

What's News

Business & Finance

- ◆ **The Biden administration** is preparing to restrict Chinese companies' access to U.S. cloud-computing services, according to people familiar with the situation, in a move that could further strain relations between the world's economic superpowers. **A1**
- ◆ **Chinese chip makers** and suppliers, gathered in Shanghai for an industry event, were in a grim but defiant mood following a report that the U.S. plans to widen export controls targeting the industry. **B1**
- ◆ **Meta's Facebook** must get user consent before sending personalized ads in certain circumstances, the EU's top court ruled, a surprise element in a broader court decision in which it sided with German competition regulators. **B1**
- ◆ **Twitter's challenges** are escalating, with Meta tipping plans to launch a rival dubbed Threads and social-media upstarts being inundated with new interest after Musk decided to limit how many tweets users of his platform can see. **B1**
- ◆ **Consumers expect** inflation to stay high over coming months but decline in the years ahead to levels closer to those seen before the pandemic, according to recent surveys likely to be welcomed by the Fed. **A2**
- ◆ **Rivian said** its electric-vehicle deliveries topped expectations in the recently completed quarter, sending its shares up 17.4% on Monday. **B2**
- ◆ **George Soros's** \$25 billion nonprofit, Open Society Foundations, will cut its staff by about 40% while reorganizing various senior roles, according to a spokeswoman for the foundation. **B3**

World-Wide

- ◆ **A judge issued** a broad preliminary injunction limiting the federal government from communicating with social-media companies about online content, ruling that Biden administration officials' policing of social-media posts likely violated the First Amendment. **A1**
- ◆ **Hundreds of Palestinian** families fled a refugee camp in the West Bank city of Jenin as Israel's largest military operation in the occupied territory in more than two decades stretched into a second day. **A16**
- ◆ **Russia is in contact** with the U.S. regarding prisoner swaps, a Kremlin spokesman said, after consular visits to WSJ reporter Evan Gershkovich detained in Russia and a Russian held in the U.S. **A5**
- ◆ **Russian authorities said** they downed five drones targeting western Moscow, including over one of the region's largest military facilities and near a major airport, fending off an assault that disrupted civilian flights in and out of the capital. **A5**
- ◆ **NATO members**, unable to agree on a new leader for the alliance amid Russia's invasion of Ukraine, extended Secretary-General Stoltenberg's mandate by one year. **A16**
- ◆ **Special counsel Smith's** team in recent weeks has taken a growing interest in the role of lawyers and other figures involved in legal efforts aimed at reversing Trump's 2020 election loss, people familiar with the matter said. **A4**
- ◆ **At least eight people** were killed and several others injured in a pair of mass shootings in Philadelphia and Fort Worth, Texas, a day ahead of the Fourth of July holiday. **A3**

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'Pomp and Parade' Mark America's Birthday 247



BANNER DAY: Scouts carry a flag in a July 4th parade in Coralville, Iowa. In 1776, John Adams said independence 'ought to be solemnized with Pomp and Parade, with Shews, Games, Sports, Guns, Bells, Bonfires and Illuminations' around the country. **A4**

Judge Limits Federal Officials' Contact With Social Platforms

By JACOB GERSHMAN

A federal judge issued a broad preliminary injunction limiting the federal government from communicating with social-media companies about online content, ruling that Biden administration officials' policing of social-media posts likely violated the First Amendment.

In a 155-page ruling issued Tuesday, U.S. District Judge

Terry A. Doughty of Louisiana barred White House officials and multiple federal agencies from contacting social-media companies with the purpose of suppressing political views and other speech normally protected from censorship.

The judge's injunction came in a lawsuit led by the Republican attorneys general of Missouri and Louisiana who alleged that the Biden administration fostered a "fed-

eral censorship enterprise" in its effort to stamp out what it viewed as rampant disinformation circulating on social media.

The government, the lawsuit claimed, pressured social-media platforms to scrub away disfavored views about Covid-19 health policies, the origins of the pandemic, the Hunter Biden laptop story, election security and other divisive topics.

A spokesman for the Justice

Department declined to comment on the ruling. In a brief previously filed with the court, the department denied the plaintiffs' allegations and said the federal government took necessary and responsible actions to deal with a pandemic and foreign attempts at election interference.

The case is among the most potentially consequential First Amendment battles pending in

U.S. Eyes Curbing China's Access To Cloud

Biden officials aim to close loophole in chip-export controls as tensions percolate

By YUKA HAYASHI AND JOHN D. MCKINNON

WASHINGTON—The Biden administration is preparing to restrict Chinese companies' access to U.S. cloud-computing services, according to people familiar with the situation, in a move that could further strain relations between the world's economic superpowers.

The new rule, if adopted, would likely require U.S. cloud-service providers such as Amazon.com and Microsoft to seek U.S. government permission before they provide cloud-computing services that use advanced artificial-intelligence chips to Chinese customers, the people said.

The Biden administration's move on cloud services comes as China said Monday that it would impose export restrictions on metals used in advanced chip manufacturing.

This high-stakes conflict over supply-chain access to the world's most advanced technology is escalating in the days ahead of Treasury Secretary Janet Yellen's visit to China, a trip the Biden administration hopes will ease tensions. Yellen's talks in Beijing are expected to touch on macroeconomic conditions in each

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◆ **China tech industry braces** for more sanctions **B1**

U.S. Funds Police All Over the World

Units pursue matters from heroin smuggling to protecting pangolins

By MICHAEL M. PHILLIPS

NAIROBI—The sting operation went off perfectly. Kenyan police detectives subsidized by the U.S. government pretended to be in the market for a live pangolin, an endangered, armadillo-like animal whose scales and meat fetch a high price in parts of Asia.

A Kenyan undercover agent flashed a wad of cash and invited the alleged ring-leader of the poaching gang to close the sale inside a

black Land Cruiser, rented with funds from the U.S. Fish and Wildlife Service. Within moments, Kenyan police surrounded the SUV and arrested three suspects. An officer designated as pangolin-handler donned leather gloves, seized the animal, which curled up into a defensive ball, and secured it in a wooden crate padded with fabric.

