



# WSJ

THE WALL STREET JOURNAL WEEKEND



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## What's News

### World-Wide

**The Pentagon is investigating social-media posts that purport to reveal highly classified U.S. government documents on the war in Ukraine and other key international topics, in what could be one of the most dangerous intelligence breaches in decades. A1**

◆ **A judge suspended approval of the abortion pill, in a preliminary ruling against the FDA that could limit women's access to the most common method for ending a pregnancy. A1**

◆ **The Senate's Democratic and Republican leaders called for Russia to free jailed Wall Street Journal reporter Evan Gershkovich, while Russian state media reported that he had been formally charged with espionage. A1**

◆ **A fragile calm set in on Israel's borders with Gaza and Lebanon after an intense exchange of fire on both fronts, as Israel and Palestinian militants threatened escalation. A7**

◆ **Supreme Court Justice Clarence Thomas defended his decision not to disclose years of lavish vacations and private-jet travel paid for by a billionaire friend. A4**

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◆ **The red-hot labor market cooled some in March, with hiring gains moderating and wage growth easing as more workers sought jobs. Employers added 236,000 workers last month, the Labor Department said. A1**

◆ **U.S. government bond prices fell Friday, pushing yields higher, after the latest jobs numbers suggested there remains substantial demand for workers. B9**

◆ **Exxon has held talks with Pioneer about a possible acquisition of the fracking giant, as the oil major hunts for a blockbuster shale deal, according to people familiar with the matter. A1**

◆ **McDonald's restructuring is resulting in hundreds of layoffs and for some employees reductions in their packages, according to people familiar with the matter. B1**

◆ **Tesla lowered the prices on its vehicles in the U.S. again, as the EV maker tries to stoke demand amid heightened competition. B3**

◆ **First Republic Bank, beset by concerns over loan values and deposit flight, said in a filing it would suspend payments of quarterly cash dividends on its preferred stock. B9**

### NOONAN

A Great Man Got Arrested as President **A13**

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# Jobs, Wages Show Signs of Easing

Still-strong report reveals unemployment dipped to 3.5%, more people sought work

By Sarah Chaney Cambon and Nick Timiraos

The red-hot labor market cooled some in March, with hiring gains moderating and wage growth easing as more workers sought jobs.

Employers added 236,000 workers last month, a historically strong gain but the smallest in more than two years, the Labor Department said Friday.

The unemployment rate ticked down to 3.5%. More Americans jumped into the labor market in March, helping take pressure off wage increases.

Average hourly earnings rose 4.2% last month from a year earlier, the smallest annual gain since mid-2021 when inflation was surging.

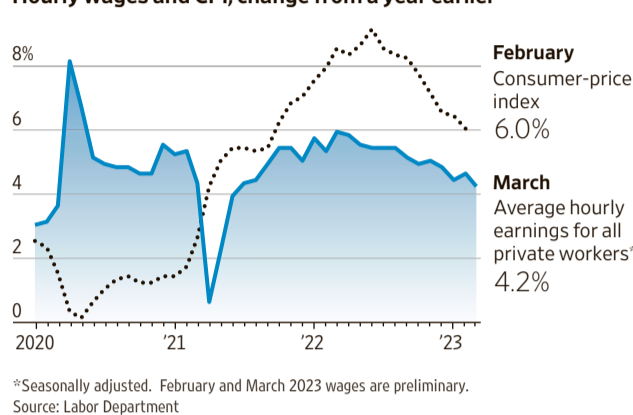
Steady hiring growth last month could keep the Federal Reserve on track to consider raising interest rates again at its meeting in early May.

But slower wage gains could also allow officials to hint at a pause after that. Fed officials have signaled they will pay close attention to other measures of economic activity including bank lending conditions as they debate their next move.

Bond yields and stock futures Please turn to page A2

◆ Treasury yields climb after latest job report..... B9  
◆ Heard on the Street: 'Two cycles' put Fed in a Pickle... B10

Hourly wages and CPI, change from a year earlier



## Christians Gather to Commemorate Christ's Crucifixion



SOLEMN MARCH: A religious procession called the Way of the Cross proceeded over the Brooklyn Bridge to observe Good Friday. From Jerusalem to the Philippines, Christians around the world commemorated Jesus's crucifixion. A9

## Judge Suspends Approval Of Pill for Abortion

By Laura Kusisto and Liz Essley Whyte

A federal judge on Friday suspended approval of the abortion pill, in a preliminary ruling against the Food and Drug Administration that could limit women's access to the most common method for ending a pregnancy.

U.S. District Judge Matthew Kacsmaryk of Amarillo, Texas, said in a 67-page ruling that the FDA made a series of legal errors in approving the pill for sale in the U.S. The judge suspended approval of the drug, known as mifepristone, but delayed the impact of his decision for a week while the Biden administration appeals and seeks an emergency stay.

The judge said antiabortion challengers who sued the FDA were likely to succeed on arguments that the agency followed an unlawful approach when it allowed the pill on to the market using a pathway intended for drugs to treat se- Please turn to page A10

## Exxon Is In Talks For Giant Fracker

Exxon Mobil Corp. has held preliminary talks with Pioneer Natural Resources Co. about a possible acquisition of the U.S. fracking giant, as the oil company hunts for a blockbuster deal in the shale patch, according to people familiar with the matter.

By Collin Eaton, Laura Cooper and Jenny Strasburg

Discussions between the two companies have been informal, the people said. But after posting record profits in 2022, Exxon is flush with cash and, according to people familiar with the company's plans, has been exploring options that could reshape a swath of the U.S. oil-and-gas industry while pushing Exxon deeper into West Texas shale.

Exxon executives have discussed a potential tie-up with at least one other company, people familiar with the matter said. Some of the people cautioned there is no formal process between Exxon and Pioneer.

Any deal, if it happens, likely wouldn't come together until later this year or next year, the people said, and talks may not morph into formal negotiations at all, or Exxon may pursue another company. But they said Exxon is on the hunt for a seismic deal to put its windfall profits to use and it sees Dallas area-based Pioneer Please turn to page A4

## Uber's CEO Shifted Focus After Stint Behind Wheel

The experience was 'clunky,' so he addressed some driver complaints

By Preetika Rana

After five years running Uber Technologies Inc., Dara Khosrowshahi in September got behind the wheel himself.

Using the alias "Dave K" and a gray Tesla Model Y that he purchased secondhand, the chief executive made dozens of trips as a ride-share driver in the following months ferrying people around the hills of San Francisco.

While taking a customer to the airport one evening, he had to ignore frantic phone calls from his chief legal officer who was trying to alert him that a hacker had breached Uber's network. Another trip took him across the Bay Bridge to Oakland—and he swore never to do it again after getting stuck in rush-hour traffic back to the city.

It was the latest experiment in the CEO's yearslong journey to reinvent driving on Uber. Along the way, he struggled to sign up as a driver, saw firsthand something called tip baiting and was punished by the app for rejecting trips. Surprisingly hard to take was the rudeness of some Uber riders. Please turn to page A10

Service, or FSB, "charged Gershkovich, with espionage in the interests of his country," the news agency said, citing an official from the law-enforcement agency. Mr. Gershkovich "categorically denied all accusations and stated that he was engaged in journalistic activities in Russia," the news agency said.

## WSJ Reporter Charged, Senate Calls for Release

By Siobhan Hughes and Ann M. Simmons

The Senate's Democratic and Republican leaders called for Russia to free jailed Wall Street Journal reporter Evan Gershkovich, while Russian state media reported he was formally charged with espionage.

Mr. Gershkovich, the first American journalist arrested by Moscow on allegations of spying since the Cold War, pleaded not guilty, Russia's state news agency TASS reported Friday. The Journal vehemently denies the charges against him. President Biden and other senior officials in the administration have called for his release since he was detained last week. Russia's Federal Security Service, or FSB, "charged Gershkovich, with espionage in the interests of his country," the news agency said, citing an official from the law-enforcement agency. Mr. Gershkovich "categorically denied all accusations and stated that he was engaged in journalistic activities in Russia," the news agency said. The FSB didn't respond to a request for comment on whether it had formally charged Mr. Gershkovich, how the allegations were transmitted to him or the next steps in the investigation. A State Department spokeswoman declined to comment on the report of formal charges. She added: "We will continue to press for fair and transparent treatment for all Please turn to page A6

### EXCHANGE



MADE IN U.S.A. Boom times for factory construction as manufacturing comes home **B1**

## Pentagon Is Probing Document Exposures Online

By Yaroslav Trofimov and Nancy A. Youssef

The Pentagon is investigating social-media posts that purport to reveal highly classified U.S. government documents on the war in Ukraine and other key international topics, in what could be one of the most dangerous intelligence breaches in decades.

Well over 100 images, marked with "Top Secret" and other classifications indicating they represent highly sensitive U.S.-produced intelligence, were posted in the Discord message board of fans of the Minecraft computer game around March 1. While many of them were deleted recently, open-source intelligence researchers have managed to download more than 60 files. The documents, which appear to originate from within the U.S. military and intelligence agencies, include details Please turn to page A6

◆ Ukraine hits Russian military base..... A6  
◆ Moscow races to plug gap in budget..... A6



U.S. NEWS

Homes Survive Floods, but Not Protection Plan

Holdout homeowners in Iowa 'are paying the price for the safety of the entire city'

By SHANNON NAJMABADI

CEDAR RAPIDS, Iowa—Officials in this city in eastern Iowa have long sought to build a system of levees and walls to prevent the Cedar River from flooding its banks and soaking homes and businesses.

But to construct the more than \$550 million flood-control system, Cedar Rapids officials say they must seize the land of some 20 homeowners who live in a low-income area along the riverfront.

"Unfortunately," said Cedar Rapids Mayor Tiffany O'Donnell, there are families "that are paying the price for the safety of the entire city."

Proposed after a 2008 flood temporarily displaced 10,000 people in the city of 136,000, the project is an example of the challenges municipal leaders can face as they seek to insulate their residents from natural disasters, a threat made more urgent by climate change, experts in flood buyouts say.

The frequency of floods, fires and storms has led some to say that entire communities need to be relocated, in some instances. But even dislocation on a smaller scale poses significant challenges.

City and state officials generally have broad authority to take land if it is for public use—a term interpreted with deference to the government, legal experts say—and if they compensate landowners for it.

In Cedar Rapids, the concerns about this process, known as eminent domain, have been magnified.



Their remnants were demolished. Nearly all of the homes in Time Check were bought out. The few that remain stick up at random intervals surrounded by empty plots.

Those homeowners who refused buyouts weren't given financial assistance to rebuild. They haven't been allowed to make improvements to their homes to limit how much the city has to pay to acquire them.

Residents who rebuilt said they did so because of the sentimental value of their homes, where sometimes generations of their families had lived. They also said the 2008 buyouts didn't give them enough money to find new accommodations, or that they were spending too much on rent as they waited to get more information about the buyout process.

"Rent was expensive," said Ms. Dittmar, who lives with Gregory Vail and their 19-year-old daughter on a block that used to have nine houses. "We own this house. So we just used our own money to rebuild it."

Watching the other houses be demolished was like having a "bunch of teeth being pulled and never being filled," she said.

Nine homes were referred to a condemnation committee last week.

Other residents have been notified that their property will also be taken.

Rick Ellis hasn't told his wife about the letter that came in January stating that Cedar Rapids would "require the acquisition of your property." After the 2008 flood, he rebuilt the home on the land his wife, Donna Sanders, has lived on since she was a baby. She now has brain cancer. Mr. Ellis, 72, plans to care for her as long as he can physically lift her up.

"She has enough on her mind," he said.

Many of the affected homeowners see the proceedings as a land grab that would be used not exclusively for flood protection, but to beautify a city where home prices have risen markedly in recent years. Their houses are in a historically working-class neighborhood called Time Check, which was named for the postdated pay stubs its residents were once given when the railroads they worked for were short of cash.

"They have a vision," said Ajai Dittmar, 51 years old, who grew up in Time Check, "and we're not part of it."

Numerous towns in Iowa flooded in 2019, after hundreds of miles of levees were compromised there and in neighboring states. Downtown Davenport, some 75 miles southeast of Cedar Rapids, was submerged with floodwaters after a temporary flood barrier failed.

"We're seeing these 1-in-100 or 1-in-500-year events hap-



Greg Vail, Aubree Dittmar and Ajai Dittmar stand near their home. Left, a flood wall under construction in Cedar Rapids.

pening more and more frequently," said Larry Weber, a University of Iowa professor who helped establish the Iowa Flood Center.

Local officials throughout the country typically build physical infrastructure such as levees and dams to manage the risk of floods, or incorporate natural barriers that have become more common in recent years: ponds,

terraces and vegetation that can absorb or hold water.

Cedar Rapids' flood-control plan includes 38,000 feet of levees and removable and permanent flood walls on the east side of the river where city hall and downtown are located. The Time Check neighborhood would be razed and turned into a greenway with trails that could be flooded.

On Fourth Easter Since Covid-19, Churches Face Fresh Challenges

By FRANCIS X. ROCCA AND KRIS MAHER

Three years ago, at the height of the pandemic, Christians across the U.S. and the world celebrated Easter in ways that many found surreal, watching on TV or online as clergy officiated inside empty churches or at improvised alternatives such as drive-in services.

Churches today have reopened their doors and, aside from the occasional congregant in a surgical mask, most celebrations of Easter this year won't look much different from those in 2019.

Yet many congregations are reduced in size from prepandemic levels, with a significant minority of members who continue to follow services virtually from home. Pastors and experts say those changes reflect longer-term trends that accelerated during Covid-19—an experience that holds lessons for how churches can survive and even grow in an increasingly irreligious environment.

A Wall Street Journal-NORC poll published last month found that 39% of Americans described religion as "very important" to them, down from 48% in 2019, before the pandemic. That represented an accelerated drop in a longer decline, from 62% in 1998.

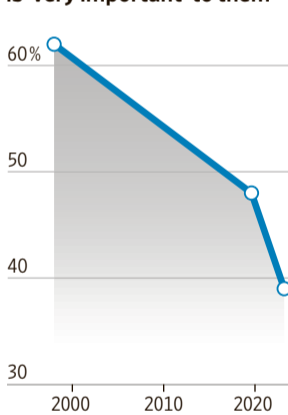
A study by Pew Research Center, also released last month, found that the share of U.S. adult Christians who attended worship at least once a month in 2022 was 43%, down from 49% in 2019. Twenty-two percent of Christians say they now watch online or televised services more than they did before the pandemic, though 6% say they watch less.

When Grace Presbyterian Church in Martins Ferry, Ohio, halted in-person services in the spring of 2020, its pastor put photographs of congregants and a few celebrities including the actor Robert Pattinson in the pews so that he wouldn't have to preach to an empty sanctuary. Today, his successor said, in-person attendance by flesh-and-blood faithful is still not up to pre-Covid levels.

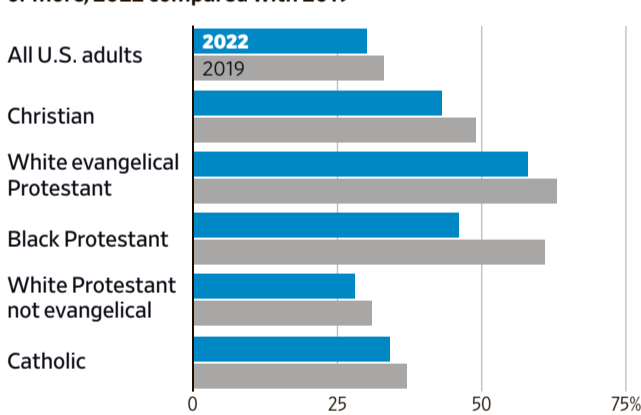
According to Pew, the category of Christian with the highest percentage of regular attendees is that of white evangelical Protestants, with

Americans view religion as less important than they did two decades ago. And while church attendance is down from before the pandemic, about 1 in 7 say they are more likely to attend virtual services.

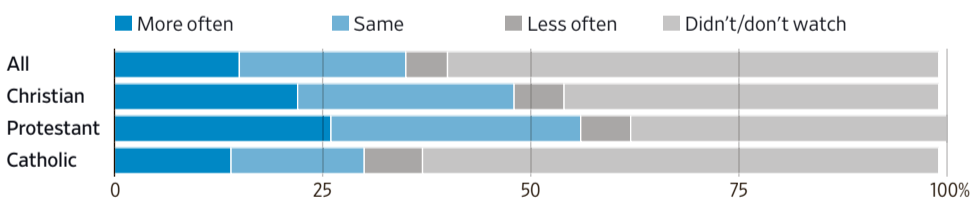
Percentage who say religion is 'very important' to them



Percentage who say they attend religious services monthly or more, 2022 compared with 2019



Percentage who say they watch religious services online or on TV compared to before pandemic\*



\*Those who did not answer are not shown. Source: WSJ/NORC poll of 1,019 adults conducted March 1-13, 2023; margin of error +/-4.1 pct. pts., prior data from WSJ/NBC News telephone polls (importance of religion); Pew Research Center polls of U.S. adults conducted Aug. 7-Nov. 30, 2019, and July 18-Aug. 21, 2022 (attendance) and Nov. 16-27, 2022 (virtual services)

58% attending monthly, down from 63% in 2019.

Dean Fulks, pastor of Life-point Church near Columbus, Ohio, said that the church reopened the first Sunday after Mother's Day in 2020, when about 170 people showed up, down from 2,800 before the pandemic. Today, his congregation is actually bigger than it was in 2019, with 4,200 worshipping in person at five separate campuses—two more than the church had three years ago.

