place will we ensure that we will forever not have to use nuclear weapons," Mr. Kim said.

Mr. Kim called on his nuclear scientists to increase production of the weapons-grade fissile material used to make nuclear bombs.

—Dasl Yoon

PORTUGAL

Refugee Held in Fatal Muslim-Site Attack

A man wielding a large knife killed two Portuguese women and wounded several other people at an Ismaili Muslim center in Lisbon on Tuesday, authorities said. Police said they were investi-



FIELD TRIP: Students draw among blossoming rapeseed flowers in Haian, Nantong city, in China's Jiangsu province on Tuesday.

gating the stabbings as a possible terror act.

Portuguese authorities described the man as a refugee from Afghanistan who was receiving help from the Ismaili community. Local Afghan community representatives said the suspect was known to have psychological problems after his wife died while their family was at a refugee camp in Greece.

Police said they were investigating Tuesday's violence as a possible extremist act, but Portuguese Interior Minister José Luis Carneiro publicly urged caution, saying any "hasty analysis"

should be avoided.

The women who died were Portuguese staff members at the center, Ismaili community leader Narzim Ahmad told Portuguese TV channel SIC.

The suspect was shot when he advanced toward officers, officials said. He was in police custody at a Lisbon hospital.

—Associated Press

MYANMAR

Military Dissolves Suu Kyi's Party

The political party led by

Myanmar's ousted leader Aung San Suu Kyi was ordered dissolved by the military-appointed election commission on Tuesday because it failed to register for a planned general election, state television MRTV reported. Ms. Suu Kyi's National League for Democracy, which has denounced the promised polls as a sham, was one of 40 parties that failed to meet the Tuesday deadline for registration, MRTV said.

Critics say the still-unscheduled polls will be neither free nor fair in a country ruled by the military that has shut free media

and arrested most of the leaders of Ms. Suu Kyi's party. The NLD won a landslide victory in the 2020 election, only to have the army block all elected lawmakers from taking their seats in Parliament and seize power for itself, detaining top members of her government and party.

"We absolutely do not accept that an election will be held at a time when many political leaders and political activists have been arrested and the people are being tortured by the military," said Bo Bo Oo, one of the elected lawmakers from Suu Kyi's party.

—Associated Press

NETHERLANDS

Mammoth Feat: Prehistoric Meatball

An Australian company on Tuesday lifted the glass cloche on a meatball made of lab-grown cultured meat using the genetic sequence from the long-extinct mammoth pachyderm, saying it was meant to fire up public debate about the high-tech treat.

The launch in an Amsterdam science museum came just days before April 1 so there was an elephant in the room: Is this for real? "This is not an April Fools' joke," said Tim Noakesmith, founder of Australian startup Vow. "This is a real innovation."

Cultivated meat—also called cultured or cell-based meat—is made from animal cells. Livestock doesn't need to be killed to produce it, which advocates say is better not just for the animals but also for the environment.

Vow used publicly available genetic information from the mammoth, filled missing parts with genetic data from its closest living relative, the African elephant, and inserted it into a sheep cell, he said. The cells multiplied in a lab until there were enough to roll up into the meatball.

More than 100 companies around the world are working on cultivated meat products.

The mammoth meatball is a one-off and hasn't been tasted, even by its creators, nor is it planned to be put into commercial production. Instead, it was presented as a source of protein that would get people talking about the future of meat.

—Associated Press

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

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Traders Pull Billions From Binance

BY VICKY GE HUANG
AND DAVE MICHAELS

Traders are withdrawing billions of dollars from **Binance** as problems plaguing the world's largest crypto exchange continue to mount.

The Commodity Futures Trading Commission on Monday sued Binance, alleging the exchange operated illegally in the U.S. and violated rules to prevent illicit financial activity. Last week, Binance announced it would charge fees on spot bitcoin trading again after cutting them to zero last summer. It also had to temporarily suspend spot trading for hours while it fixed a software error.

As of Monday evening, Binance had experienced net outflows of \$2.1 billion on the Ethereum blockchain over seven days, according to crypto data provider Nansen. Overall, Binance holds \$63.2 billion in the exchange's publicly disclosed wallets, Nansen data show.

"The pace of withdrawals is heightened compared to normal activity and did pick up after the CFTC announcement," Andrew Thurman, an analyst at Nansen said on Monday.

Still, Binance has seen bigger outflows in the past from regulatory moves. Mr. Thurman said outflows were more pronounced in February after New York regulators announced their ban on the new issuance of Binance-branded stablecoin BUSD, passing \$1 billion every 24 hours at its peak. The token, the world's third-largest stablecoin, has seen its market value more than halve this year.

Binance's decision to bring back trading fees likely contributed to a decline in its spot-market share, analysts said.

The exchange's spot-market share dropped to a low of 30% on March 24 from 57% at the start of the month, according to CryptoCompare. The majority of trade volume on Binance was zero-fee, up until it added back the fees, according to Kaiko, a digital-assets data provider.

"Fees are extremely important," said John Quarnstrom, portfolio manager at crypto hedge fund **Iceberg Capital**. "Generally I'll make a decision to trade on an exchange first

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"Fees are extremely important," said John Quarnstrom, portfolio manager at crypto hedge fund **Iceberg Capital**. "Generally I'll make a decision to trade on an exchange first

Companies Call EU Disclosure Rules Too Disruptive

BY KIM MACKRAEL

BRUSSELS—Multinational companies including **Intel Corp.** and **Raytheon Technologies Corp.** are warning that new European Union rules for reporting foreign subsidiaries are so onerous they could disrupt mergers and acquisitions and impede public tendering.

In a letter sent last week to the European Commission, the bloc's executive body, the companies said the commission "severely underestimates" the work required to comply. While the companies said they support the overall aim of the new rules, they said their implementation "will result in an extremely complex administrative ordeal."

The new foreign-subsidy rules, which are set to take effect this year, will give regulators new tools to bar companies from making certain acquisitions or winning large public contracts if they previously benefited from government aid the commission believes was distortive.

That means companies will need to track many dealings with foreign governments that competition lawyers say could include public contracts, utility bills and even social-security benefits paid to employees.

"Companies currently do not have systems in place to monitor these interactions," the letter said. Unless the plan changes, it said important merger-and-acquisition transactions could be disrupted, "and public-tender procedures may come to a standstill or suffer a significant reduction in the number of competitive bids that are submitted."

The letter was signed by 21 companies, more than half of which are based in EU countries. Companies that added their names include San Jose, Calif.-based **Cisco Systems Inc.**, German chemical company **BASF SE**, Japan's **Panasonic Holdings Corp.** and U.K.-based **AstraZeneca PLC**, **Siemens AG** and **Bayer AG**, both based in Germany, also signed on.

The commission said it is reviewing feedback it received during a public consultation before completing a regulation that will detail how the rules will be implemented. The final regulation aims to give companies legal certainty on their rights and obligations and will clarify the information required from them, a spokeswoman said.

Beginning in October, companies that want to complete

Please turn to page B7

EY Split Hinges on Showdown This Week

BY JEAN EAGLESHAM

The fate of **Ernst & Young's** proposed split may be determined in Silicon Valley this week when feuding executives meet to hash out a deal that is acceptable to all factions.

One of those powerful factions won't be represented at the meeting and doesn't even work for the global auditing firm. Yet some of EY's retired partners are playing a key role in trying to block the deal.

EY this month paused its preparations for the multibillion-dollar breakup, after its U.S. arm demanded a blueprint for the deal be reworked to give auditors a bigger share of the lucrative tax practice. The unexpected revolt, putting the deal in jeopardy, has provoked infighting and rifts within the 390,000-person firm, according to people familiar with the matter.

This week's meeting in Palo Alto, Calif., sets the stage for a potential showdown between the breakup plan's architect, EY's global leader Carmine Di Sibio, and the person most likely to derail it, EY's U.S. leader Julie Boland. Tensions between the two senior executives have escalated sharply in recent weeks, the people familiar with the matter said.

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Adidas and Beyoncé to Part Ways After Ivy Park Sales Struggle



CHARLES GUERIN/ABC/ZIPUMA PRESS

Beyoncé and **Adidas AG** have decided to end their fashion partnership, according to people familiar with the matter, splitting up after years of lackluster sales for her Ivy Park line.

The partnership will end after the company releases Ivy Park collections that are planned for this year, the people said.

The contract between the

music star and the German company was set to end after this year, and Adidas executives held discussions about ending or revamping the arrangement.

Sales of the Ivy Park brand fell more than 50% in 2022 and underperformed Adidas's projections, *The Wall Street Journal* reported in February, citing documents and people familiar with

the matter. The documents show Ivy Park has been losing money for Adidas, and Beyoncé gets about \$20 million in annual compensation.

Meanwhile, on Friday, she unveiled a couture collection designed in collaboration with French luxury house **Balmain** and inspired by her 2022 album "Renaissance."

Adidas executives expected Ivy Park to bring in hundreds of millions of dollars in sales and promised Beyoncé guaranteed annual fees and creative control. Sales were about \$40 million in 2022, below internal Adidas projections for \$250 million for that year and down from \$93 million in 2021, according to the documents.

—Khadeeja Safdar

Banks Look Like Bargains as SVB Scare Abates

BY SAM GOLDFARB

More investors are betting on a rebound in the banking sector, wagering that regional lenders are in much better condition than many initially feared after the collapse of Silicon Valley Bank.

The KBW Nasdaq Bank Index of commercial lenders has climbed 2.9% this week, while U.S. Treasury prices have dropped, after First Citizens

Bancshares reached a deal with federal regulators on Monday to buy large pieces of Silicon Valley Bank.

The run on SVB that started March 9 had sparked a rout in banks and a surge in demand for Treasuries, reflecting fears that trouble in the financial sector could hurt the broader economy.

This week's gain marks the latest sign that Wall Street is warming up to banks again,

with their stocks and bonds stabilizing and analysts increasingly emboldened to call bottom on the selloff. Over the past two weeks, there have been no new bank failures, and most of the concern has focused on just one midsize lender, **First Republic Bank**.

The situation in the banking sector is fluid, and investors broadly remain on edge. Recent Federal Reserve data have shown a sizable shift in depos-

its from smaller to larger banks, while unnamed banks have also rushed to borrow from the Fed, acting out of precaution or financial pressure.

Still, many investors challenge the notion that there is any fundamental, widespread problem on the asset side of bank balance sheets—a view that gives them confidence that deposit flight will abate and that a still-strong U.S.

economy will survive the latest in what has been a string of recession scares.

One of SVB's problems was that it faced large unrealized losses on its portfolio of government-backed bonds thanks to last year's jump in interest rates. But no other major bank faces nearly the same amount of losses relative to its size, these investors point out. In addition, such bonds are still

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AI Seen as Doing Work Of Many Professions

BY LAUREN WEBER
AND LINDSAY ELLIS

Accountants are among the professionals whose careers are most exposed to the capabilities of generative artificial intelligence, according to a new study. The researchers found that at least half of accounting tasks could be completed much faster with the technology.

The same was true for mathematicians, interpreters, writers and nearly 20% of the U.S. workforce, according to the study by researchers at the University of Pennsylvania and OpenAI, the company that makes the popular AI tool ChatGPT.

The tool has provoked excitement and anxiety in companies, schools, governments and the general public for its ability to process massive amounts of information and generate sophisticated—though not necessarily accurate or unbiased—content in response to prompts

from users.