The arrest of the alleged pangolin traffickers in August, on Kenya's Indian

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INSIDE



ISABEL INFANTES/EPA/SHUTTERSTOCK

SPORTS

At Wimbledon, grass plays like hard court as surface speeds converge. **A12**

BUSINESS & FINANCE

Twitter faces new competition while users' frustration mounts. **B1**

Six of 10 Highest-Paid CEOs Not in S&P 500

By THEO FRANCIS

The highest-paid CEOs aren't always the ones running the biggest companies.

The chief executives of Hertz, Peloton and Pinterest all earned more than \$100 million in 2022, topping almost every CEO in the S&P 500 including Apple's Tim Cook, who made \$99 million. Also on that list: The man who runs CS Disco, a cloud-services provider that caters to attorneys and has a market capitalization of about \$500 million.

Six of the 10 highest-paid CEOs last year ran companies that weren't in the S&P 500, according to C-Suite Comp, an executive-pay-data and analytics company. The S&P 500

comprises most of the biggest U.S. publicly traded companies.

Stephen Schwarzman of private-equity giant Blackstone earned the biggest pay package overall, at \$253 million. Blackstone, larger than many S&P 500 companies at a market capitalization of more than \$100 billion, has a corporate structure similar to dual share-class setups that until recently have kept other companies out of the index.

Schwarzman edged out Sundar Pichai, who runs Google parent Alphabet and received a pay package of \$226 million—a total that put Pichai atop The Wall Street Journal's annual CEO pay survey earlier this year. Pichai

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India Goes Wild for Spider-Man

Pavitr Prabhakar, based on Peter Parker, wins fans

On a recent Sunday evening, fans crowded into line outside a multiplex in India's capital city of New Delhi. After the lights dimmed inside, they erupted in cheers, with

By Robbie Whelan in Los Angeles and Vibhuti Agarwal in New Delhi

some whistling and dancing in the aisle when their favorite character appeared on screen.

India is the most movie-crazy country on the planet, and led the world in the number of tickets sold in 2022, according to Statista. Such

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Banks Take Fresh Look At Mergers After Tumult

By JUSTIN BAER AND GINA HEEB

A trio of bank failures earlier this year put mergers back on the agenda in corporate boardrooms and meetings with regulators. Turning all of that talk into action won't be easy.

Bank stocks still haven't recovered from the declines they suffered during the deposit runs that claimed Silicon Valley Bank, Signature Bank and First Republic. The threat of a recession still looms. And then there are the trillions of dollars in paper losses that have accumulated on bank balance sheets because of rising interest rates. All of these issues will take time to run their course, pushing out many potential deals into 2024.

Nevertheless, bank executives said, the industry is poised to consolidate at a pace unseen in years. If July's earnings announcements revive fears of fleeing depositors, the

push to merge might turn urgent. Treasury Secretary Janet Yellen predicted that higher rates might lead to more deals, and bank regulators are signaling they are open to them.

Peter Orszag, the former Obama administration official and incoming chief executive of Lazard, has privately urged Yellen and her staff to pave the way for more bank deals, people familiar with the matter said.

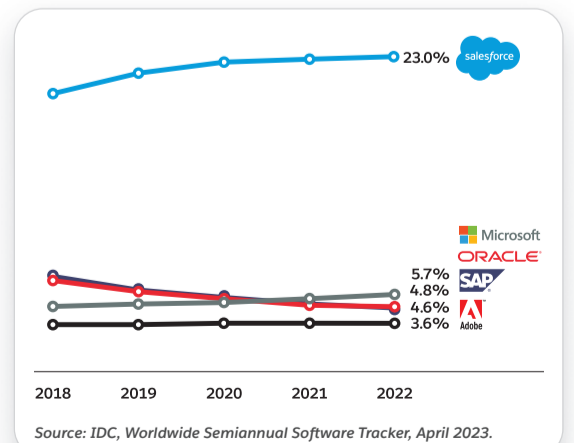
There are more than 4,000 U.S. banks, and many are staring at eye-watering technology and regulatory costs. Those expenses, along with today's headaches such as fickle depositors and shaky real-estate loans, threaten to squeeze the industry's profits.

Huntington Bancshares CEO Stephen Steinour sees opportunities for deals of all types. "Deposits, loans, fee business, the full spectrum for us," he

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Salesforce. #1 CRM.

Ranked #1 for CRM Applications based on IDC 2022 Revenue Market Share Worldwide.



Source: IDC, Worldwide Semiannual Software Tracker, April 2023.



salesforce.com/number1CRM

CRM market includes the following IDC-defined functional markets: Sales Force Productivity and Management, Marketing Campaign Management, Customer Service, Contact Center, Advertising, and Digital Commerce Applications. © 2023 Salesforce, Inc. All rights reserved. Various trademarks held by their respective owners.



U.S. NEWS

Some Industries Defy Fed Rate Hikes

BY JEFFREY SPARSHOTT

The U.S. labor market is showing surprising pockets of strength as companies in the crosshairs of rising interest rates hold on to or add workers.

Builders, architects and engineers, real-estate agents, vehicle manufacturers and other businesses typically sensitive to higher borrowing costs have increased employment during the opening months of 2023.

Those job gains, along with much larger increases in industries still trying to claw back workers lost during the pandemic, have added up to almost 1.6 million jobs in the first five months of 2023, outpacing economists' forecasts.

The Labor Department will release June jobs figures on Friday.

"The labor market has continually surprised," said Daniel Zhao, lead economist for the research team at Glassdoor, an online employment site.

The strong job gains come despite companies and consumers facing higher borrowing costs. The Federal Reserve raised interest rates to a 16-year high in 2023. And it is expected to increase them further later this year as part of a campaign to slow the economy, cool the labor market and tamp down inflation that is running too hot.

Some industries are defying the Fed's efforts.

Construction employment has been one of the biggest surprises in recent months. In the past, builders have been

hit especially hard when interest rates rose.

But employment in residential construction has merely leveled off in 2023, while industrial and infrastructure businesses gallop ahead.

Projects related to electric-vehicle batteries and semiconductors are driving much of the growth, spurred in part by the Chips and Science Act of 2022, which set aside \$52.7 billion for financial assistance for the construction and expansion of semiconductor manufacturing facilities and other programs.