Mr. Fulks explains that the church ramped up its online services during lockdown and offered congregants a range of options including a mask-only service once in-person worship resumed. But he lays special emphasis on the church's structure, based on small groups that continued to meet during the lockdowns, either virtually or outdoors, for Bible study and mutual support.

"Everyone had to go home, but in a sense, for our church, we were already home. Ninety percent of our folks are meeting in homes every week. This is just normal life for us," he said.

Likewise, those Catholic parishes that kept congregations

engaged during the period of Covid closures, largely through streaming and social media, have retained more of their flocks, said Dan Cellucci, CEO of the Catholic Leadership Institute.

But the internet was a double-edged sword for Catholic worship in particular, because it habituated the faithful to worship without receiving the Eucharist, in which the church teaches that Christ is really present in the form of bread and wine.

'Everyone had to go home, but in a sense, for our church, we were already home.'

"I can stay in my jammies and have my Cheerios and listen to father's homilies and comment on it," said Bishop David Zubik of Pittsburgh, describing the mind-set encouraged by online Masses. "The thing that's a sad result of that is that people are not coming to church and not re-

ceiving Holy Communion." Pew found that the percentage of Catholics who attend worship monthly or more decreased to 34% from 37% in 2019.

But Mr. Cellucci estimates that only 17% of baptized Catholics now attend Mass weekly, as required by the church, down from 22% in 2019.

The Archdiocese of Los Angeles is promoting a #Backto-MassLA campaign, which relies on personal outreach as well as digital technology, including bracelets embedded with QR codes that wearers can scan to find Mass times at a local church, said Sarah Yallic, the archdiocese's chief digital officer.

The U.S. Conference of Catholic Bishops launched a Eucharistic Revival last year. "We don't just want to get people back to Mass—we also want to stop future disaffiliation," said Bishop Andrew Cozzens of Crookston, Minn., chairman of the committee overseeing the revival. "It's our experience when people come to understand [the teaching on Communion], then they want to be there every Sunday."

Cable News Ratings Soar Amid Trump Arraignment

By ISABELLA SIMONETTI

Former President Donald Trump's indictment and subsequent arraignment gave a viewership jolt to major cable-news networks, all of which posted double-digit percentage increases in ratings from a week earlier.

Fox Corp.'s Fox News was the most-watched news network from March 30 through April 5—a period that included the day the grand jury voted to indict Mr. Trump, and the day he was arraigned—averaging nearly 1.5 million total-day viewers, according to Nielsen. Rivals MSNBC and CNN averaged more than one million and 631,000 viewers respectively over that period.

Fox News, which has consistently been a leader in the

ratings, saw a viewership spike of 13%. MSNBC and CNN's total-day ratings were up 36% and 35%, respectively, compared with the period from March 23 to March 29.

Mr. Trump over the past week dominated cable-TV news coverage in ways not seen since early 2021. That included his travels from his Florida home to New York and to a lower Manhattan courthouse.

Manhattan prosecutors allege that he orchestrated a scheme to bolster his 2016 presidential campaign by paying hush money to suppress potentially damaging sexual allegations. Mr. Trump on Tuesday pleaded not guilty to 34 felony counts of falsifying business records. Fox News parent Fox Corp. and Wall Street Journal parent share common ownership.

Advertisement for Paul Morelli jewelry featuring 'Tweet Tweet' birdcage drop earrings with brilliant diamonds. Includes contact information for Paul Morelli in NYC and Philadelphia.



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## WORLD NEWS

## Tense Calm Follows Violence in, Around Gaza

By Aaron Boxerman

JERUSALEM—A fragile calm set in late Friday on Israel's borders with Gaza and Lebanon after an intense exchange of fire on both fronts, as Israel and Palestinian militants threatened escalation and the United Nations and others tried to prevent the situation from deteriorating.

Earlier Friday, Israel called up reserve soldiers, moving additional troops and firepower to its northern and southern borders.

The Israeli military carried out overnight strikes against what it said were Palestinian militants in Lebanon and the Gaza Strip, while militant groups lobbed a barrage of rockets at Israel and threatened to intensify their attacks.

Still, both sides appeared to be backing away from a more serious confrontation after rising violence since late Thursday sparked fears of a broader conflict. Israeli jet fighters conducted airstrikes in Gaza and Lebanon targeting Hamas, the Palestinian militant group that rules Gaza, which Israel said was one of the groups responsible for a major rocket barrage from Lebanon.

U.N. officials and regional diplomats worked to calm tensions and urged both sides to halt the fighting that comes as



Smoke and flames rose during Israeli airstrikes in the southern Gaza Strip. U.N. officials and regional diplomats worked to calm tensions.

Jews and Muslims celebrate overlapping holidays: the Passover festival and the holy month of Ramadan.

Two suspected Palestinian attacks on Israelis in the occupied West Bank and Israel left three dead and threatened to heighten tensions. Two Brit-

ish-Israeli sisters—aged 16 and 20—were shot and killed while driving with their mother in the Jordan Valley, Israeli and British officials said. Their mother was rushed to a Jerusalem hospital in critical condition.

Later on Friday night, an-

other attacker ran over several people at Tel Aviv's Mediterranean beach park, killing one, before he was shot and killed by police, Israeli police said. Israeli officials described the incident as a terrorist attack.

In response, Israeli Prime

Minister Benjamin Netanyahu ordered Israel's military and police force to call up additional reserves to help confront the slew of attacks.

No Palestinian militant group immediately took responsibility for either attack. Hamas praised the Jordan Val-

ley shooting, which it said "joins the blows dealt by our resistance in Gaza, confirming the unity of our people."

Israelis and Palestinians are living through one of the deadliest periods in years. At least 93 Palestinians have been killed since January, including both militants and civilians, according to a tally by The Wall Street Journal.

At least 17 Israelis have been killed in Palestinian attacks, all civilians except for one police officer.

Tensions were high in Jerusalem as tens of thousands of Muslims gathered for Friday afternoon prayers at the flashpoint Al Aqsa mosque compound, a site holy to both Muslims and Jews, in the middle of Ramadan.

By late afternoon, the prayers had dispersed mostly without incident, although Israeli police said they had detained 15 Palestinians who waved Hamas flags and chanted slogans supporting the militants.

The current spike in tensions began with an Israeli police raid at the Al Aqsa mosque compound earlier this week. On Wednesday morning, officers clashed with Palestinians, detaining hundreds, in an attempt to disperse them ahead of an anticipated visit by Jewish Israelis to the site.

## Egypt, Seeking Funds From Gulf Allies, Gets a Warning

By Summer Said and Chao Deng

CAIRO—Saudi Arabia and other Persian Gulf countries have warned Egypt that any financial bailout would depend on Cairo devaluing its currency and appointing new officials to run its economy, according to Egyptian and Gulf officials, raising the bar after years of easy assistance.

The economy of the Arab world's most populous country is in dire straits after the Covid-19 pandemic hit its tourism sector and the war in

Ukraine pushed up global food and commodity prices. Inflation has soared to over 40% and Egypt's currency is one of the worst performers globally this year, pushing millions more into poverty.

Since Egyptian President Abdel Fattah Al Sisi seized power in 2013, Gulf countries have provided tens of billions of dollars to Egypt in the form of aid and direct deposits to prop up an ally that is also a key security partner in the region. Now he is turning again to Egypt's biggest benefactors,

visiting Saudi Arabia in a surprise trip last Sunday to drum up more financial support for Cairo, according to people familiar with the matter.

But while Mr. Sisi tweeted about meeting Saudi Arabia's de facto ruler, Crown Prince Mohammed bin Salman, his visit didn't result in any immediate Saudi funding promises, the people said.

Egypt's wealthy neighbors all want better returns for their money now as they focus on reshaping their own energy-dependent economies, Egypt-

ian and Gulf officials said. At the top of their list of demands is a further devaluation of the Egyptian pound, which would potentially make Gulf investments in Egypt more lucrative, the officials said. The Gulf states have asked for Egypt's military to cut back its involvement in the economy in favor of a bigger role for the private sector, a move that would potentially allow Gulf companies to take stakes in Egypt's growth sectors.

The Gulf states also want a more effective leadership to

run Egypt's finances, the officials said, amid years of concerns over mismanagement and corruption.

Egypt, so far, has done little to address the Gulf countries' demands. Analysts expect Cairo could soon let the currency fall sharply, marking the fourth devaluation by Egypt's central bank since Russia invaded Ukraine in February 2022. The Ministry of Foreign Affairs didn't respond to a request for comment.

Saudi Arabia and the United Arab Emirates didn't respond

to requests for comment.

Egypt's economy has managed to stay afloat thanks in part to the International Monetary Fund, which agreed last year to lend Egypt \$3 billion over the coming four years.

The IMF said it expects Egypt to bring in an additional \$14 billion in financing from the Gulf and other countries in the four-year time frame.

To help cover the country's immediate financing needs, Egyptian leaders have tasked its sovereign-wealth fund with raising \$2.5 billion by June.

## U.A.E., South Africa Clash Over Failed Gupta Extradition

By Gabriele Steinhauser and Michael Amon

The United Arab Emirates has denied a request by South Africa to extradite two India-born brothers allegedly at the center of a corruption scandal that prompted the ouster of the African country's former president.

The refusal to extradite Atul and Rajesh Gupta—who South African authorities say are wanted for crimes including fraud, corruption and money laundering—earned angry rebukes from South Africa.

Justice Minister Ronald Lamola said U.A.E. authorities failed to keep their South African counterparts informed about the extradition proceedings and questioned their explanation for rejecting the request to have them stand trial in South Africa.

Mr. Lamola said his department found out only this week that a Dubai court had denied their extradition request nearly two months ago, despite repeated inquiries by South Africa's Embassy in the U.A.E. and other officials.

"We learned with shock and dismay that the extradition hearing had been concluded in the Dubai Court on the 13 February 2023 and our extradition request was unsuccessful," Mr. Lamola said. "This level of non-cooperation is highly unprecedented in the arena of extradition requests and mutual legal assistance requests."

The U.A.E.'s state news service, WAM, said that a Dubai court had ruled that the Gupta brothers couldn't be extradited because the request didn't meet the terms of an extradition treaty between South Africa and the Emirati state.

WAM said the extradition request for fraud charges was accompanied by a canceled arrest warrant, while the request in relation to corruption charges had no warrant at all. The U.A.E.'s Justice Ministry held several meetings and a "comprehensive investigation" before turning the matter over to the Dubai Court of Appeal,



Atul Gupta, seen in December 2012. Mr. Gupta and his brother, Rajesh, are allegedly at the center of a corruption scandal.

which ruled against South Africa, the news service said.

"At every step, U.A.E. judicial authorities briefed their South African counterparts on proceedings," the WAM news service said.

South African authorities say that Atul and Rajesh Gupta for years leveraged their close ties to former President Jacob Zuma and other senior officials in the ruling African National Congress to build a business empire that once stretched from media to mining. Gupta-owned businesses signed lucrative contracts with South African state-owned enterprises, sometimes working with multinational companies.

Michael Hellens, a South African lawyer for the Guptas, said his clients continue to maintain their innocence and declined to comment on the extradition proceedings.

Mr. Zuma, who in 2021 served several months in prison for his failure to appear at a commission investigating alleged corruption during his time in office, has also denied wrongdoing.

Failure to try the Guptas in South Africa would be a big blow for President Cyril Ramaphosa, who took over in 2018 after the ANC ousted Mr. Zuma largely because of his alleged ties to the brothers.

Mr. Ramaphosa promised to

clean up South Africa's government and state-owned companies, but has come under pressure for the slow pace of prosecutions of officials and business people accused of corruption.

South African officials on Friday rejected the Dubai court's reasoning for denying the extradition request and said law-enforcement authorities and the South African Embassy in the U.A.E. had made all possible efforts to ensure their Emirati counterparts had the required documentation.

"The reasons provided for denying our request are inexplicable and fly in the face of the assurances given by Emirati authorities that our requests meet their requirements," Mr. Lamola said.

Police in Dubai arrested the Gupta brothers in June last year on a South African warrant, and Mr. Lamola said a formal extradition request was submitted the following month.

South African officials said Friday they weren't aware of the whereabouts of the brothers, but that they were no longer in U.A.E. custody.

Mr. Lamola said South Africa would continue to engage with authorities in the U.A.E. and elsewhere to arrest and extradite the two brothers.

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WORLD NEWS

# Chinese Church Escapes to U.S.

Christian congregation had fled harassment, first going to Thailand, applying for asylum

BY CHUN HAN WONG AND WILAWAN WATCHARASAKWET

A congregation of Chinese Christians seeking asylum abroad is traveling to the U.S. with plans to resettle permanently, capping a three-year quest for a new home outside China that was impeded by repeated legal setbacks and police detention.

The 63 members of the Shenzhen Holy Reformed Church, who were detained in Thailand recently for visa violations, have departed the Southeast Asian country for the U.S., a spokeswoman for the United Nations' refugee agency and a Thai police official said on Friday.

The police official said the 63 congregants left Thailand on a number of flights that departed between late Thursday night and early Friday morning.

A U.S.-based activist who has been assisting the church said the congregants are bound for Dallas, and were likely to arrive by Friday evening. A Texas-based nonprofit that helps people flee religious persecution, Freedom Seekers International, has been working with the church to resettle its members in the city of Tyler, roughly 100 miles east of Dallas.

Thai police officials told the Journal this past week that they had been planning to deport the Shenzhen church



Members of the Shenzhen Holy Reformed Church left a police station in Thailand on March 31.

members in the coming days, having detained them for overstaying their visas. Members of the church have been living in Thailand since last year, when they submitted applications to the U.N. refugee agency's office in Bangkok to seek protection from what they described as religious persecution in China.

Though Chinese Christians have been known to flee abroad individually or in small groups, human-rights advocates say the Shenzhen church is the first known to have done so en masse.

American activists assisting the church say the U.S. government, particularly the State Department, played a significant role in liaising with the Thai government on deportation arrangements, to ensure that the

congregation would be sent to the U.S., rather than China.

The U.S. Embassy in Bangkok and the State Department didn't respond to requests for comment. Thai police officials earlier told the Journal that they were in discussions with U.S. officials and the U.N. refugee agency on the church members' treatment, particularly where they would be sent when they are deported from Thailand.

China's Foreign Ministry didn't respond to queries.

Under Chinese leader Xi Jinping, the Communist Party has tightened control over all aspects of society, and suppressed dissent with growing vigor—a trend that has pushed more ordinary Chinese to try to leave the country. The United Nations ref-

ugee agency counted more than 118,000 asylum seekers from China in 2021, the most recent year for which complete data is available, up from 15,362 in 2012, the year Mr. Xi took power.

The Shenzhen church's meandering journey started with an escape three years ago from the church's former base in the southern Chinese city of Shenzhen to the South Korean island of Jeju—spurred by what congregants described as intensifying government persecution.

Chinese authorities regard the Shenzhen church, an unregistered congregation founded in 2012, as illegal. Its members say they have faced government harassment for years, including threats to shut down an

underground religious school they ran. The congregation voted to relocate from China, and many members left their homes in Shenzhen between late 2019 and early 2020.

They headed first for Jeju, which allows visa-free entry for Chinese citizens, where some worked on the island's farms as they pressed for asylum. After multiple rejections by South Korean authorities, the group decided to leave, citing a low likelihood of success and what they said was increasing harassment from Chinese officials.

Last year, the church's founding pastor, Pan Yongguang, brought the congregation to Thailand, where they submitted applications in September asking the U.N. refugee agency for protection. According to Mr. Pan, the applications were still being processed when Thai immigration police raided their hotel in the coastal city of Pattaya in late March, detaining 63 congregants and two American activists who were visiting them.

The two Americans—Deana Brown, founder of Freedom Seekers International, and a volunteer with the nonprofit—weren't accused of wrongdoing and were later released, according to Mrs. Brown.

Thailand has in the past repatriated Chinese nationals wanted by China, including members of the Uyghur ethnic group, a mostly Turkic Muslim minority that has faced religious and racial persecution in their traditional homeland of Xinjiang on China's northwestern frontier.

# French Request Indictment In Teacher Beheading

By Nick Kostrov

PARIS—French prosecutors on Friday requested that 14 people stand trial in connection with the terrorist attack on schoolteacher Samuel Paty, who was beheaded after showing caricatures of the Prophet Muhammad in class as part of a lesson on free speech.

Antiterrorism prosecutors said they filed the request to a panel of investigating magistrates in Paris, recommending a charge of being complicit in terrorist murder for two suspects.

Prosecutors said they asked that six other suspects stand trial on charges of terrorist conspiracy.

Prosecutors also recommended that six minors stand trial in court for juveniles. The prosecutors asked for five of the minors to be tried on a charge of criminal conspiracy, a crime which carries a minimum sentence of five years in prison.

Prosecutors requested the judges to charge a sixth minor with slander.

The investigating magistrates are expected to decide whether to complete the charges and order the suspects to stand trial.

Prosecutors didn't disclose the names of suspects they requested to stand trial.

Mr. Paty was killed in Conflans-Sainte-Honorine, a Paris suburb, on Oct. 16, 2020. The assailant, an 18-year-old Russian national of Chechen origin, was shot dead by police

## Samuel Paty was killed after showing caricatures of the Prophet Muhammad.

minutes after the attack.

Authorities have said Mr. Paty's assailant acted after seeing videos made by a parent of a student at the school, who demanded the teacher's dismissal and called him a thug. Days earlier, Mr. Paty led a debate in his class about the limits of free speech, and showed cartoons of the Prophet Muhammad from Charlie Hebdo, the satirical magazine targeted in a terrorist attack in 2015.