The researchers, who published their working paper online this month, examined occupations' exposure to the new technology, which is powered by software called large language models that can analyze and generate text. They analyzed the share of a job's tasks where GPTs—generative pre-trained transformers—and software that incorporates them can reduce the time it takes to complete a task by at least 50%. Research has found that state-of-the-art GPTs excel in tasks such as translation, classification, creative writing and generating computer code.

They found that most jobs will be changed in some form by GPTs, with 80% of workers in occupations where at least one job task can be performed more quickly by generative AI. Information-processing roles—including public-relations specialists, court reporters and

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INSIDE



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PROPERTY REPORT
Florida towns compete for horse events and the business that comes with them. **B6**

Shell's New CEO Commits To Oil in Face of Criticism

BY JENNY STRASBURG

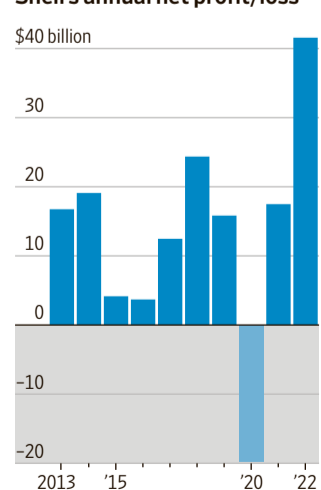
HOUSTON—Wael Sawan knows he is about to make some people very unhappy.

The new chief executive of **Shell PLC** is in the midst of crafting his business plan for the London-based energy giant, including whether to increase oil production. Doing so would please many investors looking to build on last year's oil-and-gas bonanza, which produced record annual earnings for Shell.

But it almost certainly would generate howls of protest from environmentalists and other critics, including investors who want Shell to tackle climate-related goals more aggressively. Those investors argue a continued focus on fossil fuels endangers Shell's long-term prospects in a changing world.

Mr. Sawan says he is committed to lowering the com-

pany's emissions and helping develop a new generation of clean-energy sources. But that is not where the bulk of profits are right now.



pany's emissions and helping develop a new generation of clean-energy sources. But that is not where the bulk of profits are right now.

"I fundamentally believe in

the role of oil and gas for a long, long time to come," he said in a recent interview with *The Wall Street Journal*.

What's more, he said, he doesn't believe renewable- and low-carbon energy projects should be subsidized by Shell's fossil-fuel profits, but should deliver returns that merit continued investment on their own. "We're definitely taking a hard look at the portfolio," Mr. Sawan said.

All options are on the table, he said, including revising the company's 2021 forecast for an average 1% to 2% decrease in its crude output each year until 2030. Mr. Sawan also said he was weighing further exploration for new sources of oil and gas in areas where Shell doesn't currently operate.

He cautioned that Shell's production targets and other key decisions are still being debated by its executives and

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BUSINESS & FINANCE



The RedBird Capital deal will create a venture to stream some NFL games to bars and restaurants.

NFL in Streaming Deal

By JOE FLINT

The National Football League and private-equity firm **RedBird Capital Partners** are creating a venture to stream NFL games and eventually other live sports and events to commercial establishments such as bars and restaurants.

Starting with the 2023-24 season, the new venture, named **EverPass Media**, will be the commercial distributor for the NFL's Sunday Ticket, a subscription-only package popular with sports bars that gives access to all Sunday afternoon games for out-of-market teams, the NFL and RedBird said.

Alphabet Inc.'s YouTube last year struck a seven-year deal with the NFL for residential rights to Sunday Ticket in a deal valued at \$2 billion annually, but it didn't acquire the commercial rights. Satellite broadcaster **DirecTV** previously had held the commercial and

residential rights for Sunday Ticket for nearly three decades.

The Sunday Ticket commercial rights fees have been valued at \$200 million annually, *The Wall Street Journal* previously reported. In addition to the rights fee, the NFL's investment arm, 32 Equity, will take a stake in EverPass Media, the parties said.

During negotiations with potential suitors for Sunday Ticket, the NFL decided it would be better to have a distributor devoted exclusively to commercial establishments—which display multiple games at once on various TV screens and are more in need of a wholesale provider than sports fans at home—according to Brian Rolapp, the NFL's chief media and business officer. The platforms interested in Sunday Ticket didn't have an established commercial footprint and expressed little interest in starting one from scratch, he

said.

EverPass Media is helmed by media veterans **Derek Chang** and **Alex Kaplan**, who will respectively serve as executive chairman and chief executive. Both Messrs. Chang and Kaplan worked at **DirecTV** and worked closely with the NFL on the Sunday Ticket franchise.

RedBird Capital founder and managing partner **Gerry Cardinale** is betting that the Sunday Ticket deal will lead to deals with other leagues and sports rights holders in need of commercial distribution partners, especially as more content such as Sunday Ticket migrates to streaming.

"This one is tailor-made for us," Mr. Cardinale said in an interview.

Besides the NFL's Sunday Ticket on YouTube, other major sports migrating to streaming include college football, soccer, baseball, boxing and ultimate fighting.

Dimon To Be Deposed In Lawsuit

By KHADEEJA SAFDAR AND DAVID BENOIT

Jamie Dimon will be questioned in a civil lawsuit over **JPMorgan Chase & Co.**'s relationship with **Jeffrey Epstein**, people familiar with the matter said.

The U.S. Virgin Islands sued JPMorgan late last year, saying the bank facilitated Epstein's alleged sex trafficking and abuse by allowing him to remain a client and helping him send money to the late financier's victims.

Lawyers for the U.S. Virgin Islands had asked a judge to order Mr. Dimon, the bank's chief executive, to answer questions under oath. JPMorgan resisted, saying he played no role in the bank's dealings with Epstein.

The two sides struck a deal for Mr. Dimon to be deposed, the people said.

The planned deposition was reported earlier by the *Financial Times*.

Epstein banked with JPMorgan for a number of years until it cut ties with the convicted sex offender in 2013. Epstein died in jail in 2019 while awaiting trial on federal sex-trafficking charges.

A judge this month ordered the bank to turn over documents from Mr. Dimon through 2019, a wider time frame than the bank wanted to deliver.

New Shell CEO Sticks With Oil

Continued from page B1

board. Whatever he decides, Mr. Sawan expects to be unpopular among some groups, and maybe factions of all of them.

"I think the heat will come no matter what I do," he said. Shell has scheduled an update for investors on June 14.

Finding the balance between fossil fuels and lower-carbon alternatives is a big challenge facing the CEOs of the biggest energy companies. The task is particularly acute for Mr. Sawan and Shell, Europe's biggest energy company, which moved to the U.K. after a Dutch court ruled in 2021 that it was partially responsible for climate change and must reduce its carbon emissions. Shell is appealing the ruling, arguing that it is being unreasonably singled out.

In the U.K. and European continent, governments are clawing back portions of record profits earned last year by oil-and-gas companies as energy costs soared amid Russia's war in Ukraine.

Less than a year ago, Shell's annual shareholder meeting in London was delayed by almost three hours by climate activists attending as shareholders, who glued themselves to chairs and chanted against the company's continued spending



Wael Sawan says oil and gas have a role for a 'long time to come.'

on fossil fuels. Mr. Sawan, who joined Shell in 1997 at the age of 22, now becomes its public face.

Born in Lebanon, Mr. Sawan grew up mostly in Dubai and studied chemical engineering in Montreal. A dual Lebanese-Canadian national, Mr. Sawan is the first non-European CEO in Shell's history.

Mr. Sawan is considered by colleagues inside and outside the company to be a technically adept manager, including in his most recent job overseeing Shell's massive liquefied

natural-gas business, typically its biggest cash engine. He also took over responsibility for renewables on his final stretch toward the CEO job.

In addition to Europe and the Middle East, he has worked on the U.S. Gulf Coast and run businesses including global deep-water operations and companywide oil-and-gas exploration and production, known as upstream. A pivotal time in his career, according to people who know him, came in 1999 when, after working his first couple of years in Oman,

he considered leaving Shell to pursue his graduate business degree at Harvard University.

Andy Brown, at the time his boss and later head of all upstream production for Shell, said he persuaded Mr. Sawan not to leave, but to get his M.B.A. with Shell's support and then afterward to return to the company.

"It was clear that Wael was a great talent," Mr. Brown said. "When you're 24, it is about, is the guy smart and can he work through issues and problems?" He said Mr. Sawan was especially skilled at developing relationships with business partners and government officials.

Among the options under consideration is whether it might make sense for Shell to step up exploration for new oil-and-gas sources, Mr. Sawan said. That includes potentially looking far afield for new, untapped oil and gas sources in parts of the world known in the industry as "frontiers" because they lack production infrastructure that takes years, sometimes decades, to build into full production.

Shell said two years ago it plans to end all new frontier exploration by the end of 2025.

But oil demand is continuing to rise, and investors in global oil giants have rewarded companies—including U.S. giants **Exxon Mobil Corp.** and **Chevron Corp.**—for sticking with traditional fossil-fuel production.

Shell says it is ahead of its schedule on planned annual 1% to 2% crude-output cuts, from divesting or running off assets more quickly than expected.

AI Is Test For Several Professions

Continued from page B1

blockchain engineers—are highly exposed, they found. The jobs that will be least affected by the technology include short-order cooks, motorcycle mechanics and oil-and-gas roustabouts.

To reach their conclusions, the authors used a government database of occupations and their associated activities and tasks, and had both people and artificial-intelligence models assign exposure levels to the activities and tasks.

The researchers didn't predict whether jobs will be lost or whose jobs will be lost, said Matt Beane, an assistant professor at the University of California, Santa Barbara, who studies the impact of technology on the labor market and wasn't involved in the study.

The process of implementing new technologies with humans is often fraught with negotiation, resistance, "terror and hope," he said. The real challenge, Mr. Beane said, is for companies, schools and policy makers to help people adapt. "That's a multitrillion-dollar problem," he said, and can include, among other things, training workers to collaborate effectively with the technology and redesigning jobs to enhance

the autonomy, wages and career prospects of many roles.

Individuals have already begun using generative AI to work more quickly, though many employers worry about security and accuracy.

Michael Quash, a 32-year-old Richmond, Va., broadcast engineer, said he has found greater efficiency when he uses ChatGPT for monotonous tasks or to work through complex coding problems. "ChatGPT can be a force multiplier," he said.

Other recent studies have also found that generative AI can save significant time and produce better results than humans can. In a Massachusetts Institute of Technology experiment focused on college-educated professionals, researchers divided 444 grad writers, marketers, consultants, human-resources professionals and other workers in half. Both groups were asked to complete short written tasks, and one group could use ChatGPT to do so.

Those with access to ChatGPT finished their tasks 10 minutes faster. And outside readers who assessed the quality of these assignments said the AI-assisted workers did better than the other group, according to the study, which was released in March and hasn't been peer-reviewed.

Watch a Video

Scan this code for a video on web publishers' dispute with AI chatbot makers.

Showdown Looms on EY Split

Continued from page B1

miliar with the matter said. Ms. Boland, EY's U.S. chair and managing partner, last week said the firm still needed to resolve questions affecting the financial strength of both businesses that will be created by the split. Mr. Di Sibio responded with a direct appeal to EY's 13,000 partners, telling them in an email they had "the right to vote on whether to proceed with a transaction," according to a copy of his message reviewed by *The Wall Street Journal*.

The power struggle between the duo reflects the unusual structure of EY and other big accounting firms. Mr. Di Sibio runs EY's global network but needs approval from dozens of independent firms for the breakup. Ms. Boland, as

the head of the most powerful of those member firms, effectively holds sway over some 40% of EY's global revenue.