"Many of these were announced or broke ground before the Chips Act, but that added fuel to the bonfire," said Kenneth Simonson, chief economist at Associated General Contractors of America.

Architectural and engineering firms have also added workers. The real-estate industry hasn't shed any jobs this year despite a slowdown in single-family home sales.

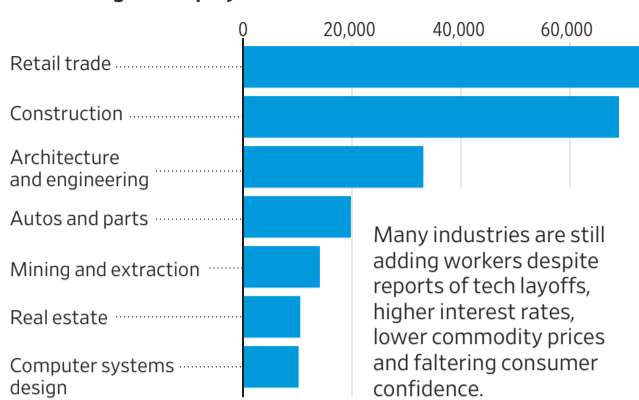
American factories also often get caught in the Fed's crosshairs when costs go up for auto loans and other personal loans. But auto and parts manufacturers have added almost 20,000 workers so far in 2023, helping offset losses at makers of furniture, plastics and paper products.

According to Commerce Department data, car sales are still below prepandemic levels, held back by limited supplies and high prices.

But figures from the Fed show factories are trying to catch up. Auto and light-truck assemblies were above an annual

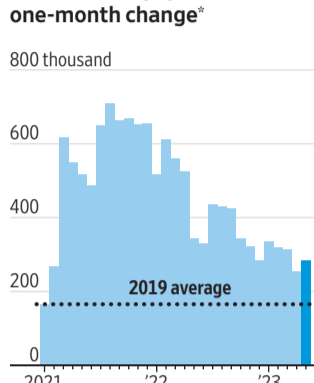
Surprise Sectors

2023 change in employment



Many industries are still adding workers despite reports of tech layoffs, higher interest rates, lower commodity prices and faltering consumer confidence.

U.S. nonfarm payrolls, one-month change*

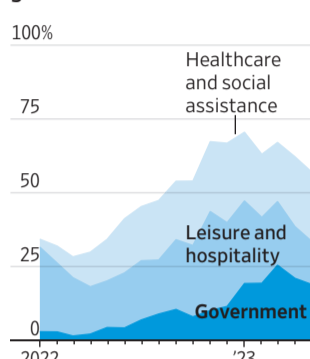


*3-month moving average
Note: Seasonally adjusted

nual pace of 11 million in April and May, the first time that number has been topped in back-to-back months since 2018.

The story is similar in other corners of the economy. Home-improvement and furniture stores have shed workers, for example, but department stores and warehouse

Share of employment gains* from...



Source: Labor Department

clubs have added them. The final result: Overall retail employment has grown slightly so far this year.

The financial sector has also posted growth despite banking sector turmoil, with gains at insurers, brokers and financial advisers outpacing losses in banking.

Other sectors aren't merely

holding up—they are rapidly hiring. Government, leisure and hospitality and healthcare account for about 60% of all employment gains so far in 2023. The first two categories are still playing Covid-19 catch-up: Employment at restaurants, hotels, schools and in other municipal services are still below prepandemic levels.

The picture isn't entirely rosy.

Some economists say the job market may actually be weaker, and the economy closer to recession, than payroll figures imply because of quirks in how the data are calculated. They note that the payroll data are out of step with other data showing a much weaker economy.

In the meantime, tech layoffs are well documented, and some economists worry that residential construction employment could be headed for a fall as a big run-up in apartment projects leads to an oversupply of units and signs of falling rents.

The number of hours people are spending on the job is declining, a possible sign that employers have less work for them. Wage growth remains strong but has eased, suggesting that demand for workers is cooling. And job growth has become more concentrated in fewer industries, possibly indicating that the breadth of the economic expansion is also narrowing.

"There are signals on the periphery that the labor market is slowing," said Brett Ryan, senior U.S. economist at Deutsche Bank.

Consumers See Lower Inflation In Years Ahead

BY CHRISTIAN ROBLES

Consumers expect inflation to stay high over coming months but decline in the years ahead to levels closer to those seen before the pandemic, according to recent surveys likely to be welcomed by the Federal Reserve.

If shoppers keep thinking inflation will fall, that will help cause it to do so, Fed officials believe. This could mean that the central bank wouldn't have to raise interest rates as high as otherwise to slow price increases.

Fed officials are monitoring expectations, among many economic factors, as they weigh how much they need to raise rates to reduce inflation to 2% from its current range between 4% and 5%, depending on the measure used.

Consumers expect to see 4.1% inflation a year from now, the lowest such reading in two years and down sharply from its recent peak of 6.8%, according to the median response to the New York Fed's May survey, for example.

More important for the Fed, consumers expect inflation to ease to 3% in three years and to 2.7% in five years, the survey found. That would be around the 2.8% average of three-year expectations during the five years before 2020, when the pandemic hit. During this period, the Fed considered long-term inflation expectations to be stable, or "anchored," because they moved very little in response to short-term events. Other surveys' results vary in the specific numbers but generally show the same trends.

"Longer-term inflation expectations appear to remain well-anchored," Fed Chair Jerome Powell said at a recent press conference, pointing to surveys of households, businesses and forecasters, as well as measures from financial markets.

Brian Daniel, a 33-year-old Uber driver, said he expects inflation to decline in a few years, but that doesn't influence his spending today. Rather, he reacts to the prices he sees now, particularly at the grocery store. "I'm a lot more frugal now. I'm still making the same amount, but I'm paying twice as much for everything," said Daniel, of Leesburg, Va.

Fed officials monitor inflation expectations because they can prove self-fulfilling, the thinking goes. If the country expects rapidly rising prices, consumers will pay high prices now before they rise in the future, workers will push for more pay, and businesses will boost their prices today in anticipation of climbing labor costs. This would sustain elevated inflation, requiring the Fed to lift interest rates more than otherwise to break that mind-set, possibly causing a deep economic downturn.