The teacher—according to authorities who interviewed him about the lesson before his death—said he had warned students who might be offended to avert their eyes before he displayed the cartoons.

The assault prompted a crackdown by French authorities on Islamic associations, schools and mosques that they said were promoting an extreme version of the Islam and challenging France's secular values.

In the days that followed the attack, French President Emmanuel Macron said Mr. Paty had become, "the face of our republic, of our determination to break terrorists, to diminish Islamists, to live as a community of free citizens in our country."

## Around the World, Christians Mark Good Friday With Passion Processions



JERUSALEM: Israeli border guards watch as a woman carries a wooden cross along the Via Dolorosa in the Old City.



NAIROBI: Brolyne Befany Joseph, 14 years old, plays the role of Jesus during a Passion of the Christ re-enactment, watched by crowds on the streets of the Kibera slum.



CORSICA: A Good Friday event in a church on the French Mediterranean island.



PHILIPPINES: Ruben Enaje is nailed to the cross during a re-enactment of Jesus Christ's sufferings as part of Good Friday rituals in Pampanga province.

## WORLD WATCH

### VATICAN Cold Weather Keeps Pope From Ceremony

Pope Francis missed an outdoor Good Friday ceremony because of cold weather.

The 86-year-old pontiff was hospitalized for three days last week and treated for bronchitis. He has never missed the traditional Way of the Cross ceremony at Rome's Colosseum since his election in 2013.

The announcement that he would be staying away this year came six hours before the scheduled start of the evening event, which commemorates the passion and crucifixion of Jesus. The Holy See press office said that, "due to the intense cold of these days," the pope would stay home and join in prayer with those

participating at the Colosseum. Temperatures in Rome were expected to fall to 50 degrees Fahrenheit before the end of the ceremony.

Pope Francis appeared as scheduled at a liturgy in St. Peter's Basilica on Friday afternoon. He was scheduled to preside over another liturgy in the basilica on Saturday evening and at Easter Mass on Sunday morning in St. Peter's Square.

The pope has participated in the usual Holy Week liturgies since the day after his release from the hospital on April 1, but with accommodations for a knee ailment that has forced him to use a wheelchair and at times a cane since last May. At Palm Sunday Mass on Sunday, a cardinal celebrated from the altar in the pope's stead.

—Francis X. Rocca

### CONGO Six Men Get Life in Italian Envoy's Killing

Six men in Congo were sentenced to life in prison on Friday for the 2021 murder of Italy's ambassador and two others. The sentence was announced by a military tribunal in the capital, Kinshasa, following a six-month trial.

Luca Attanasio, Italy's ambassador to Congo since 2017, was one of three people killed in February 2021 in an ambush on a World Food Program convoy that was traveling from Goma, Congo's eastern regional capital, to visit a WFP school project in Rutshuru. Italian security officer Vittorio Iacovacci and driver Moustapha Milambo also were killed.

Violence has been simmering in eastern Congo for decades as

more than 120 armed groups fight for power, resources, land, and some to protect their communities.

The prosecution said the men were part of a criminal gang and had called for the death sentence. They accused the defendants of trying to kidnap the ambassador so they could demand a ransom, and said the initial intent wasn't to kill him.

Five of those sentenced are in the N'Dolo military prison in Kinshasa while the sixth man is still on the run.

The defense said their clients were tortured into confessing, and has appealed the decision, which would launch a new trial in the military court.

"They all claim their innocence pure and simple," said Joseph Amzati one of the defense lawyers.

—Associated Press

### PERU Former Leader Wins Extradition Reprieve

Former Peruvian President Alejandro Toledo Manrique has been granted two more weeks to fight his extradition from the U.S. on corruption charges, halting extradition proceedings that had been set to start Friday.

Late Thursday, the Ninth U.S. Circuit Court of Appeals in San Francisco ordered a 14-day stay on Mr. Toledo's extradition to Peru. The stay allows the 77-year-old former leader time to ask a three-judge panel to reconsider its decision denying him a stay or petition the full court to review his appeal.

Mr. Toledo is accused of taking \$20 million in bribes from Odebrecht, a giant Brazilian construction company that has ad-

mitted to U.S. authorities that it bribed officials to win contracts throughout Latin America for decades. Mr. Toledo is one of four of Peru's ex-presidents implicated in the corruption scandal. He denies the charges.

The judge in the extradition case, Thomas Hixson, ordered Mr. Toledo to turn himself over to U.S. marshals Friday after a three-judge appeals court panel this week denied his appeal to stop his extradition. But he reversed his order after Mr. Toledo's last-ditch effort was granted.

Mr. Toledo, who was Peru's president from 2001 to 2006, was arrested in 2019 at his home in Menlo Park, Calif. He was held at the Santa Rita Jail but was released in 2020 because of the pandemic. He has been under house arrest since then.

—Associated Press





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## Uber CEO Got Behind The Wheel

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Mr. Khosrowshahi's moonlighting was part of a campaign by him and his lieutenants to better understand and improve Uber's experience for drivers, whose scarcity had become a critical challenge for the company after the U.S. reopened from Covid-19 lockdowns. It marked a sharp turn for a company that wasn't typically seen as being driver-friendly.

The campaign—code-named Project Boomerang—has helped shape what has become one of the biggest makeovers of Uber's business since its inception in 2009.

"I think that the industry as a whole, to some extent, has taken drivers for granted," Mr. Khosrowshahi said in an interview. He hadn't driven on Uber before because it wasn't his biggest priority—drivers had always been in abundant supply. The pandemic-fueled labor shortage forced a companywide introspection, he said, to "re-examine every single assumption that we've made."

### Labor shortage

San Francisco-based Uber faced a debilitating labor shortage after the economy reopened in 2021. It figured out that it had to do more to get drivers on board than just offer them bonuses. It adopted some difficult changes that drivers had long asked for, and they paid off.

Crosstown rival Lyft Inc. was slower to introduce new driver-friendly features and bonuses. It lost market share to Uber, and its stock valuation declined by billions of dollars. Late last month, following months of discontent among some employees and investors, Lyft's co-founders announced they were stepping back from managing the company. They hired a new CEO.

While Uber has long had a larger slice of the ride-share market than Lyft, its driver-focused strategy helped leave its younger competitor behind and put it in a stronger position for the current economic tumult, said investors and analysts.

Uber's ride-share revenue more than doubled in 2022, and the company posted its first full-year adjusted profit since its founding. It now commands 74% of the U.S. ride-share market, up from 62% in early 2020, according to consumer receipts analyzed by market-research firm YipitData.

Lyft's market share fell to 26% from 38%, YipitData show, its stock plunged more than 70% in the past 12 months, and the company has cut 13% of its staff. Uber's stock fell less than 10% over the same period and it has shed less than 1% of its staff, defying widespread cost cuts and layoffs across the tech sector.

Lyft said it is committed to doing the best for its drivers. It said its driver pool is growing and that January marked its biggest month-on-month jump in sign-ups since the start of the pandemic.

"There's always things we could have done differently or



Uber CEO Dara Khosrowshahi in the gray Tesla he uses to drive passengers, in San Francisco on Wednesday. Below, Carrol Chang, Uber's head of driver operations.



better," Lyft co-founder John Zimmer said in an interview after stepping down last week. He said he has ferried Lyft customers on every New Year's Eve since the company's founding. Lyft's incoming CEO, David Risher, said he drove his first passenger over the weekend.

Having loyal drivers makes Uber more competitive and sets it up to expand into new categories and deliver better returns for investors, said Robert Mollins, an analyst at Gordon Haskett Research Advisors.

### Drivers want higher pay and more transparency over how fares are divided.

"I think they've really woken up to the fact that everything starts with the drivers and everything else just falls into place," building on that momentum, he said.

The company continues to face criticism from drivers, activists and labor groups, who have campaigned for higher pay for drivers and more transparency over how fares are divided. Governments in the U.S. and abroad are in a tug of war with Uber over how to classify drivers and ensure

them greater benefits and protections.

"They're very friendly to drivers when they need them, and when they have a surplus, they adjust," said Bruce Schaller, a former deputy commissioner for New York City's transportation department.

Mr. Schaller said driver pay will remain a sticking point until governments can regulate how Uber compensates them. New York City sets a minimum wage for Uber drivers that factors metrics like time spent waiting for trips and driving to them. Uber sets pay across many other U.S. markets.

The ride-sharing business was designed to make money connecting rides and riders without the cost and hassle of having to employ drivers. In reality, Uber and Lyft have had to keep shelling out money to attract both drivers and riders at various points—one reason why they have rarely turned a profit.

As the economy reopened after pandemic lockdowns, riders returned at a faster pace than drivers. Online delivery businesses that brought groceries and restaurant food to people at home had flourished during the crisis, and gig workers had more options outside of ride-share for the first time. Uber operates in both businesses, which helped it tap some workers Lyft didn't have,

though it was still falling short of meeting ride-share demand. The imbalance pushed up ride prices and wait times.

Uber at first defaulted to an old formula—financial incentives. In April 2021, Mr. Khosrowshahi carved out \$250 million in bonuses to entice drivers. When the company revealed in August that year that the spending had weighed on its results, its shares tanked.

Investors hammered Mr. Khosrowshahi on an evening call, saying he was spending too much and needed to focus on reducing costs to turn a profit.

The CEO pinged Uber's head of driver operations, Carrol Chang, on Slack. "Getting a lot of questions," he wrote, Ms. Chang said. "But I stand by the driver investments and fully believe it's going to pay off."

Part of Mr. Khosrowshahi's conviction came from seeing demand bounce back quickly overseas, where Uber now gets 40% of its revenue. He knew he had to move quickly to build back the supply of drivers in the U.S., its most lucrative market.

Ms. Chang had been leading the effort to get drivers to return to the ride-hailing service. Her father once worked as a taxi driver after immigrating to the U.S., and she knew bonuses were a short-term fix. Drivers wanted not only better pay but also to be heard about other issues.

built our product and do it faster than our competition."

Then, in September last year, Mr. Khosrowshahi tried out ferrying passengers. He bought the used gray Tesla and began picking up San Francisco riders, and soon experienced some of Uber drivers' biggest complaints.

One was the inability for drivers to see drop-off locations and estimated pay before they accepted a trip, a restriction that made it impossible to decide if a ride was worth their time. Uber had worried that drivers would cherry-pick rides, avoiding some neighborhoods and discriminating against riders going to those places, so it only gave the information to some drivers with high trip-acceptance rates. The company had started making moves to ease the issue in July, when it began letting all drivers in a few markets—not including San Francisco—see the information.

When Mr. Khosrowshahi tried out driving, he rejected some trips and the app punished him by taking away the ability to see destinations ahead of time. The experience was so frustrating that he asked his team to speed up the timetable for all U.S. drivers to see destinations upfront without restrictions.

To make some destinations more attractive, the company needed to change the way it calculated pay. Uber started measuring real-time demand at drop-off locations, to add to time and distance, in factoring pay. Drivers got more if they took passengers to areas that were unlikely to bring new rides, such as secluded neighborhoods.

Driver Danny Jacob dumped Lyft after Uber introduced pay and destinations disclosure in Chicago in September. He said the ability to see where he was going and the value of the ride was liberating, and Uber kept him busier because he could switch between rides and food delivery. Mr. Jacob said Uber still has a long way before it can call itself driver-friendly but the move signaled that it was willing to listen "after years of us banging our heads against a wall."

Mr. Khosrowshahi also ran into a problem delivery drivers had been complaining about: tip baiting. Customers would entice workers to pick up their food quickly by entering big tips on the app—but then reducing them after the food was delivered. Uber is still looking for ways to address the practice.

Mr. Khosrowshahi developed a routine: He would spend the weekends delivering food then outline glitches and possible solutions on a Google document. He would tag employees and include photos and screenshots to show the issue.

He said that earlier, Uber believed that if it attracted drivers with money, "the rest will take care of itself." It dawned on him after his delivery stint that the company "had to fundamentally change how we

tions in the U.S. now use it.

Last November, a group of antiabortion medical groups and individual physicians brought the lawsuit. They argued that the FDA overlooked the drug's risks, didn't assess its safety in girls and inappropriately approved the drug using a procedure meant only for dire conditions.

Lawyers for the federal government have said the FDA approved the drug because it is safe and effective and that halting its distribution would upend the status quo and cause harm to patients.

A day or two after taking mifepristone, women usually take one or two doses of another drug called misoprostol, which causes uterine contractions. Judge Kacsmaryk's ruling doesn't affect misoprostol. Public-health experts and abortion rights groups say women seeking a medication abortion may now take misoprostol alone. Researchers have reported that taking misoprostol by itself can end a pregnancy, but not as reliably as combined with mifepristone.

"This will not stop medication abortions from occurring

in the U.S. It will simply force healthcare providers to rely on the misoprostol-only regimen, which, while still very safe, is somewhat less effective and causes more uncomfortable side effects," said Suzanne Bell, a professor at the Johns Hopkins Bloomberg School of Public Health.

It is rare for a judge to intervene in the FDA's decision making, particularly regarding a drug that has been on the market for many years. Plaintiffs' attorneys acknowledged at a Texas hearing in March that they couldn't point to examples where a court has intervened in a longstanding drug approval.

In Washington state, U.S. District Judge Thomas Rice, a President Barack Obama appointee, sided with a group of Democratic state attorneys general who sued the FDA to make the abortion pill easier to obtain. The judge for now stopped the agency from enforcing some recent regulations and ordered the FDA not to put any further restrictions on the pill in the plaintiff states, setting up a potential conflict with the Texas ruling.

## Pill for Abortion Suspended

Continued from Page One

rious illnesses. He also said the agency failed to appropriately assess the drug's safety.

"The Court does not second-guess FDA's decision-making lightly. But here, FDA acquiesced on its legitimate safety concerns—in violation of its statutory duty—based on plainly unsound reasoning and studies that did not support its conclusions," said Judge Kacsmaryk, a Trump appointee.

The judge's decision is the first step in what could be a series of fast moving legal proceedings. The Justice Department and the drug's manufacturer, Danco Laboratories LLC, moved to appeal within hours of the ruling. If the decision isn't put on hold by a higher court, it could stop sales of the drug even in the states where abortion has re-

mained legal since the Supreme Court overturned Roe v. Wade last June.

Attorney General Merrick Garland said the Justice Department strongly disagreed with the ruling. "Today's decision overturns the FDA's expert judgment, rendered over two decades ago, that mifepristone is safe and effective," Mr. Garland said.

The Alliance Defending Freedom, a conservative legal group that represented the plaintiffs, hailed the decision. "This is a significant victory for the doctors and medical associations we represent and more importantly, the health and safety of women and girls," it said on Twitter.

The case now heads to the New Orleans-based Fifth U.S. Circuit Court of Appeals, one of the most conservative appellate courts in the country. Once that court acts on the Biden administration's stay request, the litigation could land at the Supreme Court on an emergency basis shortly thereafter.

Complicating the legal landscape, a federal judge in Washington state issued a contrary decision on Friday that could



A judge suspended FDA approval of abortion-pill drug mifepristone.

prevent the FDA from limiting the pill in the 17 states and District of Columbia that had sued the agency to preserve robust access.

As clinics have stopped offering abortion in roughly one-third of the states, access to medication abortion has become a crucial battleground. Some states have banned prescribing abortion pills by telemedicine and imposed other restrictions, while groups that support abortion have filed lawsuits arguing that federal law pre-empts those regulations.

In 2000, the FDA approved

mifepristone, which is also known by the brand name Mifeprex and sold by Danco. The agency said studies had found its use safe and effective. A generic version is made by GenBioPro Inc.

"Today's decision is wrong on the medicine and science, wrong as a matter of public health policy, wrong as a matter of reproductive rights and wrong as a matter of law," said Danco spokeswoman Abby Long.

The drug blocks a hormone necessary to sustain pregnancy. More than half of abor-







## SPORTS

By ANDREW BEATON

## There Is a Way to Text at the Masters

Augusta National doesn't allow cellphones. But smartwatches aren't part of the ban.

Augusta, Ga.  
The must-have accessory at the Masters these days isn't a green jacket, a cigar or a folding chair. It's a smartwatch.

Augusta National Golf Club is as old-school as it is secretive, and one of its strictest rules is that fans aren't allowed to bring in cellphones. That means anyone stepping onto the hallowed grounds loses contact with the outside world.

Unless you have a smartwatch. Chris Daniels came here from Leesburg, Va., and was one of the many fans in the galleries with an Apple Watch on his wrist. As he watched the par-3 tournament on Wednesday, text messages kept coming in. But before he dared taking his Apple Watch to the course, he checked the Masters' rules to make sure such devices were permissible.

"To me, this is fine as far as the rules are concerned," Daniels said.

This type of gear actually lives in a gray area of rules that are generally black and white. The watches are technically allowed. But their capabilities aren't.

Augusta National wants the smartwatches to be dumb.

According to the tournament's website, electronic devices are prohibited. That means no cellphones, laptops, tablets or even beepers. But in the fine print, there is a notable exception: "Devices such as fitness tracking bands and electronic watches are permitted. However, the use of such devices for phone calls, emails, text messaging and other photo, video or data recording and/or transmission is prohibited."

But tracking your tens of thousands of steps as you walk the course looks no different than sending a quick text message—and even Augusta National has a hard time enforcing the rules.