There is also no guarantee the warring factions of EY can agree to a compromise deal. The U.S. demands to strengthen the audit-focused firm, at the expense of the new consulting company, could affect the amount raised by the split. That in turn could reduce the windfalls for partners, making the deal less attractive to the U.K. and other overseas EY firms that lined up behind the original blueprint.

U.S. opposition to the deal, and criticism of Mr. Di Sibio, has also come from scores of retired EY partners, including former leaders of the firm.

Retired EY partners don't get to vote on the deal. But they are an influential contingent. Many retain connections to the firm via friends or family, such as retired partner **Jim Boland**, who is Ms. Boland's father. Some retired partners serve as executives or board members at major companies, making them valuable as cli-

ents or potential clients.

Their central concern involves money. EY has around \$7 billion of promised payouts to its retired U.S. partners that aren't backed by a specific pot of money. Retired partners worry the audit-focused firm, weakened by the sale of the consulting arm, may not generate sufficient earnings to meet these pension-style commitments in the future, according to memos reviewed by *The Journal*.

"We are the largest creditors of the company and want to make sure our rights are protected," one retired U.S. partner said.

EY's leadership has pledged to use some of the estimated \$30 billion that would be raised by the deal to increase the funding for retired partners, according to people familiar with the matter. The firm has set up a committee to represent the retired partners, and agreed to pay for lawyers and actuaries to advise them, the memos reviewed by *The Journal* show.

— Alexander Saedy contributed to this article.

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BUSINESS NEWS

Former Aetna CEO To Take the Helm At Oscar Health

By ANNA WILDE MATHEWS

Mark Bertolini, former chief executive of health insurance giant Aetna Inc. and hedge fund Bridgewater Associates, will take the helm of Oscar Health Inc. as it seeks to turn a profit and carve out a role as a technology supplier in the healthcare industry.

Mr. Bertolini, 66 years old, will take the post effective next Monday, the company said.

He will succeed Mario Schlosser, 44, who co-founded Oscar in 2012 with Joshua Kushner and will take the new title of president of technology, reporting to Mr. Bertolini.

Mr. Schlosser will also remain on Oscar's board, which Mr. Bertolini will join, the company said.

The insurer has never posted a profitable year since its 2012 founding.

Mr. Bertolini said he would initially focus on ensuring Oscar meets its goal of having a profitable insurance business this year and full-company profitability in 2024.

Beyond that, he said, he thinks the company can supply technology tools to help doctors and health systems interact with patients and manage their care, a different approach than some large insurers that have been more focused on buying up doctor groups, clinics and other assets.

"The digital platform has an opportunity to really change healthcare," he said. "What we're thinking about is, how can we use it to enable the

provider system instead of owning them."

Still, that would pit Oscar against many of the largest companies in the industry, including UnitedHealth Group Inc.'s Optum arm, Elevance Health Inc. and Cigna Group.

Mr. Bertolini was a long-time health-insurance official who became chief executive of Aetna in 2010. He sold Aetna, one of the country's biggest health insurers, to CVS Health Inc. in 2018 for nearly \$70 billion. He left the CVS board in 2020.

In early 2022, he became co-CEO of Bridgewater, stepping down this month. Mr. Bertolini said his stint as chief executive there was always intended to be limited.

He has been advising Oscar for the past 18 months, Mr. Schlosser said.

"I don't have too many more of these opportunities to change the system that I've known since the beginning of my career back in 1983," Mr. Bertolini said.

Oscar, of New York, has said it is using technology to make the experience of its roughly 1.15 million members simpler and more frictionless.

Most of its members are enrolled in individual and small-employer plans, including a product it offers with Cigna.

The company, which has never posted a profitable year, reported an accumulated deficit of \$2.6 billion at the end of 2022. It had about \$4 billion in revenue last year and posted a loss of about \$610 million.

Last year, Oscar said it would pull insurance operations out of Arkansas and Colorado.

It said last August that a Florida health plan to which it was supplying administrative and technology services had terminated their deal.



Diageo faces an uncertain economic outlook and the dilemma of how much to raise prices to offset costs without putting off consumers.

Guinness Stout Maker Diageo Names Its First Female Chief

By ELENA VARDON AND MICHAEL SUSIN

Diageo PLC named Debra Crew as its next chief executive, tapping an internal candidate to succeed longstanding leader Ivan Menezes at the helm of the alcoholic beverage company.

The London-based maker of Johnnie Walker Scotch whisky, Guinness stout and Smirnoff vodka said Tuesday that Ms. Crew, currently Diageo's chief operating officer, would take over from Mr. Menezes on July 1.

In becoming CEO, she adds to the handful of women that lead one of Britain's biggest companies.

Diageo faces an uncertain economic outlook and, like other consumer products companies, the dilemma of how much to raise prices to offset rising costs without putting off consumers.

Mr. Menezes, who joined

the company in 1997, is credited with growing Diageo significantly since he became CEO in July 2013, with the liquor maker now selling around 200 brands in more than 180 markets.

During his tenure, the company has worked to boost its exposure to higher-end spirits brands as drinkers have shown a propensity to pay up for pricier alcohol. That has particularly been the case with tequila, where Diageo owns the Casamigos and Don Julio brands.

One challenge now facing Ms. Crew is ensuring drinkers continue to splash out on Diageo's more expensive lineup in the tougher economic environment.

Some data has pointed to a slowdown in growth for costlier spirits and wine as shoppers look to economize.

Diageo also faces a challenge in North America, its largest market, where the



Debra Crew is currently COO.

operating officer in October 2022.

Diageo Chairman Javier Ferrán said Ms. Crew had been a highly valued member of the company's leadership team in recent years with a record of delivery at both Diageo and other global consumer goods companies.

Before joining the booze giant, Ms. Crew previously served as CEO of Reynolds American Inc., held various senior roles at PepsiCo Inc. and before that had stints at Kraft Foods, Nestlé SA and Mars Inc.

Despite being widely anticipated, the retirement of Mr. Menezes is a loss for Diageo given his successful tenure, RBC Capital Markets analysts James Edwardes Jones and Emma Letheren said.

"We think Diageo was in poor shape when Ivan took over; now it's one of the most impressive companies we cover," they said.



Walgreens's expenses rose 6.3% to \$5.5 billion in the latest period. A Walgreens in Deerfield, Ill.

Fewer Covid Tests, Higher Payroll Cut Walgreens Profit

By SABELA OJEA

Walgreens Boots Alliance Inc. is slowly restoring full operations to its pharmacies, but hundreds continue to operate at reduced hours due to an ongoing staff shortage.

Executives said Tuesday that the second-biggest drug-store chain in the U.S. likely won't return to full regular pharmacy hours through the end of August, and that some may remain open for fewer hours based on competition.

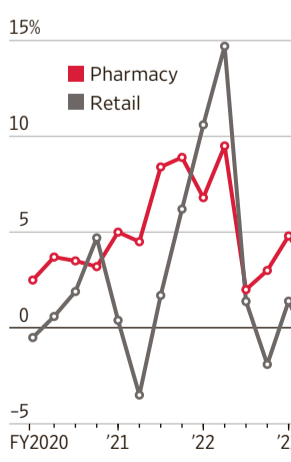
"The expectation should be that we will still have a subset of stores that are still on shortened pharmacy hours," Chief Pharmacy Officer Rick Gates said.

On Tuesday, Walgreens posted a lower profit for its recently ended quarter, which was weighed down by a decline in Covid-19 vaccines and tests, as well as higher spending on payroll at its pharmacies to combat worker shortage. The profit drop came despite a 3.3% rise in quarterly sales, with same-store sales up 3.1% from a year earlier at U.S. locations.

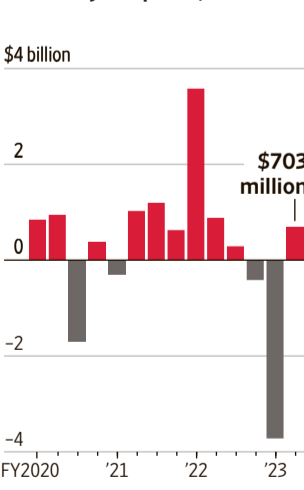
An increase in pharmacy sales offset a decline in retail sales, Walgreens said.

The company administered

Walgreens U.S. comparable-store sales*



Quarterly net profit/loss



*Change from a year earlier. Note: Latest fiscal quarter ended Feb. 28. Sources: the company (sales); S&P Capital IQ (profit/loss)

2.4 million Covid-19 vaccines in the quarter, down sharply from 11.8 million in the prior year.

For the quarter ended Feb. 28, Walgreens reported a profit of \$703 million, or 81 cents a share, compared with \$883 million, or \$1.02 a share, a year earlier.

Stripping out one-time items, earnings per share came in at \$1.16, beating analysts' expectations of \$1.02, according to FactSet.

Walgreens's expenses rose

6.3% to \$5.5 billion in the period, including a \$306 million pretax charge for opioid-related claims and litigation in different U.S. states.

The company booked a \$6.5 billion charge in the prior quarter.

Overall sales came in at \$34.9 billion, ahead of analyst expectations for \$33.53 billion.

Shares of Walgreens, which backed its outlook for the year, closed Tuesday up 2.7% at \$33.82.

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Meta Plans to Trim Bonus for Some Staff

Company adjusts performance-review process with added midyear assessment

By Salvador Rodriguez

Facebook parent **Meta Platforms Inc.** plans to lower some bonus payouts and to assess employee performance more frequently, according to an internal memo, amid a sweeping revamp of the social-media company that includes large head-count reductions.

Employees who are given a rating of “met most expectations” in their 2023 year-end reviews are set to receive a smaller percentage of their bonus and restricted stock award due in March 2024, the social-media company on Monday told managers in a memo viewed by The Wall Street Journal.

The bonus multiplier for that grade has been cut to 65%, according to the memo. It was 85%, according to an internal document viewed by

the Journal.

“We understand that while this is a significant change that might disappoint some people, it aligns with our continued focus on maintaining a high-performance culture,” the memo said.

Additionally, Meta said it was shifting assessments of staff performance back to twice a year. The move comes amid a push by Meta to cut costs.

Meta Platforms didn’t respond to requests to comment.

Meta shares declined 1% to \$200.68 in Tuesday trading amid a wider stock selloff. The stock is up more than 65% this year, recovering some of its steep 2022 losses.

In February, Chief Executive Mark Zuckerberg declared 2023 the “year of efficiency.”

Monday’s memo said, “These updates reflect changes we’re making based on what we learned about the process in 2022 and what we’re optimizing for in the year ahead.”

Since November, the com-



On top of layoffs, Meta has closed numerous projects, reduced office space and cut travel expenses.

The company, in the Monday memo, said introduction of the midyear review wasn’t related to the coming restructuring, but aimed to provide “a calibrated performance signal for fairness.”

The review process is due to kick off in June and conclude in July, according to the memo.

The company was planning to discuss the changes in a meeting with managers across the company on Tuesday. It aims to announce the changes broadly to employees on Thursday, according to the memo said.

Meta is among the growing number of tech employers trying to cut employee ranks and trim costs. Amazon.com Inc., Microsoft Corp., Salesforce Inc. and many others have announced restructuring steps, including job cuts.

The midyear review will come with a three-point grading system that classifies staff either as performing significantly above expectations, performing at or above expectations, or performing below them.

pany has closed numerous projects and teams, reduced office spaces and cut travel expenses, while also announcing multiple rounds of layoffs.

Meta in November said it would let go of about 11,000 workers, or 13% of its work-

force. Meta recently said it would eliminate an additional 10,000 jobs over the coming months.

Typically, Meta pushes employees out of the company after rating them as low performers in two successive review periods.