Many economists say one-year inflation expectations aren't particularly meaningful because they tend to rise and fall with gasoline prices. Fed officials believe long-term expectations matter most for determining actual inflation.

Still, San Francisco Fed researchers last year flagged the risk that workers' one-year inflation expectations can be especially influential in wage negotiations during periods of high inflation.

Median expected inflation rates



Note: Five-year ahead series began in 2022
Source: Federal Reserve Bank of New York



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ANGELA OWENS/THE WALL STREET JOURNAL



CHRISTOPHER GODDNEY/BLOOMBERG NEWS

High-Paid CEOs Not in S&P 500

Continued from Page One

was followed in the earlier survey by Live Nation's Michael Rapino, at \$139 million.

Some executives in C-Suite Comp's top-paid list, such as the leaders of Pinterest and Hertz, wouldn't make the Journal's annual pay ranking because those CEOs started during the year. The Journal's analysis only ranks CEOs who served the full year.

Median pay for CEOs of S&P 500 companies slipped to \$14.5 million last year, from \$14.7 million the year before.

More broadly, nine CEOs made more than \$100 million in 2022, of nearly 4,000 publicly traded U.S. companies in C-Suite Comp's analysis. That is down from more than 20 a year earlier, as equity awards slimmed down, the firm said.

The bulk of CEO pay usually consists of restricted stock or options, the value of which can fluctuate. Many equity awards often only vest—becoming fully the executive's property—if certain performance targets are

met, or if the executive remains employed for a specified period.

For Schwarzman, Blackstone's co-founder, about \$190 million of his pay came in the form of carried interest and incentive-fee allocations. Carried interest refers to a cut of profit above a target that some investment managers receive. A further \$58.8 million consisted of shares in real-estate investment trusts that Blackstone manages.

Schwarzman's total pay was more than 50% larger than his 2021 package of \$160 million. Total return for Blackstone shares, including the company's dividend, was minus 40% last year, compared with minus 18% for the S&P 500. Through late June this year, Blackstone's total return was 22%, compared with about 14% for the index.

Schwarzman owns almost 20% of Blackstone, a stake qualifying for dividends of about \$1 billion in 2022.

A Blackstone spokesman said nearly 30% of Schwarzman's 2022 pay reflects investment performance in 2021, in a period when the company's share price also doubled. "Virtually all his compensation is carried interest and incentive fees—which are only paid when we deliver for our customers," the spokesman said. He declined to say how much of Schwarzman's

pay was in cash.

At Hertz, Stephen Scherr's total pay of \$182 million included \$3.4 million in salary and bonus. A further \$178 million in restricted stock is structured to vest through 2026, much of it only if the company's shares reach 90-day average price targets ranging up to nearly double its current share price.

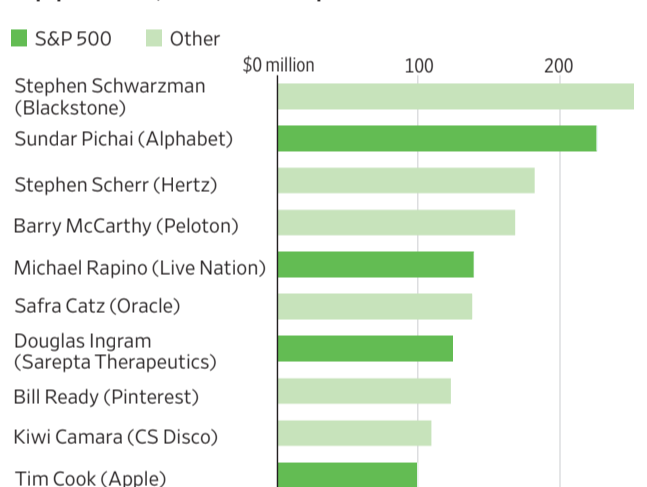
In its annual proxy statement, Hertz said two price targets had already been met, meaning about \$50 million in shares at recent prices stand to vest if Scherr stays employed through 2026, in addition to about \$20 million that vested on Dec. 31.

Scherr, who earlier worked as Goldman Sachs Group's chief financial officer, took Hertz's top job in February 2022, about seven months after the rental-car chain emerged from bankruptcy-court protection.

Hertz shares fell 22% during Scherr's tenure last year, while the S&P 500 fell 16%. The company valued Scherr's equity award at about \$128 million at year-end, securities filings show. Hertz shares were up about 20% this year through June 30. A Hertz spokesman declined to comment beyond company disclosures.

Peloton's Barry McCarthy started as CEO in February 2022, after stints as chief fi-

Top-paid CEOs, 2022 total compensation



Note: Pay reflects most recently reported total compensation

Source: C-Suite Comp

ancial officer at Spotify and Netflix. His \$168 million pay package at Peloton was almost entirely in stock options, which vest monthly over four years.

With Peloton trading near \$7.50 in recent days, those eight million options are underwater, meaning they would cost more to exercise than the underlying shares are worth. Peloton shares have fallen about 3% this year through June 30, and fell 79% in 2022 as declining demand left the company with a glut of the exercise bikes it sells.

Peloton representatives didn't respond to requests for comment.

Of the \$123 million Pinterest awarded Bill Ready last year, nearly \$101 million came in stock options and \$21.5 million in restricted stock made up most of the rest. Both were awarded in connection with his hiring as CEO in late June 2022.

The equity awards vest quarterly over four years if Ready remains employed. By year-end, Ready's 2022 stock and option awards had increased in value to \$153.6 million, Pinterest said in its securities filings.

Pinterest shares rose just over 20% last year. So far this year, Pinterest shares have risen about 13% through June 30. A Pinterest spokeswoman said Ready isn't expected to

receive additional equity during his first four years, and the company sees his 2022 equity awards as the equivalent of about \$30 million a year over that time. Ready also had to buy and hold \$5 million in shares.

"If the company performs well, then Bill's options have value," the spokeswoman said. "If the company doesn't perform well, then Bill's compensation is going to be impacted."