For many smartwatches to receive emails or texts, they have to be within close range of a cellphone—and sneaking a cellphone into Augusta National is about as realistic as sneaking out with a green jacket. But a device like an Apple Watch doesn't need to be linked with an iPhone to work, since users can pay a monthly fee to a carrier so that the watch has



According to the Masters tournament's website, electronic devices are prohibited. That means no cellphones, laptops, tablets or even beepers.

service independently.

Daniels was hoping to use his connected Apple Watch to communicate with a friend and find each other on the course in case they got separated. There was just one problem: His friend's Apple Watch wasn't hooked up to a carrier.

Daniels wasn't alone.

The galleries at Augusta National these days are lined with smartwatches—even if the people wearing them aren't exactly eager to boast about it.

One fan was seen by The Wall Street Journal furtively tapping at his Apple Watch away from the crowd next to the 10th fairway.

The man declined to give his name and was only willing to identify himself as coming from the western half of Pennsylvania. He feared that speaking about his smartwatch usage could jeopardize his ability to attend the Masters in the future.

"These tickets are too precious," he said, pointing to the badge hanging around his neck.

The fan said he was using the watch to document his walk on the course. But was he also able to send text messages and emails too? "I'm not going to talk to that," he said. "I'm not going to turn myself in."

While smartwatches have been around for years—Apple Watch, the market leader, has been around since 2015—they have become more ubiquitous lately. So this hack has surged in popularity at a tournament that has been played since 1934 and in some ways still feels like it's in 1934.

The utility of a smartwatch here is directly linked to the ban on phones, a rule that gives the Masters a different vibe than practically any other sporting event.

The effect of being unplugged from the outside world is that everyone has no choice but to plug into the golf. Hands spend more

clapping when they can't scroll social media apps. And when Tiger Woods putts, fans actually have to watch it happen with their own eyeballs instead of the usual array of phones that appear to record video of it.

It's a bargain that Terry Faust is happy to make. A fan attending his first Masters this year, he said he was with a friend who was using a smartwatch on the grounds to respond to texts and work emails. But his own Apple Watch wasn't connected—and he wouldn't have any other way.

"I'm just glad to be here with nobody bothering me," Faust said.



Magnus Carlsen lost an online chess game after making a tech blunder.

## Magnus Carlsen's Reign Ends With a Slip of the Mouse

By ANDREW BEATON  
AND JOSHUA ROBINSON

Magnus Carlsen had mere seconds left on the clock of the final game he would play as World Chess Champion. He was near the end of the tie-breaking game in a format so dramatic it's called Armageddon.

Then he made a technological chess blunder for the ages.

Carlsen was locked in a fierce battle on Thursday with his longtime rival Hikaru Nakamura, the American grandmaster known as a wizard of speed chess.

The two men were playing out a tight endgame as time wound down in their game that was played online, a practice that became normal for tournaments over the past several years. That's when the highest-rated player of all time offered the world a reminder that elite chess in 2023 isn't just about calculation and pattern recognition.

It's also about mouse dexterity. And with the game on the line, Carlsen's mouse slipped.

Both players were down to their final seconds, and most pawn pushers could have seen the next logical move for Carlsen: moving his queen to capture one of Nakamura's remaining pawns. Instead, Carlsen simply gave away his queen, accidentally.

Carlsen seemingly intended to take the pawn as he moved the queen across the row toward it. But then he dropped the queen too early on a different square where Nakamura's king could take it.

Carlsen realized the gravity of

his mistake instantly. He shoved his chair back away from his computer, spun around in disgust and appeared to slam something. Nakamura clapped his hands and pumped his fists. The commentators were in utter shock.

"What's happened there?" British grandmaster David Howell shouted on the stream. "Magnus has mouse-slipped!"

"Unbelievable!" the American grandmaster Robert Hess added.

But it was actually quite believable. Carlsen had done it before. At the Oslo Esports Cup last year, Carlsen gifted opponent Quang Liem Le of Vietnam his queen in similar fashion.

"It's going to take a miracle for Liem to win this game," Howell said then, moments before the miracle arrived. And then: "Magnus has mouse-slipped!"

It was the first time in Howell's life that he had uttered such a strange and unlikely sentence. He couldn't have guessed that he would utter the same words a second time in less than a year.

Carlsen's blunder might have drawn less attention had it not coincided with the end of an era for the Norwegian genius: This marked his last official game as reigning world chess champion. Carlsen, who has held the title since 2013 and won the championship five consecutive times, opted last year not to defend his crown.

Instead, grandmasters Ding Liren of China and Ian Nepomniachtchi of Russia will convene in Astana, Kazakhstan starting on Friday to begin the match to replace him.

## Cycling Phenom Is Prepared for The Rough Ride of Paris-Roubaix

By JOSHUA ROBINSON

Paris  
FOR AS LONG AS ZOE BÄCKSTEDT has been serious about racing bicycles, her father has sat her down each spring to watch an old video of Paris-Roubaix 2004. Together, they watch the miserable, bone-chattering dash across the cobblestones of northern France and Zoe's dad, a former bike racer named Magnus, begins commentating.

He points out tricky corners and breaks down the tactics, mile by mile, right down to the potholes. By now, Zoe knows his whole spiel by heart. Then, right at the end, comes the best part. That's when a young Magnus Bäckstedt crosses the race's famous velodrome finish line for the finest victory of his 17-year professional career.

Now, after years of hearing about the race, Zoe Bäckstedt will finally experience Paris-Roubaix this Saturday. And few first-timers have come in more ready. Not only is she the daughter of two professional cyclists and one of the brightest young talents in the sport—she's a junior world champion in cyclo-cross, on the road, and a junior world champion in the time-trial—she's also been preparing for this race her whole life.

"The amount of detail that he can go into about the race, even now, it's incredible," Zoe, 18, says of

her father and his years of Roubaix coaching. "He'll go, 'If I had been three centimeters off the back of this wheel on this corner, I would have crashed.' How do you know that? How do you remember?"

Zoe herself is now a first-year pro with Team EF Education-Tibco-SVB (the failed Silicon Valley Bank continues to be one of its named sponsors after its collapse). She doesn't remember any of her dad's 2004 ride. Her mother, the former British road cycling national champion Megan Hughes, was pregnant with her at the time. Zoe was born months after her father's win.

But it didn't take many years for Bäckstedt's genetic predisposition to race bikes to emerge. Growing up in South Wales, Zoe was already leaving other sports behind at the age of 10 to focus on every flavor of cycling along with her sister Elynor. Bäckstädt tried the track, where Great Britain had built itself into a world-beating force. She excelled in cyclo-cross, the muddy winter version of the sport. And she fell in love with road cycling.

"I don't know what I'd be doing if I wasn't into cycling," Bäckstedt says.

Before the junior worlds time trial in Australia last year, Bäckstedt went on a solo reconnaissance ride with a GoPro strapped to her handlebars to create her own study materials. As she whipped around

the course, she muttered every gear shift, corner angle, and road-surface change directly into the camera. When Bäckstedt got home, she memorized it. Then she became a world champion.

The next step was becoming a full-time pro. Bäckstedt took two weeks off after Australia and promptly moved to the cyclo-cross heartland of Belgium. The winter was cold, wet, and miserable, which was exactly the point. Bäckstedt hopes to show she is part of a breed of all-round champions like Marianne Vos, Wout Van Aert, and Mathieu van der Poel who can race a full program of cyclo-cross and then catapult that form into grueling one-day races in the spring.

The difference for Bäckstedt now is how much longer races will be on the women's World Tour than they were in juniors. Women's Paris-Roubaix, which will be held for only the third time this weekend, goes on for 145.5 kilometers (90.4 miles). That's more than twice as long as the junior worlds course where Bäckstedt won last September with a rapidly flattening tire. And this one comes with 29.2 kilometers of jagged, nasty cobblestones too.

"The thing with cobbles is that you're bouncing so much that the memory of going across them just bounces out of your brain," she says. "You never really remember how tough they are."



Zoe Bäckstedt, the daughter of Magnus Bäckstedt, is a first-year pro with Team EF Education-Tibco-SVB.



**Creative Loss**  
Inventors get less productive after joining big firms **B2**

# EXCHANGE

**Social Star**  
A hair-care line soared and crashed on social media **B5**



BUSINESS | FINANCE | TECHNOLOGY | MANAGEMENT

THE WALL STREET JOURNAL.

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Saturday/Sunday, April 8 - 9, 2023 | **B1**

**DJIA** Closed (33485.29)

**NASDAQ** Closed (12087.96)

**STOXX 600** Closed (458.94)

**10-YR. TREAS.** ▼ 25/32, yield 3.382%

**OIL** Closed (\$80.70)

**GOLD** Closed (\$2,011.90)

**EURO** \$1.0908

**YEN** 132.17



NIC ANTAYA FOR THE WALL STREET JOURNAL

**P**roduction at U.S. factories rose last year, but few things were produced at a more furious pace than factories themselves.

Construction spending related to manufacturing reached \$108 billion in 2022, Census Bureau data show, the highest annual total on record—more than was spent to build schools, healthcare centers or office buildings.

New factories are rising in urban cores and rural fields, desert flats and surf towns. Much of the growth is in the high-tech fields of electric-vehicle batteries and semiconductors, national priorities backed by billions of dollars in government incentives.

Other companies that once relied exclusively on lower-cost countries to manufacture eyeglasses and bicycles and bodybuilding supplements have found reasons to come home.

The pursuit of speed and flexibility prompted sock manufacturer FutureS-titch Inc., which has factories in China and Turkey, to open a new one in Oceanside, Calif., last summer—the

## AMERICA'S BACK *In The* FACTORY BUSINESS

Record spending on manufacturing construction heralds a made-in-the-U.S. rebound, stoked by green-energy incentives and supply-chain woes

By John Keilman

company's first in the U.S.

Chief Executive Taylor Shupe said retailers don't want to carry excess inventory in their stores, and the U.S. factory allows the company to quickly replenish stock. Time is also of the essence to sell socks commemorating events like the NBA Finals or the Kentucky Derby, he said.

He said the company is keeping its overseas factories but is adding a second in the U.S.—and maybe eventually a third—as it develops new products.

"There is more and more equity around 'Made in the USA,'" said Mr. Shupe. "To me, this is here to stay."

Manufacturing has always been an integral part of American life. Paul Revere opened a foundry that produced bells and cannons following his famous midnight ride. Henry Ford's assembly line made cars affordable to the masses. And U.S. industrial might helped win World War

**A cheese plant north of Lansing, Mich., and other new manufacturing tap the well-trained local workforce.**

Please turn to page B6

## Drop in Loan Values Belies Many Banks' Balance Sheets

By Jonathan Weil

Two big bank runs, two different reasons.

When **Silicon Valley Bank** collapsed last month, the core problem was a giant hole in its bond portfolio. When depositors started fleeing **First Republic Bank** soon afterward, the concern mainly was about a hole in its loan book.

Nearly every publicly traded bank in the country is sitting on

**First Republic's balance sheet showed \$166.1 billion of loans as of Dec. 31.**

loans that have declined in value since they were made. The culprit is rising interest rates, which also slashed the value of banks' other big asset, their holdings of securities.

The overall market-value losses on securities are well known because they are tallied up industry-wide by banking regulators. The scale of market-value losses on loans made by publicly traded banks has to be tallied from banks' securities filings.

"Fair values of loans and securities are not qualitatively different," said Tom Linsmeier, an accounting professor at the University of Wisconsin and former member of the Financial Accounting Standards Board. "They measure the same amount: the price at which the asset can be sold in an orderly transaction in the market today."

First Republic's balance sheet showed \$166.1 billion of loans as of Dec. 31, at amortized cost. A footnote said their fair-market value was \$143.9 billion. The \$22.2 billion difference was greater than First Republic's \$174 billion of total equity, or assets minus liabilities.

The bank was seen by investors as risky because most of its loans at year-end were home mortgages with fixed rates or with hybrid rates, meaning their low rates would stay fixed for one to 10 years. It also had \$4.8 billion in unrealized losses on bonds. About 68% of its deposits were uninsured at year-end, meaning they exceeded Federal Deposit Insurance Corp. limits, which created greater flight risk. In that respect, it was similar to Silicon Valley Bank, which estimated that 88% of its deposits were uninsured.

First Republic bought itself time last month after a group of 11 banks

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SCIENCE OF SUCCESS | BEN COHEN



The original Air Jordans, released in 1985.

SOTHEBY'S/REUTERS

## 'I Don't Know. Maybe It Will Grow On Me.'

Phil Knight's philosophy was key to Nike's rise, and it's an approach more leaders could try



There's a scene in the new movie "Air" that should be required viewing for any executive in any line of work. It's a conversation between Phil Knight and Sonny Vaccaro, the characters played by Ben Affleck and Matt Damon, in which the Nike co-founder gives his company's basketball guru the budget to sign a rookie named Michael Jordan. Before they offer him a shoe deal, Knight has one final question for Vaccaro: What's the name of the sneaker?

"Air Jordan."

The silence hangs like MJ himself.

"Hmm," says the Knight character, who is dressed in a regrettable 1980s wardrobe. "I don't know."

"Seriously?"

"Maybe it'll grow on me."

It's a fictional scene, but it manages to capture a truth about the real Phil Knight's business philosophy in a few lines of dialogue: *I don't know. Maybe it'll grow on me.*

For a billionaire who was influenced by Buddhism, this could have been Mr. Knight's mantra. He wasn't sold initially on the name

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## McDonald's Cuts Pay Alongside Layoffs

By Jesse Newman and Suzanne Vranica

McDonald's Corp.'s restructuring this past week is reaching company-wide, resulting in hundreds of layoffs and for some employees reductions in their packages, according to people familiar with the matter.

Job cuts and changes at the burger chain have affected employees in the U.S. and abroad, at McDonald's Chicago headquarters and in its field offices, and across departments including marketing and operations, the people said.

The corporate restructuring has unfolded in a multipart process this past week, some of the people said and internal company communications showed. McDonald's temporarily closed its U.S. offices and started informing some corporate employees about layoffs on Monday, The Wall Street Journal has reported.

The fast-food chain also offered some employees a chance to remain at the company with reductions in their compensation packages, including changes to titles and benefits such as bonuses and equity grants, according to people familiar with the matter.

The restructuring moves included role changes or promotions for other employees, including nearly 10 U.S.

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## THE SCORE

THE BUSINESS WEEK IN 7 STOCKS

## MCDONALD'S CORP.

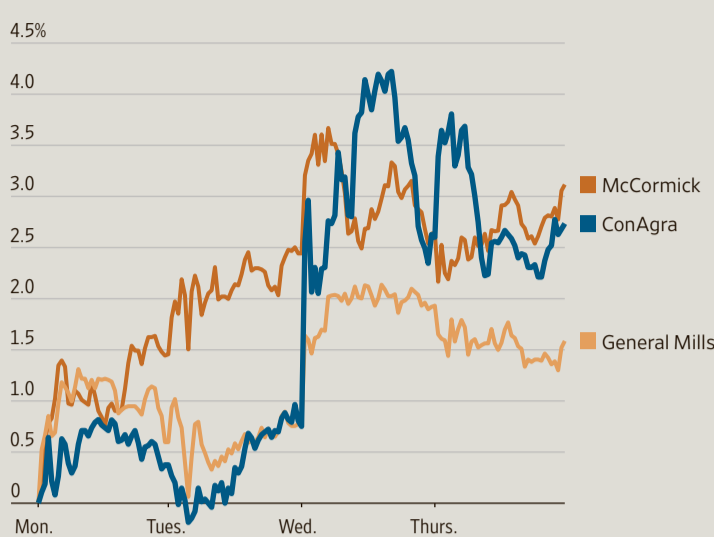
▲ Layoffs have arrived at the golden arches. McDonald's temporarily closed its U.S. offices and started informing corporate employees about layoffs. The Chicago-based fast-food chain previously told U.S. employees and some international staff that they should work from home from Monday through Wednesday so it could deliver staffing decisions virtually. The cuts are part of a broader restructuring, as companies across industries reduce staffing ahead of a possible recession. McDonald's sales have held up while retailers have seen slowing spending. McDonald's shares **added 0.9% Monday.**

## WORLD WRESTLING ENTERTAINMENT INC.

▼ The WWE and UFC are teaming up. The World Wrestling Entertainment and Endeavor Group Holdings Inc. agreed to form a new parent company, bringing professional wrestling and mixed martial arts league Ultimate Fighting Championship under one roof. Endeavor will hold a 51% controlling interest in their newly formed entity, with WWE owning the remaining 49%. Endeavor Chief Executive Ari Emanuel will serve as chief executive, while WWE majority owner and former CEO Vince McMahon is to be named executive chairman. WWE shares **lost 2.1% Monday.**

## PERFORMANCE OF FOOD MANUFACTURERS

Source: FactSet



## CONAGRA BRANDS INC.

▲ Higher price tags are feeding Conagra's bottom line. The maker of Slim Jim raised its guidance for the second consecutive quarter as the food manufacturer posted a nearly 60% rise in profits. Conagra attributed its results to inflation-driven price increases. General Mills Inc. and McCormick & Co. Inc. have also said that packaged foods are benefiting from aggressive price increases. Conagra shares **rose 1.8% Wednesday.**

## JOHNSON &amp; JOHNSON

▲ Johnson & Johnson is seeking one of the biggest product-liability settlements ever. The health-products maker has proposed paying at least \$8.9 billion to thousands of people who sued the company alleging that their use of J&J's talc-containing powders caused cancer. If a bankruptcy court and a large majority of plaintiffs approve the plan to make the payments over 25 years, J&J could resolve the lawsuits. The deal would rank among the largest mass tort-litigation settlements, including a \$206 billion agreement with tobacco companies over the effects of smoking. J&J shares **rose 4.5% Wednesday.**

## WESTERN ALLIANCE BANCORP

▼ More effects of the Silicon Valley Bank collapse are coming to light. The Phoenix-based lender Western Alliance disclosed that its deposits plunged in the final weeks of March in the wake of SVB's meltdown. In a regulatory filing, the bank said that its total deposits were \$47.6 billion as of March 31—a roughly 23% drop in a few weeks. Many smaller and midsize banks have seen deposits flee in the aftermath of SVB, which catered to business clients with deposits that exceeded the FDIC's \$250,000 insurance limit. Western Alliance shares **dropped 12% Wednesday.**

## EXXON MOBIL CORP.

▲ Exxon Mobil has held preliminary and informal discussions about acquiring U.S. fracking company Pioneer Natural Resources Co., The Wall Street Journal reported Friday, adding that the cash-rich oil-and-gas giant has been looking to expand and has had discussions with at least one other company. Earlier in the week, oil prices surged after OPEC+, the Saudi-led group of producers, said that it would cut more than a million barrels of output a day starting next month. The decision could boost U.S. gasoline bills and inflation as the West confronts Russia over its invasion of Ukraine. Exxon shares **jumped 5.9% Monday.**

## ALPHABET INC.

▲ The AI race is heating up. Alphabet unit Google plans to add conversational artificial-intelligence features to its flagship search engine, Chief Executive Sundar Pichai said in an interview with The Wall Street Journal. Mr. Pichai said chatbots don't pose a threat to Google's search business, which accounts for more than half of revenue at parent Alphabet. With Microsoft Corp. deploying the technology behind ChatGPT in its Bing search engine, Mr. Pichai is dealing with one of the biggest threats to Google's core business in years. Alphabet shares **gained 3.8% Thursday.**

—Francesca Fontana

KEYWORDS | CHRISTOPHER MIMS

## More Spending, Less Innovation

Big firms are hiring an ever-larger proportion of America's inventors, who are less productive once they join



The moment Noam Bardin, former chief executive of navigation app Waze, knew that life at a big company would be profoundly different from running a startup came soon after he sold his company to Google.