Thousands of Meta employees received subpar ratings in its most recent round of performance reviews, the Journal reported. Meta’s leadership expected the reviews to lead more employees to leave in the subsequent weeks, the Journal reported.

Apple Rolls Out Buy Now, Pay Later Plan

By Joseph De Avila

Apple Inc. has introduced its buy now, pay later service in the U.S., marking the tech company’s latest foray into financial services.

The new program, called Apple Pay Later, allows consumers to split purchases into four payments spread over six weeks with no interest and no fees. People using the iPhone’s Wallet app can borrow anywhere from \$50 to \$1,000 using Apple Pay Later.

The service can be used to make online and in-app purchases with merchants that accept Apple Pay, the company’s payment system. Users will be required to link a debit card as their loan repayment

method and credit cards won’t be accepted for payments, the company said.

The move is another push by Apple to use finance to deepen its relationship with customers.

The company previously launched its own credit card in collaboration with Goldman Sachs Group Inc. That card charges no fees, pays daily cash rewards and syncs with users’ iPhones to analyze their spending.

Apple is entering an increasingly crowded field of companies offering buy now, pay later plans, such as **Affirm Holdings Inc.** and **Klarna Bank AB**. Affirm shares dropped 11% on Tuesday, adding to its steep losses over the past 12 months.

Apple said in June 2022 that it was developing a buy now, pay later offering and had expected it to be ready later in the year. The company said it

The increasingly crowded field also includes Klarna and Affirm Holdings.

would begin randomly selecting users on Tuesday to give them early access to a prerelease version of Apple Pay Later.

Apple Financing LLC, a unit of Apple, will be handling the credit assessment and lending

for the program. Apple Financing will begin reporting Apple Pay Later loans to U.S. credit bureaus starting this fall, meaning they will be reflected in users’ credit profiles, the company said.

Purchases using Apple Pay Later are authenticated using Face ID, Touch ID or a passcode, the company said, adding that users’ transaction and loan history won’t be shared or sold to third parties for marketing or advertising.

Apple said it is connecting to merchants through the **Mastercard Inc.** network. Merchants that already accept Apple Pay don’t need to do anything to implement the new buy now, pay later option for customers, Apple said.

Luxury-EV Startup Lucid Slashes 18% of Workforce

By Sean McLain

Lucid Group Inc. plans to lay off around 1,300 employees, or 18% of its workforce, as the electric-vehicle startup looks to cut operating expenses and preserve cash ahead of releasing a second model next year.

The California-based company, which sells luxury electric sedans priced at \$87,000 and above, expects to complete the head-count reductions by the end of the second quarter.

Chief Executive Peter Rawlinson wrote in an email sent to employees on Tuesday that the cuts would occur across the company’s U.S. operations

and include executives. Messages would be sent to employees over the next three days, he wrote. Lucid shares fell 7.2% on Tuesday.

Lucid is the latest car company to make deep cuts to its workforce, as demand for new cars and trucks softens following interest rate increases and growing concerns about the economy.

Rival EV startup **Rivian Automotive Inc.**, along with **Ford Motor Co.** and **General Motors Co.**, also have taken steps in recent months to reduce staff.

The Lucid cuts come in the wake of a promise to trim spending in February.

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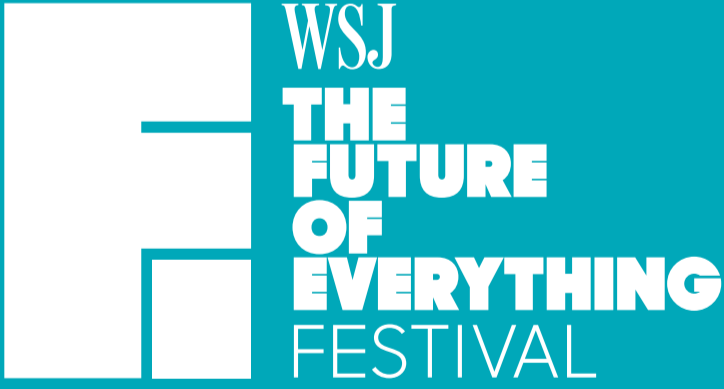
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THE PROPERTY REPORT



Equestrians crossing a road in Wellington, Fla.



Spectators at the Lugano Diamonds Grand Prix at Wellington.



Workers feed the horses at Lothlorien Barn in Wellington.

Florida Towns Vie for Equestrian Power

An Ocala-Wellington duel heats up as low taxes and warm weather draw crowds

By DEBORAH ACOSTA

An equestrian rivalry between towns competing for horse-riding events and well-heeled homeowners and athletes is heating up in Florida.

Wellington, a village on the west side of Palm Beach County, for more than 15 years has been Florida's equestrian sports center, hosting the Winter Equestrian Festival, which attracts tens of thousands of spectators during its 13-week run. The daughters of Bill Gates, Steve Jobs and Michael Bloomberg have competed in the festival and their families own homes in the area, according to real-estate brokers.

Now, the family of the late trucking magnate Ralph L. "Larry" Roberts Sr. is trying to get a piece of this business in Ocala, a sleepy rural town of about 65,000 in central Florida. They have spent about \$1 billion to build an event complex, named World Equestrian Center, that has more and larger arenas than Wellington International, as well as a greater variety of lodging, retail and restaurants.

Wellington's equestrian promoters and many businesses and developers in that area are worried that Ocala might usurp their dominance unless they expand their arenas and amenities. "If we sit idle, I think Wellington will atrophy," said Mark Bellissimo, a developer who played a lead role in building Wellington's equestrian business and is now advocating a



Wellington has a big lead as its events get more international attention and because of its proximity to Palm Beach and Miami.

major expansion plan.

The duel between the two equestrian centers is one of the more upscale competitions playing out in Florida as the state's low taxes, warm weather and business-friendly government policies become a magnet for people living in New York, California and other areas in the U.S.

While large Florida cities such as Miami and Tampa have experienced tremendous growth since the pandemic, smaller communities such as Wellington and Ocala also have undergone a boom in real-estate pricing and population.

Florida's population increased by 1.9% between 2021 and 2022, the largest percentage increase in population of any state in the entire country last year, according to U.S. census data. Fourth-quarter median home prices were up 11% in Wellington and 15% in Ocala from a year earlier, according to Jonathan Miller, who compiles the data for Douglas Elliman.

Newcomers in Wellington and Ocala include celebrities in the equestrian world and big names in the business world whose children have developed a passion for riding. For example, Barry Sternlicht, chief ex-

ecutive of **Starwood Capital Group**, said his daughter's activities in Wellington helped persuade him to move his headquarters to South Florida.

"I came down because my mom lives down here, my daughter rides at Wellington, personal life changes," said Mr. Sternlicht in a Wall Street Journal interview last year when asked why he moved to Miami. Another factor in his decision was a subsidiary he owned in South Beach with 300 employees, he said.

Will Simpson, a USA Olympic gold medalist, moved to Ocala from Los Angeles about

two years ago after purchasing what he calls a "barndominium"—a house and barn set on 23 acres 10 minutes from the World Equestrian Center. "It's an amazing horse community," he said.

Chris Desino, a broker-owner who specializes in both Wellington and Ocala, says he recently sold a 29-acre farm in Ocala for \$4.1 million, a 43% increase over what it went for in 2020. In Wellington, raw land goes for much more, about \$2 million an acre and up depending on how close it is to the show venue, says Martha Jolicoeur, a real-estate

agent for Douglas Elliman.

More moderately priced homes also are being sold in both areas. Two large housing projects are being built near Wellington with townhomes starting at about \$420,000.

Meanwhile, the Roberts family through one of its real-estate companies is selling over 200 lots in a gated golf and equestrian community it owns near Ocala's equestrian center.

Still, growth in Florida's wealthy and smaller communities is running into the same kind of headaches that the state's big cities are suffering: traffic, noise, pollution and residents opposed to increased density.

These growth pains could have a big impact on whether Ocala is able to take the equestrian crown from Wellington.

For now, Wellington has a big lead on its upstart rival. Its equestrian events get more international attention. Its location is just a 30-minute drive from Palm Beach and a day trip from Miami.

But Wellington's higher density also has helped make it more difficult for developers to expand. Mr. Bellissimo met with some community resistance in 2014 in his efforts to expand the residential offerings, amenities and arena space to transform the area into a resort destination.

Mr. Bellissimo says he will soon submit a new set of plans that will help address some community concerns about density. He says he hopes competition from Ocala will increase support for expansion.

"I think the last thing we want to do is be arrogant about where we are," he said at a planning and zoning meeting in September.

Warehouse Growth Sparks Local Residents' Backlash

By KATE KING

Bob Cassilly describes himself as pro-business. But as the newly elected county executive of Harford County, Md., he is trying to stop construction of giant warehouses that feed e-commerce and other businesses.

Mr. Cassilly has proposed a six-month moratorium on warehouse construction in the county, which lies between Philadelphia and Baltimore. Until now, Harford County has had few restrictions on industrial development.

But the rumble of round-the-clock truck traffic has become a nuisance, Mr. Cassilly said, and many local residents complain that the prevalence of exhaust is a public-health issue.

Unless his proposal to restrict warehouse development is enacted, he said, "I'm stuck in perpetuity with the endless 18-wheelers and delivery trucks, the traffic, the pollution." The County Council is expected to vote on the proposal next month.

Americans have grown accustomed to buying everything online and having it arrive within

days or sometimes hours. But there is a growing backlash against traffic and other quality-of-life issues that accompany the megawarehouses required for e-commerce.

Elected officials from Southern California to the Cleveland suburbs to Bloomingdale, Ga., have passed moratoriums on warehouse development.

The pandemic supercharged industrial construction, which has far outpaced other commercial property types. About 1.6 billion square feet of warehouse space has been built nationwide since early 2020 and an additional 825 million square feet is under development, according to data and analytical firm CoStar Group Inc. That total square footage is comparable in size to the city of Boston.

The industrial sector has been a boon for owners. Rents for industrial properties have risen 40% nationwide over the past two years, making it a top performer in the commercial property sector, according to Green Street, a commercial real-estate analytics firm.

Developers say that build-

ing and operating warehouses creates jobs and tax revenue. If consumers want the convenience and lower prices often associated with online shopping, they add, warehouse construction is part of the equation.

"Instead of going to the store, we want the store delivered to us," said Jason Tolliver, who co-heads logistics for the Americas at real-estate firm Cushman & Wakefield.

Prologis Inc., the world's largest logistics developer, wrote in a recent research report that a shortage of developable land in California coupled with local opposition to warehouse construction would likely result in industrial development shifting to Texas.

Such a move would be well received by many residents in Southern California's Inland Empire, located near the busy ports of Los Angeles and Long Beach. Warehouse square footage in the region has roughly doubled over the past two decades to about 825 million square feet across 4,000 warehouses, according to the Robert Redford Conservancy for



Bob Cassilly proposed a moratorium on warehouse construction.

Southern California Sustainability at Pitzer College. A further 215 million square feet of warehouse space is pending approval or under construction, said Susan Phillips, the program's director and an associate dean at Pitzer.

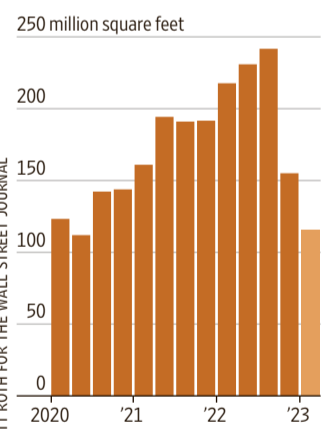
Residents sent a letter to California Gov. Gavin Newsom this year asking him to enact a regional moratorium on warehouse construction pending further study of the health and environmental impacts. A spokesperson for Mr. Newsom said the governor has multiple initiatives under way to address air pollution.