CS Disco, a 10-year-old Austin, Texas, company that sells online services to law firms, attorneys and legal-services companies, is the smallest company in the top-paid set. CEO Kiwi Camara, a co-founder, received \$500,000 in salary plus stock options valued at \$109 million, an award shareholders approved in a vote last year.

Camara's options vest only if the company's 90-day average share price reaches any of six targets through 2032, or if the company is acquired or Camara loses his job under certain circumstances.

Camara earned just under \$1 million total in 2021, the year the company went public in late July. Its shares closed at \$8.22 on Friday, up 30% for the year so far but down more than 75% from the company's share price at the start of 2022.

CS Disco didn't respond to requests for comment.

CORRECTIONS & AMPLIFICATIONS

The Bankrate.com average yield for money market and savings accounts on June 26 was 0.54%. The Consumer Rates table in the June 27 Markets Digest incorrectly gave the average as 6.08%.

Money in a 401(k) grows tax-free, and withdrawals are taxable. A May 22 Journal Report article about choosing a

healthcare plan incorrectly said that the money doesn't grow tax-free.

The 1784 letter in which Benjamin Franklin said that the turkey would be a better symbol of America than the eagle was addressed "My dear daughter," but it wasn't a personal letter to his daughter, Sarah Bache. A Review essay on Sat-

urday about the American eagle incorrectly said that in the letter Franklin "lamented to his daughter Sarah." In addition, Franklin made the remarks about the turkey as part of a satirical attack on the newly formed Society of the Cincinnati, whose medal incorporated an eagle. It wasn't a complaint about Congress's decision to include an eagle in the U.S. seal.

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

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U.S. NEWS

Florida Law Chases Away Migrant Workers

Farm, construction industries say new measure is already hitting labor supply

BY DEBORAH ACOSTA

Florida's agricultural and construction industries say they are experiencing a labor shortage because a new immigration law that took effect July 1 is leading migrant workers to leave the state.

The law, signed in May by Florida Gov. Ron DeSantis, a Republican presidential candidate, seeks to further criminalize undocumented immigration in the state. It makes it a third-degree felony for unauthorized people to knowingly use a false identification to obtain employment. Businesses that knowingly employ unauthorized workers could have their licenses suspended, and those with 25 or more employees that repeatedly fail to use the E-Verify system to check their immigration status can face daily fines.

Business owners and workers alike say the ranks of laborers in Florida have grown noticeably thinner.

"The employee who wants to work on the farm is not available anymore," said Hitesh Kotecha, owner of a produce packaging facility in South Florida who leases land to farmers. "How are we going to run the farms?"

In Miami's booming construction market, developers, construction companies and construction workers say the change happened as soon as DeSantis signed the legislation this spring. Workers at several construction sites in South Florida say a quarter to half of their teams are gone, exacerbating an already challenging labor shortage across the industry.

"We've seen some fallout on job sites, particularly as it relates to hourly labor as a result of this new law," said Tom C. Murphy, co-president of Coastal Construction, which has more than 30 active projects across the state.

In addition to increasing penalties on employers and workers, the new law requires hospitals that accept Medicaid to question a patient's immigration status, and it invalidates out-of-state driver's licenses issued to people un-



Aura Sales Martin, shown in a field of okra in Florida, said she isn't leaving the state because she has nowhere else to go.

be married to someone who isn't. Others might be undocumented but have U.S.-born children who are underage.

Romeo Lucas worked at a plant nursery in Miami's agricultural district for a decade, but recently moved to North Carolina. He said he was worried that he could become separated from his children. He said the move was also prompted by his wife's diabetes and her ability to access healthcare without worries about it jeopardizing the family.

"It was a very difficult decision, but we didn't want to live in fear, so we moved up north," said Lucas, who would be directly affected by the new law.

Mahendra Raolji, who runs Jalaram Produce, a large farming and packaging facility, said more than half his workers have gone. His wife and business partner, Prafula Raolji, worried about enforcement of the law. "I pray it won't happen. Because then who is going to work?" she said.

Some, such as Aura Sales Martin, aren't leaving because they have nowhere else to go. On a recent afternoon she and a colleague, who is also undocumented, picked okra in a large field. When she arrived eight years ago from Guatemala, Martin spoke no Spanish, only a Mayan language called Mam. She can't read or write, but her 13-year-old son, she says proudly, is fluent in English.

In downtown Miami, construction cranes are ubiquitous, rising above the fast-growing skyline. At site after site, the story was the same. Workers have fled. Many others are waiting to see what happens.

Outside one construction site, a worker said that he had lost about half his crew. They went to Indiana, he said, where jobs are paying \$38 an hour instead of \$25, and where they won't have to look over their shoulders.

Among the projects is the 1.4 million square foot mixed-use building called Block 55, being built by Coastal Construction. Murphy said there was already a labor shortage before the exodus.

"While we fully support documentation of the immigrant workforce, the new law is aggravating an already trying situation," he said.

LAWYERS WEIGH NEW RULES

Lawyers in Florida are rushing to figure out how best to advise their clients regarding their hiring practices to comply with the law.

"It's kind of extreme that Florida passed a law like this," said Daniela Barshel, an immigration lawyer based in Miami. Typically, immigration is a federal area of law, and figuring out how to interpret these new statewide rules alongside federal law will

be complicated, she said. Blanket advice, such as telling clients to avoid hiring noncitizens altogether, isn't an option because that could constitute discrimination on the basis of race or national origin.

"You don't want to be fined by the government, and you also don't want to be sued by someone because they were authorized to work and you didn't hire them," Barshel said.

authorized to be in the U.S. It makes it a third-degree felony to knowingly transport into Florida a person who is undocumented and illegally entered the U.S. The law also adds \$12 million to the amount of money the state has earmarked for its migrant-relocation program, bringing the total to \$22 million this year.

A spokesman for DeSantis said the law counteracts the effects of illegal immigration on Florida. "Any business that exploits this crisis by employing illegal aliens instead of Floridians will be held accountable," he said.

On Saturday, the day the law went into effect, hundreds of people gathered in Homestead, south of Miami, to



At construction sites like this one in Miami, some workers have fled, while others are waiting to see what happens.

march in protest. At the march, the Farmworker Association of Florida announced that it and several advocacy and watchdog groups, including the Southern Poverty Law Center, were exploring how they might challenge the law in federal court.