"The first few weeks after the acquisition, we began dealing with the bewildering corporate bureaucracy," says Mr. Bardin. "What seems natural at a corporation—multiple approvers and meetings for each decision—is completely alien in the startup environment: make quick decisions, change them quickly if you are wrong."

Mr. Bardin lasted seven more years at Google before leaving in 2021. (He has since founded another startup, the Twitter-like news app Post.news). What he learned along the way tracks with what researchers who study business have found: that big companies of every sort tend to give their employees incentives to be cautious rather than bold, to pursue overly complicated solutions rather than simple ones, and to seek promotions over serving the customer.

Google didn't respond to requests for comment.

A massive new study bolsters the narrative that some version of what happened to Mr. Bardin is happening to many of America's most sought-after and skilled workers. Economists say it's part of a broader, worrisome story about the pace of innovation that in the past has kept the fires of America's economic engine burning.

The findings, published this past week in a paper from researchers at the University of Chicago and the U.S. Census Bureau, show that when inventors join large firms, they get a pay bump, but they also produce fewer new innovations, relative to inventors hired by young firms. The research is based on a gigantic data set, including 760,000 U.S. inventors and their patent-filing histories.

This research and related studies bear on everything from the slowing pace of productivity growth in the U.S. to why it is that a startup that currently has fewer than 400 employees, OpenAI, was able to release a useful artificial-intelligence chatbot before any of the tech behemoths that have many multiples of that number of people working on AI.

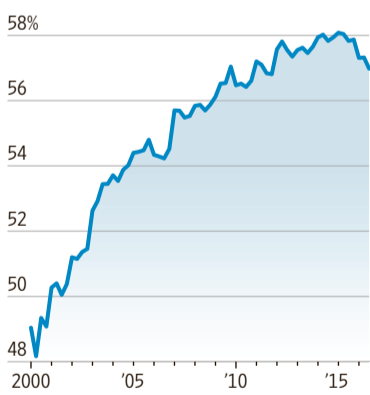
## Golden handcuffs

Mr. Bardin joined Waze in 2009, not long after it was founded in Israel, moved to the Bay Area, and guided the rapid expansion and innovation that made Waze a competitor to Google Maps. Google bought it in 2013 for about \$1 billion. Mr. Bardin stayed on as the head of Waze, and became a vice president at Google.

Before the sale, Mr. Bardin observed, everyone's financial interest was aligned with the performance of the company's products. Once Waze was a subsidiary, getting ahead was all about getting promoted.



Percentage of inventors employed by incumbent firms, quarterly



Sources: NBER Working Paper Series Nr 31085, "Where Have All the 'Creative Talents' Gone? Employment Dynamics of US Inventors"; Ufuk Akcigit; Nathan Goldschlag

Authors of the new study found similar issues for inventors who joined big firms. After being hired by a big company, inventors produced 6% to 11% fewer innovations, as measured by their output of patents.

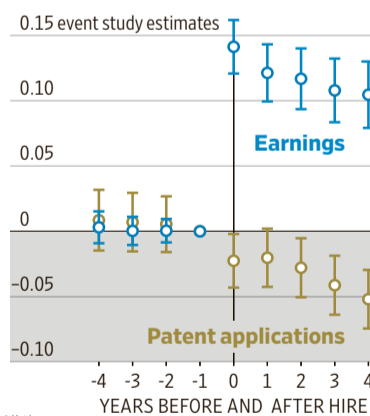
At the same time, these inventors earned on average 12.6% more than those who were hired by smaller, newer companies. It's easy to see why talented people would trade the stress and risk of life at a startup for a gig at a big company.

## 'Killer acquisitions'

This wooing of inventors by big firms has a number of effects that are likely to be bad for innovation overall, says Ufuk Akcigit, economics professor at the University of Chicago and co-author of this latest study.

One such effect is that inventors have become less likely to become entrepreneurs in recent decades, and more likely to work for large companies, something the researchers were able to determine by examining census data. The proportion employed by the biggest companies grew to around 58% by the end of the 2010s from less than

Difference in an inventor's outcome between inventors hired by incumbent or young firms



50% in the year 2000.

At big companies, people generate new ideas and get them in front of customers more slowly because of misaligned incentives, bureaucracy and institutional risk aversion, says Mr. Bardin. "The people who stay at a big company have to play the same games as everyone else, which means their innovative side doesn't help them," he adds. "Their political side is what gets them promoted."

People at big companies tend to have plenty of good ideas, he adds. The difficulty is with bringing them to fruition.

"When you are small, you know what's happening in the firm, so you put together some new tech or product, and it sees the sunlight relatively quickly," says Dr. Akcigit.

Similar effects have been observed at the level of companies, rather than individuals. In a 2021 paper called "Killer Acquisitions," Colleen Cunningham, an economist at the University of Utah, and her colleagues found that companies sometimes buy a startup not to incorporate its technology but to neutralize a potentially disruptive competitor.

Big companies aren't deliberately trying to make America's innovators less likely to spawn the next great thing, says James Bessen, an economist at Boston University who has written a book on the subject. But this has been one effect of their tendency to over-hire and hoard talent.

Not everyone agrees that this concentration of power and innovators in the hands of big companies is bad for competition or America's economy. For one thing, it doesn't seem to be hurting the formation of the kinds of startups that matter most to America's ability to innovate, says Robert Atkinson, founder of the Information Technology and Innovation Foundation, a Washington, D.C.-based think tank backed by big tech companies.

A 2020 analysis by Mr. Atkinson and a colleague found that America is still creating high-growth, high-tech startups, and that the more concentrated an industry is, the more of these kinds of startups are born in it. As for innovators producing fewer patents when they join a big firm, he says this is probably not representative of their actual productivity.

Big firms are able to use any given innovation in more areas of their sprawling businesses, which means that they get much more out of every dollar they spend on research and development, he adds.

As technology becomes more complicated, and companies hold on to it more tightly, it takes much longer to spread to other companies than it did before, says Mr. Bessen.

The total number of inventors in the U.S., and the total amount of money invested in R&D in the U.S., continue to grow. Yet business dynamism—the rate at which new firms arise, grow, and fail—is down, according to a large body of research, and economic growth is slowing, says Dr. Akcigit.

"The idea that if you allocate more resources to R&D, you'll grow faster," he adds, "that's now broken in the U.S."

## McDonald's Cuts Pay Packages

Continued from page B1

officers working across operations, finance and marketing, according to an internal company email sent Thursday.

Companies across the U.S. economy are shedding jobs, often white-collar positions, amid concerns about a potential recession. Layoffs that began in the tech sector last year have spread to other industries, with companies from Goldman Sachs Group Inc. to Amazon.com Inc. recently trimming their ranks.

McDonald's told U.S. restaurant owners and operators in the Thursday email that it would close its field offices in coming months, saying that they are underutilized with most field staff spending their time in restaurants. The company said instead it would adopt a single, national structure overseeing its 10 field offices.

"While the McDonald's Brand is in the strongest position it has been in years, we also recognize that our business has grown increasingly complex in recent years," Joe Erlinger, president of McDonald's USA, said in the email viewed by the Journal.

## Among those laid off were senior staff who had worked at the company for decades.

Among those laid off were senior employees who had worked at McDonald's for decades as well as those who held positions at the company for just a few years. Some wrote emotional goodbye messages to colleagues and restaurant operators, including a director who worked at McDonald's for over 20 years and bid farewell via a haiku posted on LinkedIn.

"This is not good-bye—But a 'see you later' note—I'm cheering for you," the poem's closing words read.

Consulting firm McKinsey & Co. served as an adviser to McDonald's on the chain's restructuring effort, according to people familiar with the matter. McDonald's has conducted several rounds of layoffs in recent years. In 2018, the chain said it was cutting its management to be "more dynamic, nimble and competitive." McDonald's said at the time the layoffs would occur as part of a half-billion-dollar plan to shrink administrative expenses by the end of 2019.

In a company message from January, McDonald's said that the sprawling company operated in too many silos, leading to redundancies and slowing its innovation. The chain said it aimed to consolidate its work on some projects and stop or move away from others.

Before the layoffs, McDonald's employed more than 150,000 people globally in corporate roles and in its company-owned restaurants, with 70% of them located outside of the U.S., the chain said in February.

—Heather Haddon contributed to this article.



## BUSINESS NEWS

# Tesla Cuts Prices to Help Fuel Sales

EV maker cuts base Model S and Model X by \$5,000 each amid competition from rivals

By WILL FEUER

Tesla Inc. lowered the prices on its vehicles in the U.S. again, as the EV maker tries to stoke demand amid heightened competition from other auto makers.

Tesla cut the prices on its Model S and Model X vehicles by \$5,000 each to \$84,990 and \$94,990 for the base models, respectively. The company also lowered the price on its Model 3 sedan and some Model Y crossovers.

In the first quarter, Tesla delivered a record 422,875 vehicles to customers globally, up 36% from a year earlier. Model S and Model X vehicles contributed 10,695 of those deliveries, though the company said it produced more than 19,000 of the two models combined during the period. Rival auto makers have also cut prices, including Ford Motor Co., which in January reduced the cost of its Mustang Mach-E EV. Ford said it would lose about \$3 billion on its EV business this year.

In some cases, though, auto makers are holding the line on EV prices—and even raising them—amid strong demand for newer models. Ford last month raised the starting price of its



Customers shopped at a Tesla showroom in Suzhou, China, early this year.

F-150 Lightning pickup truck, at least the fourth increase since it went on sale nearly a year ago.

Tesla's latest cuts come after it lowered the prices of its Model S luxury sedan and its Model X SUV last month. The company in January also lowered prices across its lineup, including for its two bestselling vehicles.

After the January reductions, Tesla reversed some earlier cuts. Chief Executive Elon Musk has suggested the price adjustments fueled buyer interest.

Tesla found that "even small changes in the price have a big effect on demand, very big," Mr. Musk said earlier this year.

Tesla didn't respond to a request for comment. The company reduced the prices on its Model 3 sedan by \$1,000, down to \$41,990, and listed a new, lower range version of its Model Y crossover for preorder. That vehicle starts at \$49,990. Tesla cut the prices of its other Model Y configurations by \$2,000, returning them to mid-January levels.

The latest round of reductions also comes as Tesla prepares for the \$7,500 tax credit applied to purchases of its more affordable models in the first quarter to be reduced to \$3,750 for its Model 3 Rear-Wheel Drive on April 18, according to the company's website. The reduction is related to new criteria for EV tax credits recently issued by the Treasury Department.

Investors are poised to get another look at Tesla's financials on April 19, when the com-

pany is scheduled to report first-quarter results.

Wall Street expects first-quarter profit to slide to around \$2.6 billion, from \$3.3 billion for the first three months of 2022, despite an expected increase in sales, according to FactSet. Quarterly revenue is forecast to climb to above \$23.8 billion, from \$18.8 billion a year earlier, FactSet data show.

Auto makers are producing more EVs and rolling out new models, giving buyers more choices. EVs accounted for 8.5% of total auto-industry sales in the U.S. in the first quarter, up from the 5.3% recorded for full-year 2022, according to J.D. Power.

"We are very aware that competition will become tougher," Arno Antlitz, Volkswagen AG's chief financial officer, said last month. "So we try to stay as fixed as possible on the overhead cost side." He reiterated that the company plans an EV priced below €25,000, or around \$27,000.

Tesla has more wiggle room than most auto makers to play with pricing, thanks to comparatively high operating margins—16.8% last year—and a robust cash cushion.

## Watch a video



Scan this code for a video on how Tesla's goals come with a big price tag

# Walmart Sues Bank To End Card Deal

By ANNA MARIA ANDRIOTIS

Walmart Inc. is suing Capital One Financial Corp., seeking to terminate the companies' credit-card partnership.

Walmart's lawsuit, which was filed this past week, alleges that Capital One didn't meet certain terms of the card partnership contract. The case was filed in the Southern District of New York.

Walmart alleged that Capital One didn't provide the customer service it was obligated to offer, such as replacing lost cards promptly. It also alleged that Capital One didn't promptly post some transactions and payments to cardholders' accounts.

A Capital One spokesman said Friday: "These immaterial servicing issues were cured by Capital One pursuant to the terms of the agreement, without harm to customers, the program, or Walmart."

The spokesman said Walmart's lawsuit "is an attempt to renegotiate the economic terms of the partnership it agreed to just a few years ago, or end the deal early." He said that Capital One "will vigorously protect our contractual rights in court."

Walmart executives had recently told Capital One executives that they wanted to renegotiate some terms of the card contract, according to people familiar with the matter. Walmart's requests included adjusting the loss-sharing agreement, the people said. That agreement pertains to the portion of charge-offs that the retailer and the bank each shoulder.

Walmart also conveyed that it wanted its fintech arm to be involved in issuing cards, they said. Capital One wasn't willing to accept Walmart's demands, people familiar with the matter said. Capital One began issuing Walmart's credit cards in 2019. The contract runs until at least 2026, people familiar with the matter said.

A Walmart spokesman said Friday that the retailer "has decided to end its consumer credit card agreement with Capital One."

# Hospital Landlord Expects Big Earnings Hit

By JONATHAN WEIL

Medical Properties Trust Inc., one of the country's biggest owners of hospital properties, expects to take an approximately \$300 million charge to earnings tied to a deal involving some of its holdings, company executives said.

The profit hit would be the second in recent months linked to its two biggest tenants.

The expected charge stems from a deal by MPT's biggest tenant, Steward Health Care System, to sell its operations at five Utah hospitals. The Utah hospitals have a \$1.2 billion book value on MPT's financial statements, which would decline to about \$900 million, the company's chief financial officer, Steven Hamner, said in an interview. Mr. Hamner said the hospitals' market value hasn't declined and isn't impaired. Instead, the charge would be tied to the change in tenants at the five hospitals. He said the company is still consulting with its auditors and accountants about the matter, which hasn't been finalized.

MPT shares soared during the period of low interest rates and buoyant stock markets, raising cash to buy up hospital real estate. The deals, some of which were linked to private-equity firms, left many hospitals that had owned their real estate now paying rent.

The company's shares are down by two-thirds since the start of 2022. The real-estate investment trust, once a favorite of investors looking for stable dividend income, has become a target for short sellers.

Among other things, the shorts believe that Steward, MPT's biggest tenant, and Prospect Medical Holdings, its second biggest, are in financial distress.

# Paramount Explores Selling Majority Stake in Noggin Platform



Paramount Global is exploring selling a majority stake in Noggin, its online learning service for preschool children, according to people familiar with the situation, part of the entertainment company's efforts to give priority to its Paramount+ and Pluto TV streaming services.

Much of Noggin's content, including "PAW Patrol" (above) and

"Peppa Pig," is created by Nickelodeon, a cable channel also owned by Paramount, and appears on Paramount+ as well as Noggin's own direct-to-consumer platform.

Paramount sees an opportunity to develop Noggin into more of an interactive learning platform and is seeking an investor to help it do that, the people said.

Paramount wants to retain a stake in Noggin, believing there is a revenue opportunity from the digital service as a minority investor if someone else develops it, the people said.

The stake sale explorations are the latest example of Paramount's strategy to review all of its businesses to align them with supporting Paramount+.

The company is also exploring selling a majority stake in BET Media Group, which includes cable channels BET and VHI, The Wall Street Journal previously reported. Earlier this year, Paramount decided to fold its Showtime streaming service into Paramount and rebrand the Showtime premium channel as "Paramount+ With Showtime."