Legislation that would have required a 1,000-foot buffer be-

tween large warehouses and homes, schools and hospitals in the Inland Empire stalled in the state Senate last year, though a similar bill has been reintroduced in the Assembly. Meanwhile, at least eight cities in the Inland Empire have enacted moratoriums on warehouse development in the past several years. But approvals from town and city officials who depend on building-permit and tax revenue from warehouse developers have kept warehouse construction humming.

Nationwide, warehouse development has fallen in recent months, largely due to rising interest rates. New construction starts peaked at about

U.S. industrial construction starts, quarterly



Note: First quarter 2023 is through March 21
Source: CoStar Group

242 million square feet in the third quarter of last year before dropping about 36% the following quarter, according to CoStar. The slowdown has continued into 2023.

Mr. Cassilly said Harford County's experience following the 2021 completion of a more than 2 million-square-foot distribution center in the peninsula has soured local residents on megawarehouses. The county is planning to build a new road, at taxpayers' expense, to alleviate traffic around the warehouse, Mr. Cassilly said. He would like to see zoning changes that require developers to shoulder these costs.

BUSINESS NEWS

British Columbia to Bar Sales of Ozempic to Non-Canadians

By VIPAL MONGA

TORONTO—British Columbia is moving to restrict the sale of the diabetes drug Ozempic to Canadian residents after people from the U.S. sought out supplies to lose weight, threatening to send the medicine into shortage.

British Columbia's health

ministry said Tuesday it will bar doctors and pharmacists from dispensing the drug to people who don't live in Canada in coming weeks, once the provincial government amends existing healthcare rules.

The ministry is also asking doctors and pharmacists to make sure people are taking the drug for its approved use

of treating diabetes. The drug isn't approved in Canada as a weight-loss treatment.

Ozempic, which is sold by Danish drugmaker **Novo Nordisk SA**, has been in shortage across the country, according to Health Canada.

People with diabetes in British Columbia aren't seeing a shortage to date, but contin-

ued American buying would quickly diminish stocks, said Adrian Dix, British Columbia's health minister.

Novo Nordisk said it supports efforts by the British Columbia government to protect the supply of Ozempic for Canadians living with diabetes, and has been working with it to limit sales to non-Canadians.

The company also said it is working with Health Canada to find a national solution and manage Ozempic supply in Canada.

U.S. residents made up almost one-fifth of the patients who bought Ozempic in the province in January and February, according to provincial data.

Ozempic is only approved to treat Type 2 diabetes in the U.S. and Canada, but studies have found its main ingredient can help people safely lose weight. After word of its weight-loss benefits spread in recent months, the drug emerged as a popular remedy for people looking to cut pounds.

BUSINESS NEWS

Starbucks Unionization Fight Is Moving Over to Capitol Hill

By HEATHER HADDON

Starbucks Corp. and chain baristas are more than 18 months into a fight over unionizing cafes at the world's largest coffee company. Neither side has gotten all it wanted.

Starbucks has slowed new union petitions over the past year and a half. But the push has cost it operationally and financially, some company executives and labor attorneys say. Starbucks said it has spent millions of dollars on lawyers to oversee union elections, fight litigation and represent itself before the National Labor Relations Board, the federal body that oversees labor matters between U.S. companies and workers.

Now, lawmakers in Washington are getting involved.

Thousands of U.S. baristas across 290 Starbucks stores have voted to unionize for better pay and working conditions but are missing out on many new perks the company offered in the past year to nonunion workers. Those benefits include an additional round of pay increases, tipping from credit- and debit-card transactions, and faster sick-time accrual.

On Wednesday, Howard Schultz, who stepped down as CEO this month, is slated to testify before a U.S. Senate committee on the company's response to the union drive. Sen. Bernie Sanders (I, Vt.) has alleged that Starbucks under Mr. Schultz's leadership has prevented baristas from organizing. Mr. Schultz is expected to talk about the company's legacy of providing better pay and benefits than many other retailers.

Last week, a Republican



Members of labor unions joined Starbucks unionized employees for a protest outside corporate headquarters in Seattle last week.

congressional committee chaired by Rep. Virginia Foxx (R., N.C.) issued a subpoena to the NLRB, alleging employees of the labor body mishandled union elections at Starbucks cafes in ways that favored unionizing workers. The House Committee on Education and the Workforce is seeking documents about the NLRB's handling of at least one Starbucks union election.

Starbucks has faced union drives before in its more-than-50-year history, but no other campaign has had such far-ranging results.

Since August 2021, U.S. baristas have sought to form unions representing individual Starbucks cafes, saying such steps are necessary to secure better pay and working conditions.

The NLRB said it has certified unions at 290 Starbucks stores, representing roughly 3% of the chain's 9,300 U.S. locations. The agency has certified defeats for unionization votes at 58 locations, it said. The NLRB has recorded more

petitions for union elections at individual Starbucks locations in the past decade than at any other company, an analysis of agency records show.

The conflict between Starbucks and the unionizers is unlikely to be resolved soon.

Starbucks said it has held 87 bargaining sessions since October. It hasn't signed a union agreement as the two sides have largely disagreed on the format of the bargaining sessions.

Starbucks has urged baristas to directly work with the company to address their goals. The company has hired a 25-person labor-relations team to train managers on labor law and to bargain. New CEO Laxman Narasimhan, who took over the role in March, said he plans to continue the company's approach to unionization and that the company needs to do more to listen to workers.

Starbucks has recorded record revenue in recent quarters, though it has said higher labor, ingredient and other costs are eating into profit.

Companies Lash New EU Rules

Continued from page B1

certain mergers or acquisitions, or bid on certain public contracts, will have to provide information about their past financial interactions with foreign governments. According to draft guidance from the commission, companies will have to report that information for a range of transactions so the commission can determine whether the subsidies were distortive and judge their net effect on the European market.

The foreign-subsidy rules are part of a broader effort by the EU to protect its economic interests. Lawmakers sepa-

their only financial interactions with governments involve basic day-to-day operations such as paying a utility bill.

EU Executive Vice President Margrethe Vestager said recently that the commission would aim to keep red tape to a minimum and target the kinds of subsidies the bloc finds most concerning.

"We intend to focus on major distortions," Ms. Vestager said this month. "It is a priority in the implementation that we ensure that the compliance burden, particularly on smaller entities, is kept as low as possible."

The companies that signed the letter said the information the commission expects them to report is "enormous and disproportionate" and goes far beyond what is required for any other regulatory review. "It is practically impossible to implement the FSR as currently proposed," their letter said.

Some industry groups in the EU have said they support the new rules because they hope they can help businesses that have been harmed by subsidies from outside the bloc.

BusinessEurope, a lobby group, said the foreign subsidy rules have the potential to level the playing field for businesses in Europe. But the group said more clarity is needed on how the EU will keep the administrative burden for companies and public authorities as low as possible.

Jay Modrall, an antitrust lawyer with law firm Norton Rose Fulbright, said multinational companies will have to set up complex new systems or modify the systems they have to comply with the new rules because they don't already track the information the commission is requesting.

While the regulation is meant to help European companies, he said, multinationals that are based in the EU "are as likely as non-European multinationals to enter into transactions requiring notification—if not more so."

Information on a range of details about foreign subsidies is required.

rately reached a political agreement Tuesday on a new tool to address economic coercion, which could make it easier for the bloc to retaliate against countries that try to use trade or investment restrictions as a pressure tactic.

Lawmakers who support the foreign-subsidy rules have said they are aimed at creating a more equal playing field between European businesses and some of their heavily subsidized competitors. Those include Chinese state-backed companies, which often get government benefits.

But competition lawyers and some multinational companies say the rules will have a significant impact on them, even if

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Pete Kiko Jr., 330-749-7898 or pkiko@kikocompany.com, and
Jacob Whitacre, 330-417-9123, or jwhitacre@kikocompany.com

INVESTMENT PROPERTIES

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Lester Conklin s.32291 775-762-0388

INVESTMENT PROPERTIES

COLORADO OPPORTUNITY

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BIGGEST 1,000 STOCKS

How to Read the Stock Tables
The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.
Bull-faced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Table with columns: Stock, Sym, Close, Chg, Net Chg, Stock, Sym, Close, Chg, Net Chg, Stock, Sym, Close, Chg, Net Chg. Lists major stocks like Chubb, GeneralElec, JPM, etc.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Table with columns: Tuesday, March 28, 2023, Stock, Sym, Close, Chg, Net Chg. Lists various stocks under categories A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z.

Table with columns: Stock, Sym, Close, Chg, Net Chg. Continuation of stock list from previous table, including stocks like MasTec, PDD, Mastercard, etc.

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Business Opportunity: Financial Services, Real Estate, etc. Includes contact information for various service providers.

Financial Services: Morgan Stanley Financial Services Group, Inc. hiring for various roles. Research Associate, Finance-Credit Associate, etc.

Financial Services: Morgan Stanley & Co. LLC hiring for various roles. Financial Services, Vice President, Associate, etc.

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COMMODITIES

wsj.com/market-data/commodities

Futures Contracts

Metal & Petroleum Futures table with columns for Open, High, Low, Settle, Chg, and Open interest.

Commodity futures table for March, June, July, and May, including NY Harbor ULSD, Platinum, Silver, Crude Oil, and others.

Commodity futures table for April, May, June, July, and Jan'24, including NY Harbor ULSD, Gasoline, and Natural Gas.

Commodity futures table for June, July, August, and September, including Treasury Bonds, Treasury Notes, and Eurodollar.

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

Tracking Bond Benchmarks

Return on investment and spreads over Treasuries and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Bond benchmark table with columns for Total return close, YTD total return, Index, and Yield (%).

*Constrained indexes limit individual issuer concentrations to 2%; the High Yield 100 are the 100 largest bonds

Global Government Bonds: Mapping Yields

Yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose (▲) or fell (▼) in the latest session

Global Government Bonds table with columns for Country, Coupon, Maturity, Yield, and Spread.

Source: Tullett Prebon, Tradeweb ICE U.S. Treasury Close

Corporate Debt

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

Investment-grade spreads that tightened the most...

Corporate debt table showing investment-grade spreads that tightened the most.

...And spreads that widened the most

Corporate debt table showing spreads that widened the most.

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

Corporate debt table showing high-yield issues with the biggest price increases.

...And with the biggest price decreases

Corporate debt table showing issues with the biggest price decreases.

*Estimated spread over 2-year, 3-year, 5-year, 10-year or 30-year h3t-run Treasury; 100 basis points=one percentage pt; change in spread shown is for Z-spread.

Source: MarketAxess

Agriculture Futures

Agriculture futures table for Corn, Oats, Soybeans, Soybean Meal, Soybean Oil, Rough Rice, Wheat, and others.

Interest Rate Futures

Ultra Treasury Bonds (CBT) - \$100,000, pts 32nds of 100%

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BMW advertisement for Herb Chambers featuring 2019 BMW X1 xDRIVE and 2020 BMW 540i xDRIVE with prices and contact information.

NEW HIGHS AND LOWS

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG-Daily percentage change from the previous trading session.

Table with columns: Stock, 52-Wk % Chg, Stock, 52-Wk % Chg, Stock, 52-Wk % Chg. Includes sections for Highs and Lows.

Table with columns: Stock, 52-Wk % Chg, Stock, 52-Wk % Chg, Stock, 52-Wk % Chg. Continuation of the new highs and lows table.