In 2019, there were an estimated 772,000 undocumented immigrants living in Florida,

according to the Migration Policy Institute. Since then, there has been an influx of immigrants into the country, and last year Florida's population grew more than any other state, according to census data.

Some of the workers fleeing Florida have been in the U.S. for years. While some might be authorized to work, they could

Complaint Targets Harvard Over Its Legacy Admissions

BY JENNIFER CALFAS AND DOUGLAS BELKIN

The next big civil rights battle over college admissions is gathering steam in the wake of last week's Supreme Court decision to ban race-based affirmative action.

This time it is the benefit some applicants receive when seeking entry to selective colleges and universities to which their parents gave money or from which they graduated. Called legacy preference, it disproportionately helps students who are both wealthy and white.

The latest action involving legacy status came Monday when Lawyers for Civil Rights filed a complaint against Harvard University with the Department of Education's Office for Civil Rights on behalf of three Massachusetts-based Black and Latino community organizations. They claim the school's legacy admissions preference discriminates against applicants of color.

"We see this complaint as a critical piece of how universities will move forward," said Iván Espinoza-Madrigrá, an attorney with Lawyers for Civil Rights. "It is critical that they think not only about affirmative action, but also about the racial disparities triggered by the donor and alumni preferences."

A growing number of lawmakers and advocacy groups say it is time for the practice to end. Following the court's ruling last week, President Biden suggested colleges should rethink the practice, saying they "expand privilege instead of opportunity."

A Harvard representative

declined to comment on the complaint Monday.

Former Harvard President Larry Summers said last week in an opinion piece in the Washington Post that it is time for elite colleges to do away with legacy preferences and "take a hard look at admissions preferences for those who excel in 'aristocrat sports' and resist being impressed by those who have benefited from high-priced coaching through the admissions process."

It isn't clear how many schools consider legacy in the admissions process, but surveys have shown that about half of the private schools and a smaller percentage of public schools use it.

Last year in an address to the faculty of his school, Duke President Vincent Price defended the use of legacy preference.

"We're an institution that was made in a family—the Duke family. We bear the name of that family. We represent family, we talk about family, so how does that translate into the way we behave?" Price said. "The idea that you would ban legacy admissions, or ban any particular factor as a consideration, is troublesome."

The community organizations that singled out Harvard on Monday are asking the federal government to end the Ivy League university's legacy and donor-related preferences in their admissions practices, saying they violate Title VI of the Civil Rights Act.

A National Bureau of Economic Research analysis found legacy and donor-related applicants were more likely to be

admitted to Harvard than those without that standing. That analysis, cited in the complaint, found that close to 70% of legacy applicants were white, compared with about 40% of other applicants. Legacy applicants were more than five times as likely to be admitted than non-legacy applicants, the analysis found.

The analysis examined Harvard admissions data disclosed in the affirmative action court case that the Supreme Court ruled on last week.

"Harvard admits predominantly white students using Donor and Legacy Preferences, and, as a direct result, excludes non-white applicants," lawyers for the groups wrote in the complaint. "As the Supreme Court has recently stated: 'A benefit provided to some applicants but not to others necessarily advantages the former group at the expense of the latter,'" they wrote, citing the Supreme Court's majority opinion last week.

The complaint said the call to end legacy and donor admissions practices "is particularly acute" following the Supreme Court's decision, which it said threatens efforts to build racially diverse college campuses. Some universities in states that already banned admissions have struggled to reach their goals to build a more diverse student body without affirmative action.

Despite higher acceptance rates, legacy students have lower academic qualifications on average than non-legacies and earn slightly lower grades, according to several studies.



Philadelphia police say a gunman wearing a bulletproof vest fired at people at random.

Eight Fatally Shot in Two Cities

BY ALICIA A. CALDWELL AND GARETH VIPERS

At least eight people were killed and several others injured in a pair of mass shootings in Philadelphia and Fort Worth, Texas, a day ahead of the Fourth of July holiday.

Five men were killed in Philadelphia on Monday night after a man wearing a bulletproof vest and carrying an AR-style rifle began firing at random, police there said. Two children were also shot and two other people, including another child, were injured by falling glass amid the shooting in the city's Kingsessing neighborhood.

Police have made an arrest in that shooting and charges are pending.

In Fort Worth, at least three people were killed in a shooting after a Fourth of July event late Monday in that

city's Como neighborhood, a historically Black community.

Police said they arrived at a chaotic scene late Monday, finding multiple shooting victims in a parking lot while people fled the area on foot.

One person died at the scene in Texas and two others at local hospitals. Eight other victims were being treated for gunshot wounds. Police said the shooting victims include one juvenile. No arrests have been made in that case.

A motive in both shootings remained unclear Tuesday.

The shootings are the latest in a series around the country in recent days. On Sunday, two people were killed and 28 others injured in a shooting at a block party in Baltimore. An 18-year-old woman and a 20-year-old man were killed.

President Biden condemned the violence and called again

for changes to gun laws. He highlighted an Illinois law passed earlier this year banning both assault-style weapons and high-capacity magazines.

"It is within our power to once again ban assault weapons and high-capacity magazines, to require safe storage of guns, to end gun manufacturers' immunity from liability, and to enact universal background checks," Biden said.

Philadelphia officials echoed calls for overhauling gun laws at a Tuesday afternoon press conference. "We are begging Congress to protect lives and do something about America's gun problem," Mayor Jim Kenney said.

The latest shootings came a day ahead of the first anniversary of a mass shooting at a Fourth of July parade in Highland Park, Ill., that left seven dead and dozens injured.

U.S. NEWS

Special Counsel's 2020 Probe Zeroes In on Trump Lawyers

By C. RYAN BARBER AND SADIE GURMAN

WASHINGTON—Special counsel Jack Smith's team in recent weeks has taken a growing interest in the role of lawyers and other figures involved in legal efforts aimed at reversing Donald Trump's loss in the 2020 election, people familiar with the matter said.