Noggin, which caters to children aged two to seven years, started in 1999 as a joint venture between Nickelodeon and "Sesame Street" parent Sesame Workshop. It initially included its own TV channel. Nickelodeon bought out Sesame Workshop's stake in 2002, and in 2009 the Noggin TV channel was replaced by Nick Jr.

# AI Chatbots Spark Upheaval for Fortune Cookies

By ANGUS LOTEN

Over the past two decades, Charles Li, the owner and chief executive of Chicago-based fortune-cookie factory Winfar Foods Inc., has drawn on Chinese proverbs and popular sayings to write thousands of messages that go into the wafers. Mr. Li says he and his 80-year-old father-in-law spend long hours coming up with lines that are clever but still brief enough to fit on a ribbon of paper.

Winfar now supplies fortune cookies to more than 11,000 restaurants nationwide, and Mr. Li says he has had to bring in outside copywriters. "Writing fortunes is both fun and hard work," he says, which itself sounds like something out of a fortune cookie.

The fortune-writing industrial complex, however, is on the brink of a major upheaval. Or, as a cookie might put it: *Be ware—the machines are coming for your job.*

OpenFortune Inc., a New York-based company that supplies printed messages to well over a dozen fortune-cookie factories around the world, says it has started using ChatGPT technology to potentially generate a near-limitless inventory of new messages.

By some estimates, three billion fortune cookies are made

by factories around the world every year. Nearly all are written by a handful of fortune-cookie factory owners, their families or small teams of copywriters.

Big Fortune Cookie is divided over whether to embrace the new technology. Some, such as Mr. Li at Winfar, say artificial intelligence will be a big time saver and are adopting it.

Others, including Kevin Chan, say they will not be turning their prose over to software, and aren't convinced smart technology will make a smart cookie.

Mr. Chan, the 53-year-old co-owner of the Golden Gate Fortune Cookie Factory in San Francisco, says computers writing cookie fortunes "is a sign that society is moving too fast." He began composing fortunes as a teenager to help his mother, Nancy Tom Chan, and often cribbed aphorisms from Confucius, he says. Today, the 60-year-old family business cranks out roughly 10,000 handmade fortune cookies every day, Mr. Chan says, and by his count, they have written more than 5,000 fortunes.

His favorites are the romantic ones, such as: "The love of your life is right around the corner." The shop has even slipped marriage proposals into customized cookies by coordinating with the hopeful groom.



The Golden Gate Fortune Cookie Factory in San Francisco cranks out roughly 10,000 handmade fortune cookies every day.

"Fortune cookies are a form of meditation," Mr. Chan says, "and people today need to meditate. We are humans. Computers are just computers."

Shawn Porat, the "chief fortune officer" of OpenFortune, says the chatbot's underlying software, designed to provide human-ish responses to simple prompts, can in seconds spit out messages that are indistinguishable from those of veteran fortune-cookie writers.

For those who might bash artificial intelligence as not yet perfected, Mr. Porat says ChatGPT's oddball tendency to occasionally deliver cryptic responses makes the technology a perfect fit: Part of the charm of

fortune cookies is the occasional message that reads like it was written by, well, a robot pretending to be a person.

After several months of fine-tuning the algorithm, the messages have become more or less intelligible, OpenFortune says. Among the nuggets: "You will soon have a delightful encounter with a stranger who will add a pinch of spice to your life." The AI software also produced head-scratchers, such as, "Your fate is written in the stars and encrypted in the clouds..."

Fortune cookies, largely unheard of in China, likely originated in Japan centuries ago, according to the Museum of Food and Drink in New York.



'Expect big changes'



## EXCHANGE

BY CHAVIE LIEBER AND  
SARA ASHLEY O'BRIEN

**EVEN BY THE LIGHT-SPEED** standard of social media, Olaplex had a fast rise—and suffered an even quicker backlash.

Founded in 2014, the hair-care company built a following with salon treatments whose bond-building technology addressed common hair complaints: split ends, breakage, frizz and color damage. Olaplex became a byword for hairstylists and beauty influencers, leading the company to make a consumer product line and a splashy Wall Street debut.

Now it is facing declining sales and a plummeting stock price amid mounting competition. In February, Olaplex was sued by dozens of women who allege its products cause hair loss and damage. Other unhappy customers have taken their complaints to social media, turning a once-promotional platform into a liability for the brand.

Olaplex Chief Executive JuE Wong said the company has dedicated 2023 to be a “reset year.” The brand has nearly doubled its marketing budget for an awareness campaign that includes billboard advertising, boots on the ground at Sephora and Ulta Beauty, and a rapid-response approach to social media. “We want to correct misinformation more vocally and faster,” Ms. Wong said.

Founders Dean and Darcy Christal, a husband-and-wife duo, had zeroed in on a problem they wanted to help solve: chemically damaged hair. They were about to give up on their approach when Mr. Christal met Craig Hawker, a chemist who believed he could develop a way to prevent and heal chemically altered hair. They soon joined up, and Mr. Hawker, along with his former Ph.D. student Eric Pressly, developed the Olaplex formula.

The company started in Santa Barbara, Calif., and launched the brand with salon-only products. Mr. Christal said that in the early days it wasn't too hard to promote the bond-building serums, which stylists touted as highly effective.

But it wasn't long before the company publicly addressed comments about hair breakage and scalp issues. The company investigated the allegations at the time. “We took everything seriously. If a problem had existed, we would have wanted to know,” Mr. Christal said.

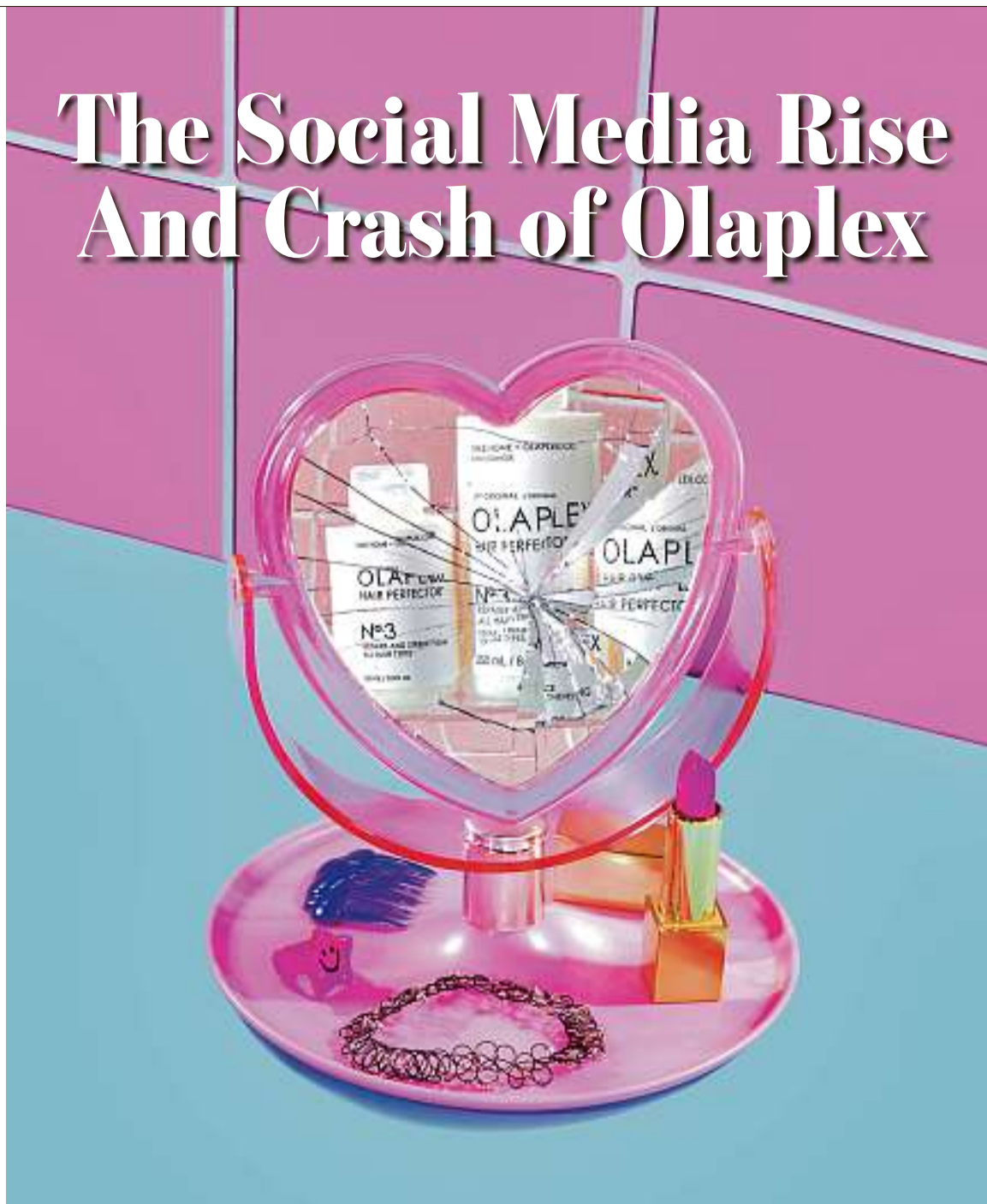
Olaplex, meanwhile, tapped several well-known stylists as brand ambassadors and drew praise from celebrities like Kim Kardashian and Drew Barrymore. In 2018, Olaplex began to sell online, positioning itself as a one-size-fits-all solution for damaged hair. It began selling at Sephora the same year and at Ulta Beauty in 2022.

In November 2019, Olaplex struck a deal to sell itself to private-equity firm Advent International. When the deal closed in January, Mr. Christal stepped down as chief executive, and Ms. Wong was brought in.

“There was all this hype and fever around it,” said Amy Chang, a Los Angeles beauty influencer with 1.6 million followers on TikTok. But when she tried the products herself, she said she was disappointed. “As time progressed and I kept using them, my hair felt dry and brittle and stiff,” she said.

In January 2021, as the

# The Social Media Rise And Crash of Olaplex



The hair-care brand promised to repair damaged hair, but online customer complaints have pushed it into crisis management mode as its share price drops

brand continued to win favor on social media, she was asked by viewers for her thoughts on the products. She told her followers, “Everyone seems to love Olaplex. But, fun fact: I didn't.” Ms. Chang said she later worked with Bumble and Bumble to promote its bond-building competitor in exchange for a flat fee.

Olaplex raised \$1.55 billion in a public stock offering in September of 2021, which valued the company at \$15 billion. As the brand continued to dominate hair-care posts on TikTok, the hashtag #OlaplexBun—referring to a hairstyle that helps its deep-conditioning product set in—garnered millions of views. In May of 2022, Olaplex reported its

net sales rose more than 57% to \$182.6 million in the first three months of the year, compared with the same period one year prior.

But earlier that year, the company removed an ingredient called linal from its products after the European Union banned the chemical. The move set off a new cycle of unflattering coverage for Olaplex. Users posted concerns on social-media accounts about the products' possible connection to infertility and highlighted animal studies involving the ingredient. More allegations surfaced about hair loss and damage.

Ms. Wong took to Olaplex's social-media channels to refute the claims, posting in February that the brand was sharing results “from independent third-party laboratories” to prove its products were safe to use.

“Our products do not cause hair loss or hair damage or hair breakage,” Ms. Wong said.

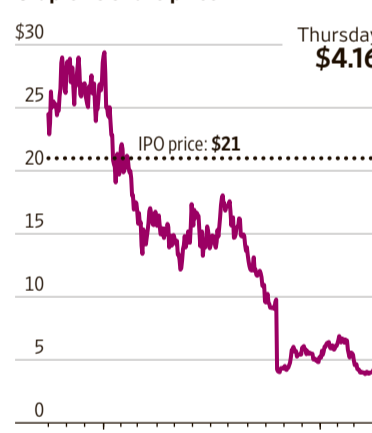
Ms. Wong was referring to skin allergy tests, called HRIPT, which the company conducts before bringing products to the market. The tests are an industry-standard protocol for detecting potential allergies or irritations. The company said its manufacturers test each production batch to make sure all are made in accordance with its formula.

Roughly 100 women sued Olaplex this year over hair loss and scalp

injuries that they alleged resulted from its products. They argue the company falsely advertises its products as safe and effective.

Amy E. Davis, a Dallas-based lawyer who is lead counsel for the plaintiffs and who previously represented plaintiffs in a mass tort lawsuit against hair-care brand Wen, said that before a would-be

Olaplex's share price



Sources: FactSet (share price); S&P Capital IQ

plaintiff can join the lawsuit, she and co-counsel are ruling out other common causes of hair loss, including health conditions, medications, life changes and stress.

Ms. Wong said the company is empathetic to people suffering from hair loss and breakage, but maintained the cause isn't Olaplex. She suggested they consult with a dermatologist.

The backlash has received a lot of attention. TikTok videos with the hashtags #OlaplexHairLoss and #OlaplexRuinedMyHair have been

viewed nearly 500,000 times. In addition to public posts, a private Facebook group created in July 2022 called “Olaplex Hair Loss/Hair Damage?” has amassed 8,500 members.

The brand's stock and sales have fallen to about \$4 a share, which is down about 80% from its listing price on Sept. 30 of \$21 a share. On a Feb. 28 earnings call, Olaplex reported that its net sales declined 21.5% in the fourth quarter of 2022, compared with the same period a year ago, and it forecast a slowdown for 2023.

Olaplex also faces growing competition from brands like K18, which has gained celebrity fans like Selena Gomez and Hailey Bieber. It recently started selling at SalonCentric, a L'Oréal-owned distributor that also sells non-L'Oréal brands. Mr. Pressly, the other chemist who helped develop the Olaplex formula, launched his own brand, Epres.

To combat negative sentiment on social media, the company is taking an aggressive front-line approach. Olaplex has dedicated \$70 million to marketing this year, up from \$40 million last year. Ms. Wong said the company wants to offer deeper understanding on how its products work.

“We put it on ourselves,” Ms. Wong said. “Maybe someone out there spread misinformation, but we didn't do a good enough job to really intercept that.”

Olaplex has hired a field team to work at 180 Sephora stores and 220 Ulta Beauty locations. They will focus on educating both shoppers and retail associates, and report back to Olaplex after each visit, Ms. Wong said. The company said it would also share some user-generated social-media posts on its company platforms.

Because nearly 43% of Olaplex's sales come from salon professionals, Ms. Wong said the company has hired more personnel to make weekly visits to beauty-supply stores and recruit salons in markets like New York, Texas and Los Angeles.

Korinne Wolfmeyer, a senior research analyst who covers Olaplex for financial-services firm Piper Sandler, said in-person representatives at Sephora and Ulta are necessary, noting the brand's product expansion in the last few years has caused confusion. “There are all these bottles on the shelf, which one does what?” she said. While

Olaplex's quarterly financials

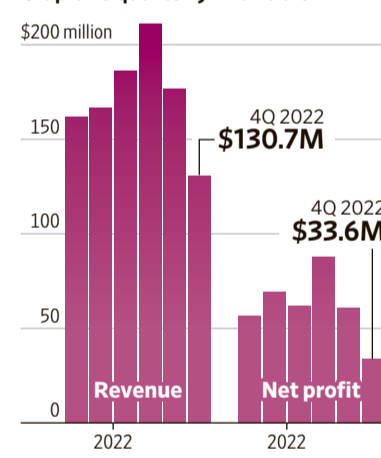


PHOTO ILLUSTRATION BY ELIZABETH RESTROM FOR THE WALL STREET JOURNAL (2)



## Uniqlo's Parent Company Bets Big on Tiny RFID Chips

BY BELLE LIN

At Uniqlo's Fifth Avenue store in New York, shoppers can check out simply by placing their goods in gleaming bins of automated stations. Unlike the self-checkout process at many stores, customers of the casual apparel retailer don't need to scan individual items or look up prices on a screen—they can simply drop their items in a bin and pay.

This next-generation process is powered by radio frequency identification readers inside the checkout machines, which automatically read hidden RFID chips embedded in price tags. It is the strategy of Takahiro Tambara, chief information officer of Japan-based Uniqlo's parent company, Fast Retailing Co., Asia's top clothing retailer. Mr. Tambara set out on a mission several years ago to transform the way customers shop in its bricks-and-mortar stores, which are still key to the company's business model even as more commerce moves online.

Mr. Tambara said the self-check-

out machines are part of a broader effort to improve Uniqlo's supply chain with RFID. All Fast Retailing brands, including Theory and Helmut Lang, began embedding RFID chips into their price tags in 2017—allowing the retailer to track individual items from its factories to warehouses and inside stores. That data is critical for Uniqlo in improving the accuracy of inventory in stores, adjusting production based on demand, and getting more visibility into its supply chain, the company said.

“We did not introduce RFID because we want to automate the checkout process; we wanted to develop a platform so that it can be utilized across the supply chain,” Mr. Tambara said.

Newer and cheaper RFID chips, reader hardware, and software are enabling retailers such as Uniqlo to implement the technology at lower cost and with more precision, said Praveen Adhi, a senior partner at McKinsey & Co. who leads the consulting firm's retail-operations practice in the Americas. The cost of

RFID tags has fallen from as high as 60 cents a tag a few decades ago to about 4 cents a tag, and reader hardware has improved in range and accuracy, he said.

Uniqlo, he said. RFID has resulted in “significant reduction in out-of-stock” items on the sales floor, and that it has contributed to “reducing lost opportunities and improving customer satisfaction.” The company declined to provide more specific information regarding the business impact of the technology.