Table with columns: Stock, 52-Wk % Chg, Stock, 52-Wk % Chg, Stock, 52-Wk % Chg. Continuation of the new highs and lows table.

Exchange-Traded Portfolios | WSJ.com/ETFresearch

Table showing the largest 100 exchange-traded funds, latest session. Columns include ETF, Symbol, Closing Price, Chg, YTD.

Table showing ETFs with columns: ETF, Symbol, Closing Price, Chg, YTD.

Table showing ETFs with columns: ETF, Symbol, Closing Price, Chg, YTD.

Biggest 1,000 Stocks | WSJ.com/stocks

Table showing the biggest 1,000 stocks. Columns include Stock, Sym, Close, Net Chg.

Borrowing Benchmarks

Table showing borrowing benchmarks for various categories like Inflation, U.S. consumer price index, International rates, etc.

Dividend Changes

Table showing dividend changes for various companies. Columns include Company, Symbol, Yld, Amount, Frq, Payable/Record.

Advertisement for ScreenforAutism.org featuring a child and the text 'The sooner you recognize the signs of autism, the sooner you can help.'

Cash Prices | wsj.com/market-data/commodities

Table showing cash prices for various commodities like Energy, Metals, Grains and Feeds, etc.

Table showing high yield jumbos and money market and savings account options.

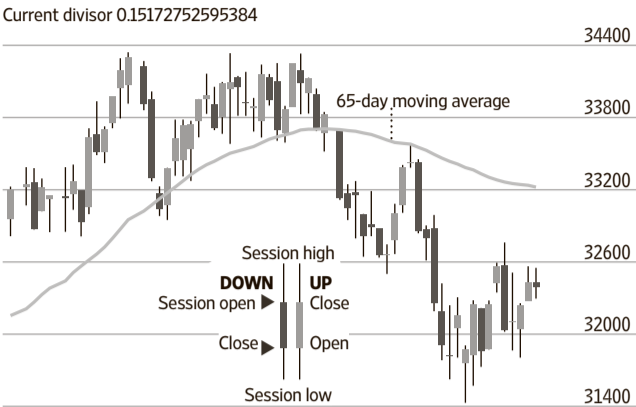
Notes: Accounts are federally insured up to \$250,000 per person. Yields are based on method of compounding and rate stated for the lowest required opening deposit to earn interest. CD figures are for fixed rates only. MMA: Allows six (6) third-party transfers per month, three (3) of which may be checks. Rates are subject to change.

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

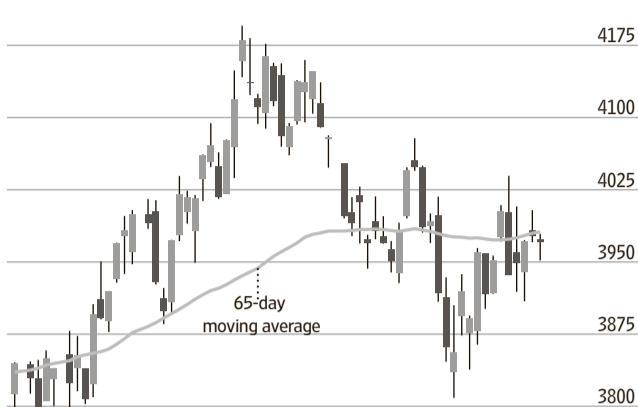
32394.25 ▼37.83, or 0.12%
High, low, open and close for each trading day of the past three months.



Current divisor 0.15172752595384
Weekly P/E data based on as-reported earnings from Birinyi Associates Inc. Based on Nasdaq-100 Index

S&P 500 Index

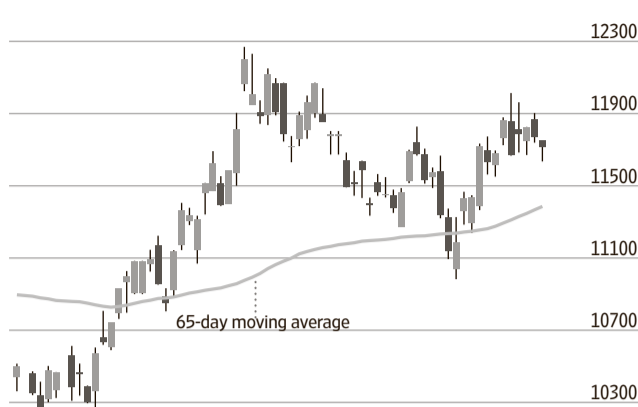
3971.27 ▼6.26, or 0.16%
High, low, open and close for each trading day of the past three months.



Weekly P/E data based on as-reported earnings from Birinyi Associates Inc. Based on Nasdaq-100 Index

Nasdaq Composite Index

11716.08 ▼52.76, or 0.45%
High, low, open and close for each trading day of the past three months.



Weekly P/E data based on as-reported earnings from Birinyi Associates Inc. Based on Nasdaq-100 Index

Major U.S. Stock-Market Indexes

Table of Major U.S. Stock-Market Indexes including Dow Jones, Nasdaq Stock Market, S&P 500, Russell 2000, and others with columns for High, Low, Close, Net chg, %chg, 52-Week High/Low, %chg, and YTD %chg.

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Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6 p.m. ET as reported by electronic trading services...

Most-active issues in late trading

Table of Most-active issues in late trading listing Company, Symbol, Volume, Last, Net chg, After Hours %chg, High, and Low.

Percentage gainers...

Table of Percentage gainers listing Company, Symbol, Latest Session Close, Net chg, %chg, 52-Week High, Low, and %chg.

...And losers

Table of ...And losers listing Company, Symbol, Latest Session Close, Net chg, %chg, 52-Week High, Low, and %chg.

Trading Diary

Volume, Advancers, Decliners

Table of Trading Diary metrics including Total volume, Adv. volume, Decl. volume, Issues traded, Advancers, Declines, Unchanged, New highs, New lows, Closing Arms, and Block trades.

International Stock Indexes

Table of International Stock Indexes listing Region/Country, Index, Close, Net chg, Latest %chg, and YTD %chg.

Percentage Gainers...

Table of Percentage Gainers listing Company, Symbol, Latest Session Close, Net chg, %chg, 52-Week High, Low, and %chg.

Most Active Stocks

Table of Most Active Stocks listing Company, Symbol, Volume, %chg from 65-day avg, Latest Session Close, %chg, 52-Week High, Low, and %chg.

Percentage Losers

Table of Percentage Losers listing Company, Symbol, Latest Session Close, Net chg, %chg, 52-Week High, Low, and %chg.

Volume Movers

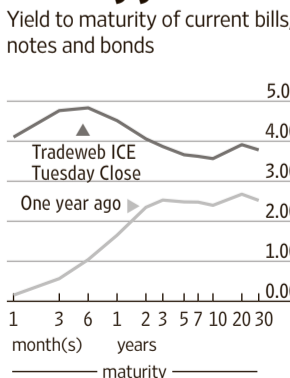
Table of Volume Movers listing Company, Symbol, Volume, %chg from 65-day avg, Latest Session Close, %chg, 52-Week High, Low, and %chg.

CREDIT MARKETS

Consumer Rates and Returns to Investor

Consumer Rates and Returns to Investor section including U.S. consumer rates, Selected rates, Treasury yield curve, and Corporate Borrowing Rates and Yields.

Treasury yield curve



Forex Race



CURRENCIES & COMMODITIES

Currencies

Table of Currencies listing Country/currency, U.S. vs. In US\$, U.S. vs. YTD Chg (%), U.S. vs. U.S\$, U.S. vs. YTD Chg (%).

Commodities

Table of Commodities listing Commodity, Tuesday Close, Net chg, % Chg, 52-Week High, Low, % Chg, YTD % chg.

BANKING & FINANCE

N.Y. Couple Guides El Salvador on Bitcoin

Former Russian TV hosts advise country and have crypto investments there

By Santiago Pérez

SAN SALVADOR, El Salvador—Two New Yorkers who created a popular financial news show on Russian state television and cashed in on the crypto boom have emerged as key advisers to the Salvadoran government on its adoption of bitcoin.

Max Keiser and Stacy Herbert are investing in bitcoin ventures in the Central American country and are founding backers of a crypto exchange that is helping manage El Salvador's sovereign debt sale that is linked to bitcoin. The so-called Volcano Token bond will be backed by proceeds from bitcoin mined using geothermal power from a volcano.

The couple first visited the country in 2021, the same year President Nayib Bukele adopted bitcoin as a national currency for the highly indebted nation. They are major supporters of the president, advocating his policies on social media, where they have almost 700,000 followers.

Ms. Herbert, who describes herself as "fairy godmother, volcano blonde and keeper of the vision," has been introduced as the head of El Salvador's National Bitcoin Office. Mr. Keiser says he serves as a senior adviser to Mr. Bukele, a role confirmed by people familiar with his work.

The bitcoin experiment in El Salvador hasn't alleviated the country's poverty and lack of funding needed for government spending. Bitcoin use in the country is scarce, financial sector and business executives say. Central-bank data shows cryptocurrencies make up less than 2% of foreign remit-

Bitcoin price since El Salvador adopted it as a currency



Source: CoinDesk

tances, which are a main source of income for El Salvador's \$29 billion economy.

The country was racked by gang violence and had one of the world's highest homicide rates until Mr. Bukele suspended constitutional and civil rights a year ago to confront gangs. More than 60,000 people with suspected ties to criminal groups have been detained since then. Homicides plunged as a result, the government says.

Ms. Herbert and Mr. Keiser declined requests for an interview and didn't respond to questions about their work in El Salvador. Mr. Bukele didn't respond to requests for comment.

On YouTube shows and podcasts, the couple said they have made investments in bitcoin exchanges over the past decade. The couple's Heisenberg Capital invested in the parent company of Bitfindex, one of the world's largest crypto exchanges, according to S&P Global Market Intelligence.

A Bitfindex spokesman declined to comment.

Mr. Keiser brought Bitfindex on board as a financial technology provider for the planned \$1 billion Volcano Token offering, said one person familiar with the couple's work. Bitfindex has said in statements that it advised Mr. Bukele's administration on the country's new law for the issuance of crypto assets, and that it will apply for a trading license under the legislation.

Bitfindex is also an investor in El Zonte Capital, the U.S. couple's new fund set up to invest in bitcoin ventures in El Salvador, the couple has said.

Ms. Herbert joined the National Bitcoin Office nine months after the launch of El Zonte Capital. The fund said on Twitter that it aims to invest up to \$10 million on "seeding the first generation of Salvadoran bitcoin unicorns."

A unicorn is a privately held startup worth at least \$1 billion. The fund said it made its first investment last year in Galoy, a developer of financial software for using bitcoin.

Ms. Herbert says in her government position she acts as a gatekeeper to prevent scams, determining who is eligible to do bitcoin business in the country. "To be clear, I will receive no salary, nor any contracts from either El Salvador or any private company. I am doing this for President Bukele," she said on Twitter. "We don't get remunerated in any way," Mr. Keiser told an



Bitcoin use in El Salvador is scarce, financial sector and business executives say.



Stacy Herbert has been introduced as the head of the National Bitcoin Office. Max Keiser during a bitcoin conference in 2022.



interviewer on a Salvadoran YouTube channel last week. "I would say it's just really an act of love."

Ms. Herbert's title at the National Bitcoin Office hasn't been previously reported.

Photographs taken at a conference last month in San Salvador show signage identifying her as its director. People familiar with her work say she had a leading role in the government office since its creation last year.