Prosecutors from Smith's team have issued subpoenas and asked questions centered on several key figures in those postelection efforts, including Sidney Powell, a pro-Trump lawyer who spread baseless claims of widespread voter fraud. The subpoenas have also requested communications with Emily Newman, a lawyer who worked with Powell, and Mike Roman, a Republican operative who headed Election Day operations for the Trump campaign and dispatched lawyers to swing states before November 2020.

Federal prosecutors also recently interviewed Rudy Giu-

liani, who served as Trump's personal lawyer at the time, for roughly eight hours on topics including Powell, people familiar with the testimony said. They were interested, among other things, in a December 2020 meeting in the Oval Office, during which Powell pitched a plan to have the U.S. military seize control of the voting machines.

The meeting erupted into a shouting match between White House lawyers and Powell and her associates, prompting Trump to call Giuliani, who left a dinner in Georgetown to referee the dispute. Giuliani recounted some details of the episode in his testimony before the House committee that investigated the Jan. 6, 2021, attack on the Capitol and efforts to overturn the 2020 election.

Following the meeting, in the early morning hours of Dec. 19, Trump tweeted: "Big protest in D.C. on January 6th. Be there, will be wild!"

Powell and her defense

lawyer didn't return requests for comment. Giuliani and a spokesman for Smith didn't return calls seeking comment.

Smith's investigation into efforts to overturn the 2020 election is unfolding as his office prosecutes Trump on separate charges that he retained classified government documents and obstructed efforts to retrieve them.

Giuliani, whose interview was reported earlier by CNN, and others voluntarily spoke with investigators under a so-called proffer agreement, the people said—known colloquially as a "queen for a day" deal—in which a witness provides information to prosecutors, who in turn promise not to use it against them in potential criminal proceedings unless they determine the witness was untruthful.

Roman spoke with prosecutors under a similar agreement for a voluntary interview, a person familiar with the proffer said. In a previous interview with the House

committee that investigated Jan. 6, Roman invoked his Fifth Amendment right against self-incrimination when asked about his interactions with Giuliani following the 2020 election. He and his lawyer didn't respond to requests for comment.

Prosecutors have also been asking other witnesses about the involvement of Giuliani and other Trump lawyers, including Jenna Ellis and Kenneth Chesebro, people familiar with the matter said.

Ellis was formally disciplined by a judge earlier this year after admitting to falsely claiming the 2020 election was stolen from Trump. Powell, too, was sanctioned by a federal judge for widely promoting conspiracy theories that voting machines were hacked by foreign governments or otherwise rigged in now-President Biden's favor.

Prosecutors questioned Giuliani about the role of another lawyer, John Eastman, who was the architect of



Sidney Powell at a November 2020 news conference.

strategies to stop Congress from certifying Biden's victory and sought to persuade then-Vice President Mike Pence to interfere in the certification of the election results. Giuliani and Eastman were central figures in the so-called war room at the Willard hotel in Washington, where some Trump advisers worked to overturn the 2020 election results.

Smith's probe has been focused on whether anyone in Trump's orbit committed crimes by sending fake slates of electors to Congress. The grand jury has issued subpoenas to local officials in several battleground states seeking communication between elec-

tion officials and Trump, his campaign and a broad group of his allies.

Georgia Secretary of State Brad Raffensperger was questioned recently by Smith's team. Trump in a 2021 phone call pressured Raffensperger to find 12,000 votes so he could reverse Biden's victory in that state. An official in Raffensperger's office confirmed the visit and added that one of the people the team asked about was Giuliani.

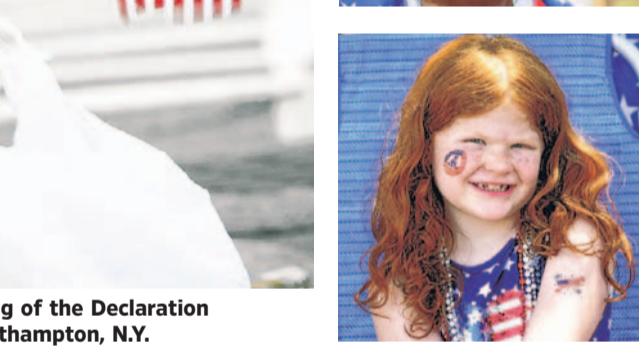
Prosecutors on Smith's team have also scrutinized efforts to fundraise off of false claims of election fraud.

—Cameron McWhirter contributed to this article.

U.S. WATCH



NEARING 250: Independence Day was celebrated across the U.S. on Tuesday as the nation marked 247 years since the signing of the Declaration of Independence. Clockwise from above, parade revelers in Brattleboro, Vt., Texas City, Texas, Avondale Estates, Ga., and Southampton, N.Y.



ARIZONA
Abortion Order Irks Prosecutors

Twelve of Arizona's 15 county attorneys are calling for Gov. Katie Hobbs to rescind her executive order that limits them from prosecuting abortion-related cases.

"This executive order results in an exercise of authority not vested in the governor's office. It is a substantial overreach to suggest the governor may strip away prosecutorial discretion from local, elected officials," Maricopa County Attorney Rachel Mitchell wrote in a letter to Hobbs. Hobbs spokesman Chris-

tian Slater said she won't rescind the order. "Gov. Hobbs will never stop fighting for reproductive freedoms in Arizona," Slater said.

Hobbs's order signed June 22 gives state Attorney General Kris Mayes the power to handle any attempted county prosecution under state abortion laws, bans state agencies from assisting investigations for alleged violations in other states and bans extradition of people accused of violating other states' abortion laws.

Mitchell is a Republican while Hobbs and Mayes are Democrats. Abortion is allowed in Arizona in the first 15 weeks of pregnancy.

—Associated Press

TEXAS
Paxton Won't Testify in Trial

Texas Attorney General Ken Paxton won't testify in his coming impeachment trial that could result in the Republican being permanently removed from office, according to his defense team.

Paxton's lead attorney on Monday night criticized the proceedings that led to the GOP-controlled Texas House impeaching the state's top law-enforcement officer in May. The trial in the Texas Senate is scheduled to begin Sept. 5. "They had the opportunity to have Attorney Gen-

eral Paxton testify during their sham investigation but refused to do so," attorney Tony Buzbee said. "We will not bow to their evil, illegal, and unprecedented weaponization of state power in the Senate chamber."