Fast Retailing began testing the technology in 2013, and in 2019 started rolling out RFID-enabled self-checkout machines in certain stores. Mr. Tambara declined to say how much it has spent on the technology, but said Fast Retailing has doubled its investment in informa-

tion-technology since 2016, when it launched a strategy to become a digitally enabled apparel retailer and developed its own e-commerce platform.

While the most common use case for RFID is improving inventory management, the use of RFID at self-checkout machines is gaining traction as more apparel retailers explore ways to apply the technology once their merchandise has been tagged. For the majority of apparel brands, implementing RFID “will be on their 2023 or 2024 agenda,” Mr. Adhi said.

The unique benefit of an RFID-based checkout system like Uniqlo's is that it is faster and more accurate than barcode-based self-checkout machines, he added. Many retailers still rely on printed bar codes, which require manual scanning and are more lim-

ited in the data they carry.

Fast Retailing is one of a few apparel retailers so far to have implemented RFID for self-checkout at a large scale, underscoring the obstacles retailers need to work through—sometimes for years—before a major rollout, Mr. Adhi said. Uniqlo's self-checkout machines are available in all 47 U.S. and 16 Canadian stores, and 14 of the 25 markets where it has stores, the company said. Stores also offer cashier checkout.

Fast Retailing said that since it rolled out the machines, customers have reduced their wait time at checkout by 50%. The company is using RFID readers and antennas, both of which are integrated into its point-of-sale systems, and said items stop being tracked after they are purchased.

Many shoppers remain hesitant to use self-checkout registers, saying they are put off by hard-to-scan items among other issues. Retailers like Uniqlo aim to allay such customer concerns by providing better technology.



Takahiro Tambara, chief information officer and RFID strategy architect

STEVEN ROSENBLUTH

EXCHANGE

# American Factories Are Back

Continued from page B1  
 II, when nearly half of private-sector employees worked in factories. That portion plunged after the war, thanks to automation and U.S. companies seeking lower costs overseas. Production capacity, which had grown at about 4% a year for decades, flattened after China's 2001 entry into the World Trade Organization.

But last year U.S. production capacity showed its strongest growth since 2015 after pandemic-driven shortages and delays caused manufacturers to rethink their far-flung supply chains, said UBS industrial analyst Chris Snyder.

"Covid kind of pulled the covers off and showed everybody how much risk they were exposed to," Mr. Snyder said.

Today U.S. manufacturing employment is holding steady at about 10% of the private sector, according to the U.S. Bureau of Labor Statistics, with nearly 800,000 jobs added in the sector over the past two years. The total number, 13 million, was virtually unchanged in the latest BLS jobs report.

The industry is actually hurting for workers—about 800,000 more are needed, according to the National Association of Manufacturers—leading to concerns that labor shortages and other bottlenecks could short-circuit the boom.

"I can bring back all the orders I want; there will be no one to make them," said Harry Moser, president of the Reshoring Initiative, which advocates for bringing manufacturing jobs back.

Government incentives are stoking the frenzy. The Biden administration, seeing electric vehicles and semiconductors as matters of national security, has devoted billions of dollars to expanding those industries in the U.S. States are kicking in billions more.

One result of that push can be seen in Lansing, Mich., the town where Oldsmobile got its start in the late 19th century. In a field adjacent to a General Motors Co. SUV factory, a vast skeleton of steel beams marks the coming of the automotive industry's next phase.

The plant under construction belongs to Ultium Cells, a joint venture between GM and LG Energy Solution Ltd., and it aims to start producing EV batteries in late 2024. The factory shares a \$2.5 billion federal loan with sister plants in Ohio and Tennessee. It has also received \$666 million in state grants and a bargain rate on electricity from the city's utility.

Ultium said the factory will cre-



(1) Women work on a Ford assembly line during World War II; (2,3) Zenni Optical's new eyewear facility in Obetz, Ohio, which can deliver glasses within 48 hours of receiving an order from a customer; (4) construction is well under way at the site of the Ultium Cells electric-vehicle battery facility in Lansing, Mich., where Oldsmobile was born.

FROM TOP: NATIONAL MOTOR MUSEUM/HERITAGE IMAGES VIA GETTY IMAGES; ANDREW SPEAR FOR THE WALL STREET JOURNAL; NIC ANTAYA FOR THE WALL STREET JOURNAL

around factories create a multiplier effect, making them worthy of public support.

Hundreds of workers have swarmed over the site since construction began last year. That inspired Debi Cheadle, who lives nearby, to buy a food truck to serve burgers and burritos.

"I saw all the people coming and going and thought, 'Let's do something that's profitable and good for us, too,'" she said in mid-March as lunchtime approached.

Lansing Mayor Andy Schor said the city is also wooing companies that make semiconductors. Richard Branch, chief economist of the Dodge Construction Network, which tracks building projects, said that industry, along with EV battery companies, accounted for nearly half of all U.S. manufacturing construction starts in 2022, as measured in square footage.

Other new manufacturing lines are popping up in the Lansing area, taking advantage of a well-trained local workforce. The Shyft Group Inc., which makes specialty vehicles, is expanding its factory southwest of the city to build a new line of electric trucks and vans. Neogen Corp., which makes food- and animal-safety products, is building a manufacturing facility near the city's downtown.

About 20 miles north of Lansing, in the small town of St. Johns, an Ireland-based maker of dairy products has built a plant that each day turns 8 million pounds of milk into sacks of whey

protein and blocks of cheese as big as dishwashers.

The factory is a joint venture between the company, Glanbia Nutritionals, and two cooperatives representing local dairy farmers. The facility opened in late 2020, and since hitting full capacity, processes a quarter of the milk produced by Michigan's cows.

Site director Manish Paudel said many of the factory's 266 employees have a manufacturing background that allows them to quickly understand its heavily automated processes. Tyler Klein, who was monitoring a vat in which lumps of cheddar were forming, said he joined the company after making piston rings in an auto-parts plant.

"This is the most technologically advanced factory I've worked in so far," he said.

St. Johns Mayor Roberta Cocco said the factory has invigorated her town's shopping district, where once-empty storefronts now host new businesses. Emily Baudoux, who started a clothing boutique called Rise Up Co. a year ago, said she's thinking about putting a rental apartment above her shop for visiting executives.

Much of the nationwide manufacturing buildup aims to shorten the distance products travel between being made and sold. Danish toy maker Lego A/S, which supplies the Americas primarily from a factory in Mexico, said that

is why it is building its first U.S. plant near Richmond, Va.

"This allows us to rapidly respond to changing consumer demand and helps manage our carbon footprint," Chief Operations Officer Carsten Rasmussen said.

Tennessee-based nutritional supplement company Vireo Systems Inc. imports one of its key ingredients—creatine, an energy-

## 'Covid kind of pulled the covers off and showed everybody how much risk they were exposed to,' as the pandemic snarled supply chains.

CHRIS SNYDER  
 UBS industrial analyst

boosting natural compound popular with weightlifters and athletes—from China. After the Covid-19 pandemic interrupted the flow, Chief Executive Mark Faulkner decided to build a plant in Nebraska.

"We want to be masters of our own destiny," he said.

The facility, scheduled to open in two weeks, will make creatine with ingredients sourced from nearby, including ethanol processed from local corn crops. The final product, a supplement called CON-CRÉT, will be sold at Walmart Inc. stores in packaging that highlights its domestic origin, he said.

Executives who have already reshored their manufacturing caution that challenges await their peers.

Arnold Kamler, chief executive of bicycle maker Kent International Inc., said he imported stock from China until his largest customer, Walmart, indicated it preferred to sell goods made or assembled in the U.S. Kent opened a factory in South Carolina in 2014, where the local workforce had little expertise in building bikes, he said.

A high level of automation partially solved that problem, but for now, Kent's South Carolina workers paint imported frames and assemble bikes from components that mostly are made in China. Mr. Kamler said while he plans to start manufacturing rims at the factory soon, followed someday by frames and forks, his company will still rely on overseas suppliers.

"We are hoping some of our competitors will join us in producing bikes here, which would encourage more companies to make the component parts here," he said.

Gary Gereffi, director of the Duke Global Value Chains Center, said despite the surge in factory building, many industries are unlikely to create entirely home-grown supply chains.

He pointed to an automated shoe factory Adidas AG built in suburban Atlanta so it could get its products to market faster. The company shut it down in 2019, two years after its opening, and moved production to Vietnam and China to achieve what it called "better utilization of existing production capacity and more flexibility in product design."

Adidas didn't respond to emails seeking comment.

Mr. Gereffi said companies bringing their manufacturing to the U.S. should understand what they do best.

"If some of the assembly or lower-tech production can be done elsewhere, that would keep costs down to some degree," he said. "I think that's certainly in manufacturers' minds when they're thinking about these sourcing issues and where to locate production."

California-based eyewear vendor Zenni Optical Inc. exclusively used its own Chinese manufacturing facilities during much of its 20-year existence. In May, the company opened its first U.S. plant near Columbus, Ohio, to better serve the Midwest and East Coast, where most of its sales originate.

Rob Tate, the company's U.S. director of manufacturing, said the plant has allowed Zenni to deliver glasses within 48 hours of getting a customer's order. The facility, which employs about 100 workers, processes 2,000 pairs a day and aims to boost that to 14,000 by the end of the year, he said.

Zenni's original plan was to make the Ohio factory a finishing lab that put the final touches on lenses sent from China, Mr. Tate said. Supply-chain snarls that arose during the pandemic led Zenni to turn the Ohio operation into a full-service manufacturing facility.

"The reason we do that is to add a little bit of redundancy and a little bit of disaster relief to whatever may disrupt our supply chain from China," he said.

The company says it costs about \$3 more per pair to manufacture glasses in the U.S.

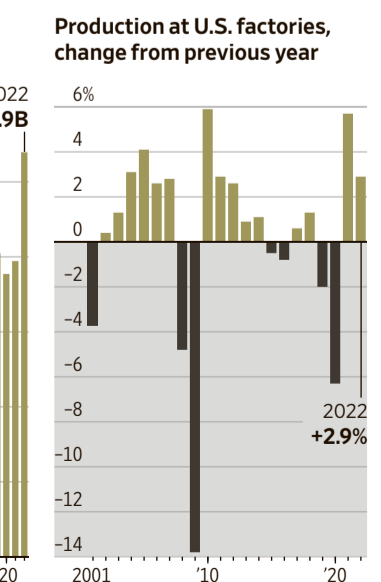
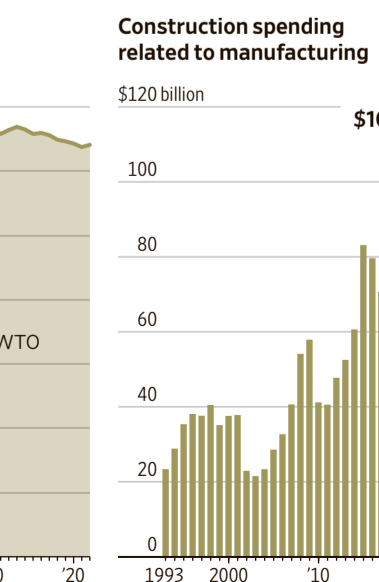
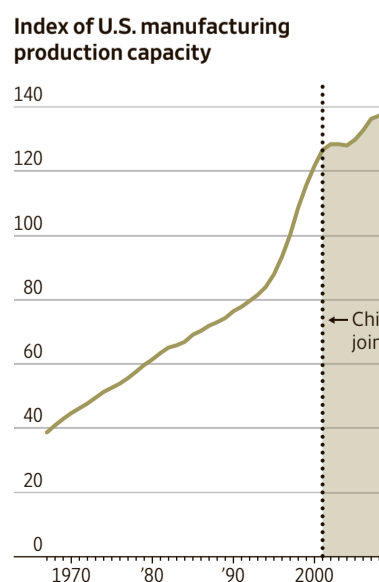
David Mindell, a professor of the history of engineering and manufacturing at the Massachusetts Institute of Technology who co-founded a venture-capital firm investing in industrial transformation, said major cycles, from the development of interchangeable parts to the rise of the microprocessor, typically play out over several decades. The factory boom signals that the U.S. is at the start of a new cycle, he said.

"Manufacturing has been part of the American story from the beginning," he said. "I see what's happening now as a return to a more traditional way of doing things."

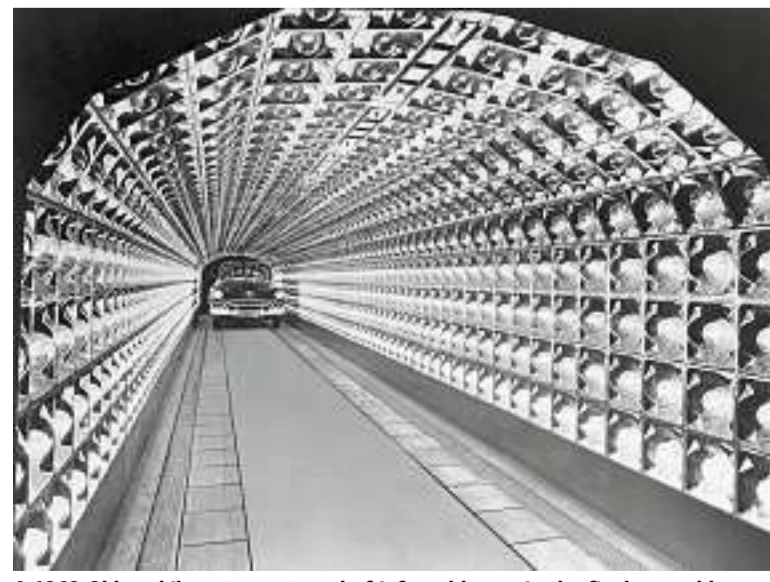


Paul Revere opened a foundry that produced bells and cannons following his famous midnight ride, as advertised in an 1800s newspaper.

ate more than 1,700 jobs. That's not a huge number by local standards—the state government, Michigan State University and local hospitals each employ far more people—but Bob Trezise of the Lansing Economic Area Partnership said the suppliers that cluster



Sources: U.S. Census Bureau via UBS (production capacity); U.S. Census Bureau (construction spending); Federal Reserve (production)



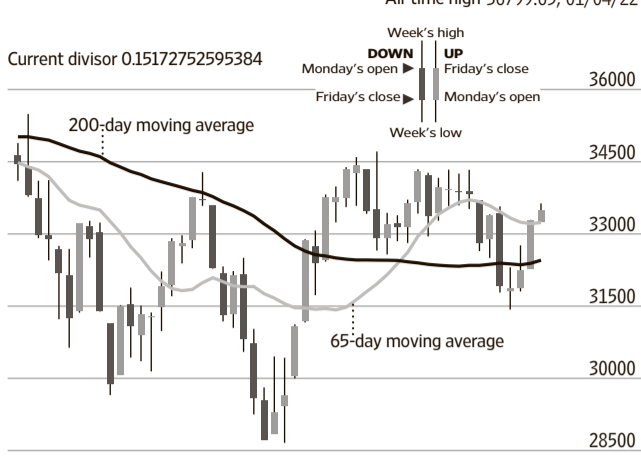
A 1949 Oldsmobile enters a tunnel of infrared lamps in the final-assembly plant in Lansing, a process that thoroughly dries the paint.

BETTMANN ARCHIVE/GETTY IMAGES

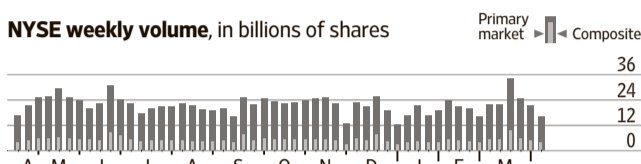
MARKETS DIGEST

Dow Jones Industrial Average

33485.29 ▲211.14, or 0.63% last week
Trailing P/E ratio 22.25 19.22
P/E estimate \* 17.81 18.16
High, low, open and close for each of the past 52 weeks
Dividend yield 2.10 2.03
All-time high 36799.65, 01/04/22



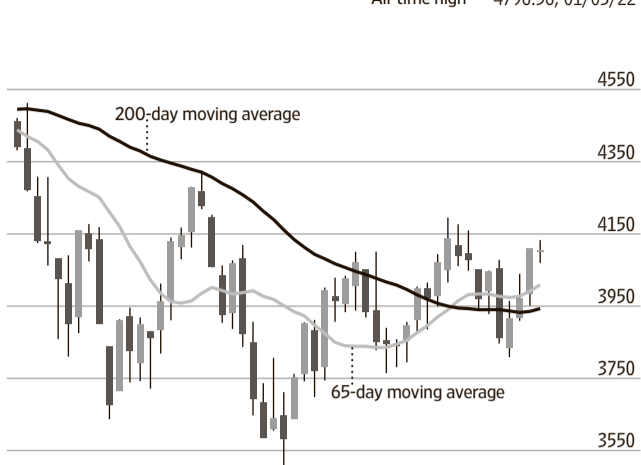
Current divisor 0.15172752595384
Week's high DOWN
Monday's open UP
Friday's close
Week's low
Friday's open



\*Weekly P/E data based on as-reported earnings from Biriyni Associates Inc. †Based on Nasdaq-100 Index

S&P 500 Index

4105.02 ▼4.29, or 0.10% last week
Trailing P/E ratio \* 18.12 25.57
P/E estimate \* 18.54 20.11
High, low, open and close for each of the past 52 weeks
Dividend yield \* 1.69 1.38
All-time high 4796.56, 01/03/22



Week's high DOWN
Monday's open UP
Friday's close
Week's low
Friday's open

Track the Markets
Compare the performance of selected global stock indexes, bond ETFs, currencies and commodities at WSJ.com/TrackTheMarkets.