Mr. Keiser said he met Ms. Herbert in an internet cafe in southern France about two decades ago. They became critics of central banks and multilateral lenders, which they say push colonial interests.

Beginning in 2009, the couple ran the "Keiser Report," a financial news show broadcast on the Russian state RT television network, where Mr. Keiser railed against financial corruption and bankers preying on the working class. In one 2013 broadcast, he claimed to have become a "bitcoin millionaire," when the as-

set's value was just above \$40. "I'm loving it," he said, and predicted the U.S. dollar's demise.

The couple ended the show after Russia's invasion of Ukraine, Ms. Herbert wrote in a tweet.

They are celebrities of sorts in El Salvador. Residents approach them to take selfies with Mr. Keiser. On Twitter, they recently posted photos of themselves at a white tablecloth dinner at El Salvador's presidential palace. Other posts included images of Mr. Keiser celebrating his birthday with a bitcoin-themed cake alongside Mr. Bukele.

Last year, Bitfindex said it transferred more than \$1 million of bitcoin to the couple to make digital wallet-to-wallet donations to Salvadorans affected by gang violence.

Fernanda Alvarado, a 19-year-old student who runs a coffee-liqueur business with her mother, said a group of entrepreneurs from the gang-riddled municipality of Ilopango were invited to meet

with the couple last year.

"I was shocked. All of a sudden she transferred about \$1,000 in bitcoin to my digital wallet," Ms. Alvarado said, referring to Ms. Herbert. "We used it to buy supplies, but we had to convert the funds into dollars because suppliers don't accept bitcoin."

Mr. Keiser inspired the Bukele administration to issue government debt linked to bitcoin, Mr. Bukele has said.

"I'm sure #Bitcoiners can arrange a \$1 billion lending facility stop-gap for El Salvador," Mr. Keiser wrote on Twitter in mid-2021, during talks between El Salvador and the International Monetary Fund for a \$1.3 billion loan. Negotiations stalled over Mr. Bukele's policies, including his plans to adopt bitcoin as legal tender, according to people familiar with the talks. The country has since been shut off from international capital markets.

The IMF urged Salvadoran authorities to remove bitcoin as legal tender. Raphael Espi-

noza, the IMF's mission chief to El Salvador, said IMF staff continue to explore options for engagement on a possible financial aid program.

After adopting the cryptocurrency, Mr. Bukele made a series of announcements of bitcoin purchases totaling more than \$110 million. But the announcements ceased as the market value of the country's bitcoin holdings plunged. The cryptocurrency is down by about 40% since its adoption as a national currency in September 2021.

There is no public registry of bitcoin holdings at the treasury or central bank, economists and lawyers say.

If Salvadorans had followed the president's lead, "the fall in value would have unleashed a systemic catastrophe," said Ricardo Castañeda, senior economist at the Central American Institute for Fiscal Studies, an independent, Guatemala-based think tank.

—Kejal Vyas, Ben Foldy and Caitlin Ostroff contributed to this article.

Binance Struck by Outflow

Continued from page B1

and foremost on its custodial aspect; the second is the fees for sure."

Binance maintained its 66% market share for the crypto derivatives market as of March 24, according to CryptoCompare.

A spokeswoman for Binance didn't respond to a request for comment.

In another sign of trouble for the crypto giant, a federal judge on Tuesday blocked Binance.US, the American affiliate of Binance, from buying

Voyager Digital's customer accounts out of bankruptcy while federal authorities challenge the deal.

Investors and analysts are monitoring for more regulatory actions against Binance in the coming months in the U.S. and potentially other jurisdictions. The firm's chief strategy officer told The Wall Street Journal last month that Binance expects to pay monetary penalties to settle existing U.S. regulatory and law-enforcement investigations of its business.

"The arm of the U.S. agencies is very long," said Chris Perkins, president of crypto venture firm CoinFund and member of the CFTC's Global Market's Advisory Committee.

CFTC Chairman Rostin Behnam said Tuesday that Binance's continuing efforts to evade U.S. rules and let Amer-



Investors expect more regulatory actions against the firm.

icans use its offshore crypto exchange was part of an "ongoing fraud."

Speaking on CNBC, Mr. Behnam said Binance intentionally evaded the CFTC's registration requirements by

instructing clients on how to connect to the exchange without revealing their location in the U.S. Binance never registered with the CFTC, so it wasn't legally authorized to offer crypto derivatives to

American traders, the regulatory agency said.

"This was an ongoing fraud dating back to 2019, an ongoing violation of the Commodity Exchange Act," Mr. Behnam said on CNBC's "Squawk Box." "This seemed to be a pretty clear case of evasion and something that we needed to step in aggressively with and do it as quickly as possible."

A CFTC spokesman said Mr. Behnam was "speaking generally to a more general audience about what the Binance case is, essentially fraudulent activity." But the agency didn't charge Binance or its executives with fraud as defined by the law the CFTC enforces.

Binance has said it has made efforts to operate legally in the U.S., including setting up an affiliate, Binance.US, that offers a slimmed-down

menu of crypto products for American users.

Binance founder Changpeng Zhao said the CFTC complaint is "unexpected and disappointing," adding that Binance has been "working cooperatively with the CFTC for more than two years."

Some investors have pulled back from Binance, fearing the type of bank runs that felled crypto exchange FTX and other lending platforms last year.

François Cluzeau, head of trading at crypto market-making firm Flowdesk, said the firm has reduced its exposure to Binance since Friday.

"We always try to keep minimal funds on exchanges, but now we have reduced even more," Mr. Cluzeau said. "We had a terrible year with FTX and nobody wants to take that risk again."

Mutual Funds

Data provided by LIPPER

Top 250 mutual-funds listings for Nasdaq-published share classes by net assets. e-Ex-distribution. f-Previous day's updated data. g-Footnotes x and s apply. k-Re-calculated by Lipper, using quotation data. p-Distribution costs apply. 12b-1. f-Redemption charge may apply. s-Stock split or dividend. *Footnote p and r apply. *Footnotes x and e apply. *Ex-dividend. *Footnote x, e and s apply. NA-Not available due to incomplete price, performance or cost data. NE-Not released by Lipper, data under review. NN-Fund not tracked. NS-Fund didn't exist at start of period.

Table of mutual fund performance data for Tuesday, March 28, 2023. Columns include Fund, NAV, YTD Chg, %Ret, and Net YTD %Ret.

Table of mutual fund performance data for Tuesday, March 28, 2023. Columns include Fund, NAV, YTD Chg, %Ret, and Net YTD %Ret.

Table of mutual fund performance data for Tuesday, March 28, 2023. Columns include Fund, NAV, YTD Chg, %Ret, and Net YTD %Ret.

MARKETS

Tech Stocks Fall, Hit by Higher Yields

Decline in sector is led by AMD, Meta and Apple, as Nasdaq finishes 0.4% lower

By MATT GROSSMAN

Technology stocks slid, dinged by rising bond yields, as an ebbing of the recent turmoil in the banking sector shifted investors' attention back to the threat of further interest-rate increases by the Federal Reserve.

Many investors speculated this month that the high-profile failures of SVB Financial and Signature Bank would test the Fed's resolve in its efforts to fight inflation. Now, easing anxiety about global banks is leading them to renew bets that interest rates could rise further and stay high.

The tech-heavy Nasdaq Composite fell 52.76 points, or 0.4%, to 11716.08. The broad S&P 500 index declined 6.26 points, or 0.2%, to 3971.27, and the Dow Jones Industrial Average slipped 37.83 points, or 0.1%, to 32394.25.

"People are waiting to see if there's going to be another leg to this banking story, and

there's an aspect to it that no news is good news," said Andrew Hollenhorst, chief U.S. economist at Citi. "But if the financial-stability concerns abate a bit, the attention shifts back to inflation."

The information-technology and communications-services sectors were among the biggest decliners in the S&P 500 as Treasury yields rose. Higher yields on government debt let investors lock in solid long-term returns with little risk, dimming the appeal of tech and other growth shares that have the potential for generating windfall profits many years in the future.

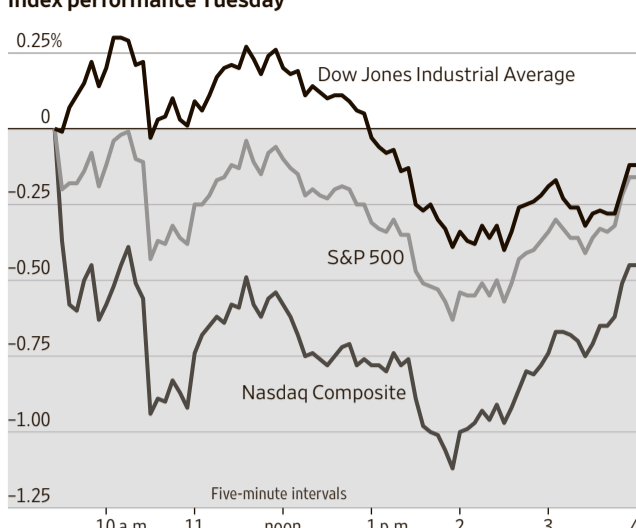
Shares of Advanced Micro Devices, which makes computer chips, fell \$2.05, or 2.1%, to \$94.56; Meta Platforms, the parent company of Facebook, declined \$2.16, or 1.1%, to \$200.68; and Apple fell 63 cents, or 0.4%, to \$157.65.

As fear about financial distress subsides, more traders are wagering that the bank distress won't spill over into the broader economy. That shift showed investors wondering again whether good news for the economy might be bad news for stock prices, because it implies the Fed may act more aggressively.

The same theme prevailed in markets for most of 2022, as soaring inflation and a historic rise in Treasury yields sent the S&P tumbling 19% last year.

Tuesday's reading of the Case-Shiller index showed that home prices continued to slide in January, but a trickle of more recent data sent upbeat signals. A March consumer-confidence survey from the Conference Board, for instance, showed greater eco-

Index performance Tuesday



Source: FactSet

nomistic optimism than forecasters had expected. The Federal Reserve Bank of Richmond said its latest survey showed improved business conditions for manufacturers in the bank's five-state region from Maryland to South Carolina.

The benchmark 10-year Treasury yield rose to 3.566% from 3.527% on Monday, while the interest-rate-sensitive two-year yield ended higher at 4.06%. A bond's yield rises as its price falls.

Despite nail-biting financial headlines this month, the S&P 500 has traded roughly flat in March, holding on to single-digit year-to-date gains. But higher yields on short-term Treasuries than on long-term Treasuries are a classic sign of a coming recession that equity investors may be ignoring at their peril, said Kristy Akullian, senior investment strategist at BlackRock's iShares.

"We think the bond market and stock market are flashing

very different signals, and if we had to pick one, we'd side with the bond market right now," Ms. Akullian said. Her team is advising a cautious stance toward tech stocks and other volatile investments.

Bets in fed-funds futures markets show that many traders think the Fed won't raise interest rates again at its next meeting, scheduled for the first week of May. But given that inflation remains well above the Fed's target, that assumption may be misguided, Mr. Hollenhorst said.

Even if the Fed holds rates steady at the current target level of 4.75% to 5% over the next several months, its stance would be more restrictive than many investors expect, given that some are forecasting the central bank will start cutting rates by year-end, according to CME Group's futures-market tracker.

What is more, monetary policy could become tighter in



Apple shares fell 0.4% Tuesday. An Apple store in Mumbai.

the months ahead even if the Fed doesn't raise rates more, Strategas economist Donald Rissmiller wrote in a note to clients. That is because as inflation falls, real interest rates—or the overall interest rate minus inflation—would climb, a shift likely to depress investment.

Despite a steadier week for regional banks, their stocks faced more pressure on Tuesday. Michael Barr, the Fed's vice chairman for supervision, told lawmakers that the Fed may favor tougher rules for banks in its role as a financial regulator. The KBW regional-bank index ended lower, reversing earlier gains.

Charles Schwab fell \$1.01, or 1.8%, to \$53.85, but Zions Bancorp, a focus of investor scrutiny this month, climbed 62 cents, or 2.1%, to \$29.95. The stock is still down by 39% this year.

Spice maker McCormick rose \$7.12, or 9.6%, to \$81.18

after it posted stronger-than-expected first-quarter sales and earnings. U.S.-listed American depository receipts for Alibaba, a sprawling Chinese technology conglomerate, jumped \$12.28, or 14%, to \$98.40, after it unveiled plans to split itself into six independently run companies.

Brent crude, the global oil benchmark, rose 53 cents, or 0.7%, to \$78.65 a barrel.

Overseas, the Stoxx Europe 600 index finished the day down 0.1%. Benefiting from more stability in the banking sector, European financial institutions such as Bank of Ireland, Spain's Bankinter and Poland's Bank Polska all gained.

Shares moved mostly higher in Asia early Wednesday. Hong Kong's Hang Seng Index was up 2%, while Japan's Nikkei 225 was up 0.4%. S&P 500 futures rose 0.4%.

—Will Horner contributed to this article.

JPMorgan Chase Expands Sustainable-Growth Team

By ISAAC TAYLOR

JPMorgan Chase & Co. is expanding its private-equity investment team focused on sustainable-growth equity opportunities.

The New York bank recently appointed Alex Bell, who has nearly two decades of private-equity experience, as a partner on the sustainable-investment team within its J.P. Morgan Private Capital group. Mr. Bell joins from Tikehau Capital, where he spent about a year as head of the firm's North American private-equity climate practice.

Before Tikehau, Mr. Bell spent more than four years at Caisse de Dépôt et Placement du Québec, where he helped start a 500 million Canadian dollar (roughly \$366 million) platform. The strategy invests

in late-stage venture and early growth private-equity opportunities in energy transition, sustainable food and agriculture and industrial decarbonization.

JPMorgan's hiring of Mr. Bell, who is Hispanic, adds to one of the more diverse leadership teams in the growth-equity industry. The two co-heads of the bank's sustainable growth equity team, Osei Van Horne and Tanya Barnes, are both Black.

The bank set up the sustainable-growth team in January 2022 and said it would anchor its first sustainability investment strategy with a capital commitment of as much as \$150 million, describing it as one of its largest commitments to an alternative-investment strategy. JPMorgan's alternative-investment arm managed \$211 billion as of December in

strategies such as private equity and credit, hedge funds and real assets.

Jamie Dimon, the bank's chairman and chief executive, named climate change and inequality as two critical issues as the bank in 2021 announced plans to finance and facilitate \$2.5 trillion of investments over 10 years to address climate change and sustainable-development needs.

"The first area that is of particular interest to us is around climate-technology investing, particularly around decarbonizing industrials and heavy industries," Mr. Van Horne said. "Just to decarbonize the real estate, industrials, transportation and agriculture industries, which are responsible for 80% of [greenhouse-gas] emissions, that is a \$1.8 trillion market opportunity."

The sustainable-growth team has made two investments so far. It led a \$200 million investment in Arcadia Power Inc., a technology company aimed at fighting climate change, and a \$42 million investment in MineSense Tech-

Other big banks are also looking to expand their reach into sustainability.

nologies Ltd., a startup looking to improve carbon levels across the metals-mining industry.

Investments geared to improving the environment, social conditions or corporate

governance, ESG for short, have broad support among institutional investors. One recent survey showed that 93% of such investors said they would walk away from an investment if it posed an ESG concern, and 50% cited better performance as a key reason to incorporate ESG elements in investing, according to the poll from consulting firm Bain & Co. and the Institutional Limited Partners Association.

Other big banks are also looking to expand their reach into sustainability. Goldman Sachs Group Inc.'s asset-management arm last year made a \$100 million growth investment in Recover Textile Systems SL, a company focused on sustainable fashion.

Some investors and limited partners have expressed concerns regarding the difficulties

of measuring outcomes and goals for sustainable investing. The search for more clarity has driven investments in companies like EcoVadis SAS, which provides ESG ratings and benchmarking for businesses.

"We've really invested a lot in measuring both the carbon profile as well as the ESG-related characteristics of our investments," Ms. Barnes said, to address apprehensions around quantifying environmental and social impacts.

"We've worked with our own internal experts as well as gotten third parties to help us verify all the data that we're sharing out with our partners," added Ms. Barnes, who joined JPMorgan last year from Blackstone Inc., where she led the private-equity firm's impact-investing platform.

Banking Shares Look Better

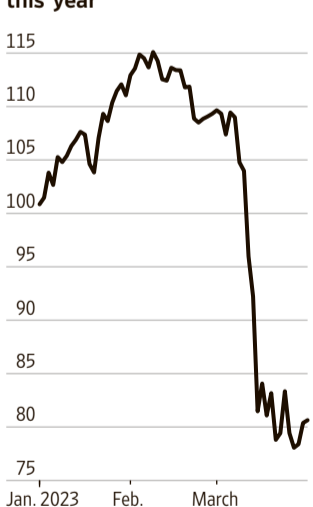
Continued from page B1 essentially guaranteed to be paid in full when they mature, and banks can now borrow against them from the Fed at their face value—making them worlds apart from the toxic mortgage assets that sank lenders in the late 2000s.

Investors remain nervous about regional bank stocks, partly because many had doubts about them even before this month, but there is a sense in the market that "some of these things have taken too much of a beating," said Brett Rabatin, head of equity research at Hovde Group.

Ryan Jungk, investment-grade corporate sector manager at Newfleet Asset Management, said his team started buying regional bank bonds last week, playing down typical concerns such as the exact maturity of the bonds to speed up the process.

He briefly worried about competition when the research firm CreditSights published a report arguing that investors had a "once-in-a-decade opportunity" to buy the bonds of regional banks, stating that the market "appears to be pricing a fundamental bank crisis that we're increasingly doubtful actually exists in any real breadth." But to Mr. Jungk's relief, the CreditSights report didn't immediately spark a big

KBW Nasdaq Bank Index this year



Sources: FactSet (index); MarketAxess (premium)

rally and he still could buy more bonds over the next two days at prices he found extremely attractive.

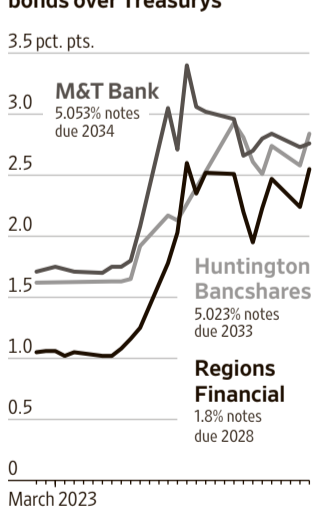
"The underlying asset quality is good," said Mr. Jungk. Largely for that reason, he added, "I really do think that confidence builds back up here" to the point that a month from now, "we're going to probably say, 'OK, that was kind of a weird week.'"

The recent fears about the banking sector haven't hit all markets equally.

For all the turmoil, the S&P 500 is roughly unchanged since SVB's collapse, as declines in economically sensitive sectors have been balanced out by gains in sectors seen as more insulated from a potential downturn, such as information technology and utilities.

Elsewhere, though, U.S. government bonds have staged one of their biggest rallies of

Yield premium, regional bank bonds over Treasuries



recent decades, reflecting investor bets that the banking problems will slow economic growth and likely force the Federal Reserve to pivot from fighting inflation to slashing interest rates.

The declines in the stocks and bonds of banks have also been severe. Even after this week's gains, the KBW Nasdaq Bank Index is still down 22% since March 8. As of Friday, the average extra yield that investors demanded to hold regional bank bonds over U.S. Treasuries had jumped to 2.71 percentage points from 1.08 percentage points, according to CreditSights.

Some analysts argue that bonds may have an easier time recovering because all that matters for debt investors is that banks remain solvent and capable of making their debt payments. Bank shares, by contrast, could be dragged down

by lowered earnings expectations, as investors weigh the threat of more stringent regulations and pressure to increase deposit rates.

In a threat to both bonds and stocks, investors have recently become much more worried about banks' exposure to commercial mortgages, the value of which has been threatened by rising interest rates and a shift to hybrid work arrangements.

Michael Collins, a senior portfolio manager at PGIM Fixed Income, said his team was still very cautious about buying regional bank bonds in part because of their concern about the outlook for commercial real estate.

He also cited a broader worry, which is that "you can't underestimate the impact of human behavior and panic."

Others, though, are feeling more confident.

Thanos Bardas, global co-head of investment-grade fixed income at Neuberger Berman, said on Friday that he had recently reduced exposure to short-term Treasuries and added Treasury inflation-protected securities on the belief that easing bank worries will spur a rebound in investor expectations for both interest rates and inflation.

That move paid off Monday, as short-term Treasuries sold off sharply, driving the yield on the two-year note to its fourth-largest one-day gain of the past decade.

Much of the worry about banks is centered on their unrealized losses in "fixed income investments, which are high-quality investments, for God's sake," Mr. Bardas said.

Cashing In Signature, SVB Puts Is Difficult

By GUNJAN BANERJI

For options traders, betting that shares of Signature Bank and SVB Financial Group would plummet was the easy part. Trying to cash out has been harder—and, for many, unexpectedly costly.

The banks failed two weeks ago and were taken over by regulators, which essentially wiped out the value of their shares. That is an outcome that should be good news for investors owning puts, options that confer the right to sell shares at a stated price by a certain date.

So far, some of these options holders have been stuck in a sort of securities-industry limbo. Shares of both Signature and SVB, the parent of Silicon Valley Bank, have been halted since their failure. Signature Bank and SVB—which has filed for bankruptcy—started trading in the over-the-counter market Tuesday, potentially allowing traders to exit from positions after more than a week of uncertainty.

Some traders say their brokers have made it hard to exercise the options. Others say they have been stuck posting thousands of dollars in collateral with their brokers just to keep open the possibility that they can close out the trades.

"None of us anticipated this type of friction and uncertainty," said Daniel Mandia, a 41-year-old contractor who bought put options tied to Sig-

nature Bank and has been vocal on Twitter about the difficulties in cashing out.

Signature Bank and Silicon Valley Bank's abrupt failures are some of the biggest casualties of the Federal Reserve's aggressive rate-hiking cycle. They were trading at \$70 and \$106.04, respectively, before they were taken over by regulators. On Tuesday, they traded for less than \$1 a piece in the over-the-counter market, FactSet data show.

What makes their situation unusual is that the threat of bankruptcy—or government shutdown—wasn't reflected in their stock prices at the time of their collapse. Shares of Avaya Holdings Corp. and Party City Holdco Inc., for example, were trading below \$1 in the weeks before the companies formally filed for bankruptcy this year.

Brokerages had been valuing the shares at starkly different levels. Fidelity, for one, had marked the shares at zero. Charles Schwab Corp. has put Signature at \$64.60 and SVB at \$39.25.

Another complicating factor is there is no historical playbook for the brokerages to refer to. The options mania that characterizes today's markets wasn't a fixture during the last round of bank failures a decade ago. Social media's role in investing has grown over the same period. Traders who like to swap tips on Twitter or Reddit are turning to those platforms to air their frustrations.