NOTICE TO READERS
U.S. financial markets were closed Good Friday, April 15. They resume Monday, April 10.

Track the Markets: Winners and Losers

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

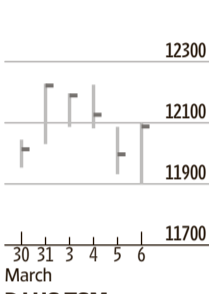
Table listing various market indices and commodities with their percentage changes. Includes categories like Index, Currency, Commodity, and Exchange-traded fund.

Major U.S. Stock-Market Indexes

Table of major U.S. stock market indexes including Dow Jones, Nasdaq Composite, S&P 500, Russell 2000, NYSE Composite, Value Line, and others.

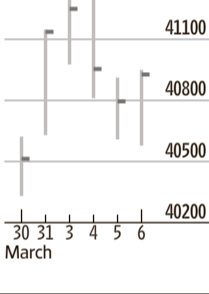
Nasdaq Composite

▼133.95, or -1.10% last week



DJ US TSM

▼209.36, or -0.51% last week



International Stock Indexes

Table of international stock indexes by region/country, including MSCI ACWI, STOXX Europe 600, Nikkei 225, Hang Seng, etc.

Commodities and Currencies

Table of commodity and currency prices, including DJ Commodity, Refinitiv/CC CRB Index, Crude oil, Natural gas, Gold, U.S. Dollar Index, etc.

Table of DJ Commodity and Refinitiv/CC CRB Index prices with 52-week range.

Table of Crude oil, Natural gas, Gold, U.S. Dollar Index, WSJ Dollar Index, Euro, Yen, and U.K. pound prices.

Table of U.S. Dollar Index, WSJ Dollar Index, Euro, Yen, and U.K. pound prices with 52-week range.

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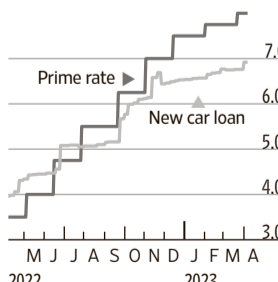
Table of U.S. Dollar Index, WSJ Dollar Index, Euro, Yen, and U.K. pound prices with 52-week range.

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Consumer Rates and Returns to Investor

U.S. consumer rates

A consumer rate against its benchmark over the past year



Selected rates

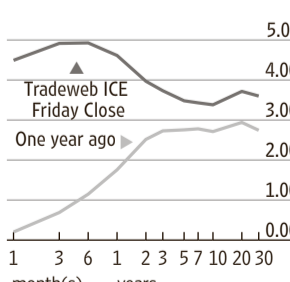
New car loan

Table of selected consumer rates including Bankrate.com avg, First Savings Bank, Colonial Savings, etc.

Benchmark Yields and Rates

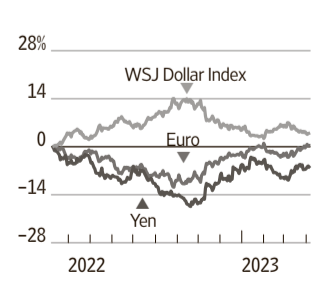
Treasury yield curve

Yield to maturity of current bills, notes and bonds



Forex Race

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



Corporate Borrowing Rates and Yields

Table of corporate borrowing rates and yields for various companies and indices.

Table of interest rates and yields for various financial products like Federal funds rate target, Prime rate, etc.

Currencies

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

Table of U.S.-dollar foreign-exchange rates for various countries and currencies.

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Borrowing Benchmarks | WSJ.com/bonds

Money Rates

Key annual interest rates paid to borrow or lend money in U.S. and international markets.

Rates below are a guide to general levels but don't always represent actual transactions.

Table of money rates including Inflation, U.S. consumer price index, International rates, Prime rates, and Policy Rates.

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BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE American and Nasdaq Stock Market listed securities. Prices are reported with bid and ask quotations that include primary market activity as reported by Nasdaq BQ (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE.

The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more from their previous closing price was \$2 or higher.

Footnotes: +New 52-week high; -New 52-week low; #Indicates loss in the most recent four quarters; FD-Friday of trading.

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 of stock prices for Thursday, April 6, 2023. Columns include YTD %Chg, 52-Week HI, Lo, Stock, Yld, and Net Chg. Includes entries like ABB, ABB, ABB, etc.

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Dividend Changes

Table showing dividend changes for various companies including CF Bankshares, EMCOR Group, and others.

Foreign

Table showing foreign stock listings for companies like Esports Ent, GFL Environmental, and others.

Global Government Bonds: Mapping Yields

Yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose (▲) or fell (▼) in the latest session.

Table showing global government bond yields for countries like Australia, France, and Germany.

Global Government Bonds: Mapping Yields

Yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose (▲) or fell (▼) in the latest session.

Table showing global government bond yields for countries like Japan, UK, and others.

Global Government Bonds: Mapping Yields

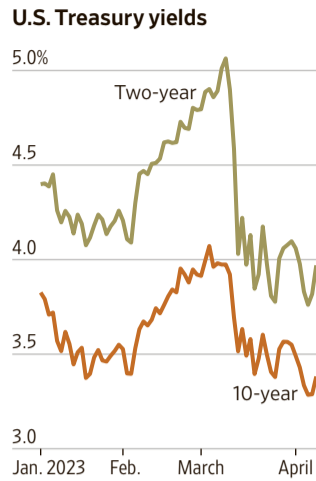
Yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds in selected other countries; arrows indicate whether the yield rose (▲) or fell (▼) in the latest session.

Table showing global government bond yields for countries like Italy, Spain, and others.

MARKETS

Treasury Yields Rise On Solid Jobs Data

By SAM GOLDFARB



Source: Tradeweb ICE Clones

U.S. government bond prices fell Friday, pushing yields higher, after the latest jobs numbers suggested that there remains substantial demand for workers despite some recent signs of a weakening economy.

The yield on the benchmark 10-year U.S. Treasury note settled at 3.382%, according to Tradeweb, compared with 3.318% just before the report was released and 3.288% Thursday.

Yields, which rise when bond prices fall, climbed after the Labor Department reported that the U.S. economy added 236,000 jobs last month, almost exactly what economists had been anticipating. The unemployment rate fell to 3.5% from 3.6%—undershooting estimates—while average hourly earnings for workers matched expectations by rising 0.3% from the previous month.

Overall, the report didn't offer major surprises but still caught bond investors a bit off guard after a recent run of lackluster economic data. Yields on Treasuries largely reflect investors' expectations for what short-term interest rates set by the Federal Reserve will be over the life of a bond, and those expectations have ratcheted down over the past month—first in response to stress in the banking sector

and then in reaction to the underwhelming economic reports. After the jobs report, interest-rate futures showed that investors think there is a roughly 70% chance that the Fed will raise rates by a quarter percentage point at its next meeting in May, according to CME Group data. That was up from a tossup on Thursday.

“What the market should take away from this is the economy is not down and out just yet,” said Gennadiy Goldberg, senior U.S. rates strategist at TD Securities in New York. “There’s still relatively strong data here.”

Still, interest-rate futures suggested Friday that investors don't think the Fed will raise rates after May, if it

raises them again at all. They also indicated a good chance that the Fed will cut rates before the end of the year—a reflection, analysts say, of traders' hedging their bets against the risk of a serious recession.

Shorter-term Treasuries, which are especially sensitive to the near-term outlook for interest rates, fared particularly poorly on Friday.

The yield on the two-year Treasury note settled at 3.970%, according to Tradeweb. That was up from 3.818% Thursday, though still far below the 5.064% level it reached in early March, just before the run on Silicon Valley Bank.

Trading in Treasuries wrapped up early on Friday, while stock markets were closed for the day.

Trading volumes were unusually light for a jobs report day, making it easier for individual traders to lead to large moves in Treasury yields.

Leah Traub, a portfolio manager at Lord Abbett, said that trading in Treasury futures right after the jobs data was released was about half what it normally is after an employment report.

Ms. Traub said she thinks the market is overestimating the likelihood that the Fed will cut rates this year.

Her view is that a serious recession this year is relatively unlikely given the current strength of the labor market.

First Republic Bank Suspends Dividends on Preferred Stock

By RACHEL LOUISE ENSIGN

First Republic Bank, beset by concerns over loan values and deposit flight, said in a regulatory filing Friday that it will suspend payments of quarterly cash dividends on its preferred stock.

The bank said that it was suspending the payments “as a measure of prudent oversight.” First Republic's shares have fallen by nearly 90% since the beginning of March, hit by the failures of Silicon Valley Bank and Signature Bank. The bank suspended its dividend on common stock in mid-March

after the collapse of Silicon Valley Bank caused First Republic's customers to pull their deposits over fears about the San Francisco bank's financial strength.

Like Silicon Valley Bank and Signature, many of First Republic's wealthy clients had accounts over the federal deposit-insurance limit. When they started to panic about the bank's health, they pulled \$70 billion in deposits, The Wall Street Journal has reported. The bank is also facing a hole in its loan book caused by unrealized losses related to rising interest rates.

In mid-March, a group of the country's biggest banks tried to assist First Republic by providing it with \$30 billion in deposits, meant to address liquidity needs due to deposit outflows. JPMorgan Chase & Co. CEO Jamie Dimon personally led efforts to try to try to find another fix.

The latest suspension of dividends relates to seven series of preferred stock. The bank said that the right of holders to receive dividends is “noncumulative,” meaning dividends don't accrue to be paid at a later date should the bank resume payments.

Banks May Face Hit On Loans

Continued from page B1 led by JPMorgan Chase deposited \$30 billion to halt the run. While the deposits helped liquidity, they didn't boost First Republic's capital.

A First Republic spokesman declined to comment.

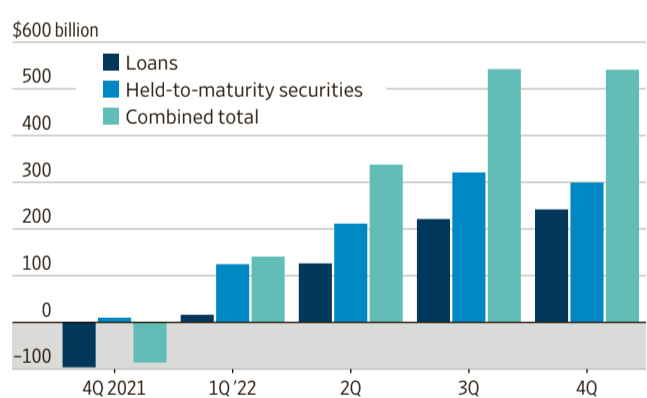
While First Republic is an extreme example, it isn't alone. Among 435 publicly traded U.S. banks listed on major exchanges, 97% of them reported that their loans' market value was less than their balance-sheet amount as of Dec. 31, according to data provided by S&P Global Market Intelligence.

Combined, they had \$242 billion of unrealized losses on their loans, defined as the difference between the loans' fair values and carrying amounts. That was equivalent to 14% of their total equity and 21% of their tangible common equity, which is a widely used measure of net worth that excludes preferred stock and intangible assets.

A year earlier, the same banks said their loans' fair value exceeded their carrying amount by \$96 billion, the data show. The same group showed \$299 billion of unrealized losses on held-to-maturity securities as of Dec. 31. Those losses aren't included on companies' balance sheets.

The unrealized losses on loans and securities likely fell at many banks in recent weeks as Treasury yields declined. The lower yields signal that investors think the economy is slowing. If they are right, then borrowers could start to fall behind on their loans, adding to losses on bank balance sheets.

Fair-value losses on banks' loans and securities



Note: Data includes publicly traded banks only

Source: S&P Global Market Intelligence

Banks reporting large fair-value discounts on their loans could face earnings or liquidity pressure. They could face pressure to pay higher rates for deposits and other funding sources, while yields on fixed-rate loans they own stay low.

“If liquidity issues arise for these banks, they may need either to issue additional debt capital at higher interest rates or to sell those loans to become more liquid,” Mr. Linsmeier said.

Banks reporting large fair-value discounts could face liquidity pressure.

The 435 banks in The Wall Street Journal's sample included 100 where the combined unrealized losses on loans and held-to-maturity securities were equivalent to 50% or more of their total equity.

Bank of Hawaii Corp. in its most recent annual report said it had \$985 million of unrealized losses on loans and \$799 million of unrealized losses on held-to-maturity securities, as of Dec. 31. The combined \$1.8 billion total exceeded Bank of

Hawaii's \$1.3 billion of total equity. The company estimated that 52% of its deposits were uninsured at year-end. A Bank of Hawaii spokeswoman declined to comment.

Phoenix-based Western Alliance Bancorp. reported \$3.9 billion and \$177 million of unrealized losses on loans and held-to-maturity securities, respectively, as of Dec. 31. By comparison, the company had \$5.4 billion of total equity. Western Alliance estimated that 55% of its deposits were uninsured at year-end.

Western Alliance this past week filed disclosures showing updated fair-value and deposit figures. Unrealized losses for loans and held-to-maturity securities had declined to \$2.9 billion and \$139 million, respectively, as of March 31. Deposits were \$47.6 billion, down 11% since Dec. 31, while the uninsured-deposit ratio fell to 32%.

Dale Gibbons, Western Alliance's chief financial officer, in an email said, “Western Alliance has access to significant liquidity from a variety of sources, including pledging loans to secure credit facilities, which mitigates need to sell assets and realize adverse asset marks.”

He said the company doesn't need to raise capital.

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NOTICE OF SALE

NOTICE OF PUBLIC SALES

Please take notice that Dock Street Capital Management LLC (the “Liquidation Agent”), on behalf of U.S. Bank Trust Company, National Association in its capacity as trustee (in such capacity, the “Trustee”), will be conducting public sales of certain collateral pledged by an issuer to the Trustee for certain collateralized debt obligations at the offices of the Liquidation Agent, 575 B Riverside Avenue, Westport, Connecticut 06880. The sales will occur on the dates and times indicated below. The collateral to be sold at the sales consists of the following assets (the “Assets”):

Public Sale No. 1: Tuesday, April 11, 2023, 10:00 a.m. ET

Table with columns: Lot#, CUSIP, Issue Name, Asset Type, Original Face. Lists various asset offerings for Public Sale No. 1.

Public Sale No. 2: Tuesday, April 11, 2023, 1:00 p.m. ET

Table with columns: Lot#, CUSIP, Issue Name, Asset Type, Original Face. Lists various asset offerings for Public Sale No. 2.

Public Sale No. 3: Wednesday, April 12, 2023, 10:00 a.m. ET

Table with columns: Lot#, CUSIP, Issue Name, Asset Type, Original Face. Lists various asset offerings for Public Sale No. 3.

Summary table with columns: Lot#, CUSIP, Issue Name, Asset Type, Original Face. Lists a few specific asset offerings.

Public Sale No. 4: Wednesday, April 12, 2023, 1:00 p.m. ET

Large table with columns: Lot#, CUSIP, Issue Name, Asset Type, Original Face. Lists numerous asset offerings for Public Sale No. 4.

AVIATION

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PUBLIC NOTICES

LEGAL NOTICE

SUPREME COURT OF THE STATE OF NEW YORK, COUNTY OF NEW YORK. 346 MADISON AVENUE, LLC and 11 EAST 44 TH STREET, LLC, Petitioners - against - JOHN DOE #1 through #10, being all persons unknown, claiming any legal or equitable right, title, estate, lien or interest in the property described in this Verified Petition, Respondents

PUBLIC NOTICE

Pursuant to an order of this Court duly made and entered on February 12, 2023 (the “Order”), notice is hereby given that all persons claiming any interest in the real property described further below, are hereby required to appear before the Court at a Public Hearing to be held in the county of New York at the county courthouse located at the city of New York, 80 Centre Street, New York, New York 10007, Room 122, on September 12, 2023, at 10:00 a.m. and show cause, if any they have, why they should not be forever barred from maintaining any action or proceeding seeking the enforcement of the restrictive covenant set forth in Paragraph 12 of the Verified Petition (Dkt. No. 11) on the real property hereinafter described, which property was conveyed to Petitioners by deed, dated August 3, 2007, and recorded on September 10, 2007, as CRN 2007000462812, in the Office of the New York City Register, New York County, as well as by deed, dated January 9, 2019, and recorded on January 10, 2019, as CRN 201900011301 in the Office of the New York City Register, New York County. Copies of the Verified Petition, the Order, and all other documents filed by the Petitioners in this proceeding may be obtained from the Court docket or by contacting counsel for Petitioners, which contact information is set forth below in this notice.

The property affected by this notice is substantially described in the Verified Petition and is described as follows: the real property located at Block 1279, Lot 17, and known as 346 Madison Avenue, Borough of Manhattan, the county of New York, State of New York, as well as the real property located at Block 1273, Lot 9, and known as 7-11 East 44 th Street, Borough of Manhattan, County of New York, State of New York. Any party seeking to be heard at the Public Hearing should promptly provide Petitioners with any supporting documents, including but not limited to any memorandum of law or affirmation/affidavit in support of their papers, but by no later than ten (10) business days prior to the Public Hearing date to be set by the Court. Such supporting papers should be delivered to counsel for Petitioners by overnight mail or email at the following addresses: Attn: Claude G. Sztybel, Stroock & Stroock & Lavan LLP, 180 Madison Avenue, New York, New York 10085, email: c.sztybel@stroock.com, (P) (212) 866-5934.