A spokesman for the House managers leading the impeachment didn't return a message seeking comment Tuesday.

Paxton is temporarily suspended from office pending the outcome of his trial on 20 articles of impeachment that include charges of bribery and abuse of office. Separately, he is under FBI investigation over accusations that he used his power to help a donor.

—Associated Press

CALIFORNIA
Prison Death Investigated

The death of a 25-year-old inmate at California's North Kern State Prison is being investigated as a homicide, corrections officials said Tuesday.

An officer conducting a security check discovered Ricardo Saldivar unresponsive in a cell Monday afternoon, the state Department of Corrections and Rehabilitation said.

Saldivar was taken to the prison's medical treatment area, where he was pronounced dead, the depart-

ment said. The Kern County Coroner will determine the official cause of death.

The cell where Saldivar was found was also occupied by a 47-year-old inmate, officials said.

The death will be investigated by the prison's investigative services unit along with the county district attorney's office.

Saldivar arrived at North Kern State last month after being sentenced to life with the possibility of parole for first-degree murder.

The prison in Delano, just north of Bakersfield, is a medium-security facility housing about 3,500 inmates.

—Associated Press

Judge Curbs Contacts With Tech

Continued from Page One

the courts, testing the limits on government scrutiny of social-media content on Twitter, Facebook, YouTube and other major platforms.

Never before has a federal judge set such sweeping limits on how the federal government may communicate with online platforms, according to lawyers involved in the case.

Some legal scholars have been skeptical that the government can be held responsible for content-moderation decisions ultimately made by private companies or that courts could intervene without chilling legitimate government speech about controversial matters of public interest.

The Justice Department is likely to appeal the injunction.

The judge's Independence Day order is likely to intensify conservative criticisms about internet censorship and the debate over the government's role in encouraging platforms to remove content that it considers to be misinformation, malicious content or harmful to public health.

"[T]he evidence produced thus far depicts an almost dystopian scenario," wrote Doughty, an appointee of former President Donald Trump, in his ruling. "During the COVID-19 pandemic, a period perhaps best characterized by widespread doubt and uncertainty, the United States Government seems to have assumed a role similar to an Orwellian 'Ministry of Truth.'"

The case is among dozens of so-called censorship-by-proxy lawsuits challenging account suspensions, content removals and other suppression of social-media posts on First Amendment grounds.

The plaintiffs in the case, *Missouri v. Biden*, have argued that White House and other government officials bullied social-media companies into suppressing views disliked by the administration—including criticism of mask mandates and objections to Covid-19 vaccination for children—with veiled threats of new regulatory liabilities and antitrust enforcement.

Other courts have rejected similar claims, including in a lawsuit Trump brought against Twitter when it banned him after the Jan. 6, 2021, attack on the Capitol by a mob of his supporters.

Courts have thrown out other lawsuits by censored medical activists, independent journalists and conservative commentators for failing to show that the social-media

companies were doing the government's bidding.

The *Missouri v. Biden* lawsuit has cast a wider net than other cases, with the states asserting an interest in protecting the speech rights of their citizens.

Doughty also permitted the plaintiffs at an unusually early stage in the case to gather additional evidence, such as email communications between White House officials and social-media companies, and to depose high-ranking government officials

including Dr. Anthony Fauci, former director of the National Institute of Allergy and Infectious Diseases.

The judge referred to numerous email exchanges between White House officials and platform executives. In one email to Google employees

from April 2021, the White House's then-director of digital strategy, Rob Flaherty, charged that YouTube was "funneling" people into vaccine hesitancy. "This is a concern that is shared at the highest (and I mean highest) levels of the WH," he wrote.

The Missouri *v. Biden* lawsuit alleges the Federal Bureau of Investigation, the State Department's Global Engagement Center and the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency colluded with social-media platforms "in hundreds of meetings about misinformation" and systematically flagged "huge quantities of First Amendment-protected speech to platforms for censorship."

The Justice Department, representing the government defendants, filed a brief nearly 300 pages long denying that any of the content moderation decisions at issue were the result of government pressure. "The record in this case

shows that the Federal Government promoted necessary and responsible actions to protect public health, safety, and security when confronted by a deadly pandemic and hostile foreign assaults on critical election infrastructure," the department said.

The department also warned that the proposed injunction sought by the plaintiffs "would significantly hinder the Federal Government's ability to combat foreign malign influence campaigns, prosecute crimes, protect the national security, and provide accurate information to the public on matters of grave public concern such as health care and election integrity."

Doughty wrote that his order isn't a blanket ban on government communication with social media. He wrote that agencies could inform platforms about postings involving criminal activity, national security and public-safety threats or content intending to mislead voters about voting requirements and procedures.

The Missouri v. Biden lawsuit has cast a wider net than other cases.

WORLD NEWS

Russia Discusses Prisoner Swaps With U.S.

Kremlin spokesman says 'there are certain contacts,' but he declined to elaborate

By GEORGI KANTCHEV
AND LOUISE RADNOFSKY

Russia is in contact with the U.S. regarding prisoner swaps, a Kremlin spokesman said in a briefing, after consular visits to Wall Street Journal reporter Evan Gershkovich detained in Russia and a Russian held in the U.S.

Dmitry Peskov on Tuesday was asked to comment on the possibility of a prisoner exchange in light of the recent visits to Gershkovich and Vladimir Dunaev, according to reports of the briefing on Russian state media. "There are certain contacts in this regard, but we do not want to make them public in any way," Peskov said, without naming any detainee. "They must continue in complete silence."

Gershkovich, a 31-year-old U.S. citizen who was accredited by Russia's Foreign Ministry to work as a journalist, was detained by agents from Russia's

Federal Security Service, or FSB, while on a reporting trip on March 29. He is being held on an allegation of espionage that he, the Journal and the U.S. government vehemently deny.

Washington has said Gershkovich isn't a spy and has never worked for the government. The Biden administration has designated him wrongfully detained, a status that effectively commits the U.S. government to securing his release.

"While we unfortunately do not have a breakthrough to share, we continue to pursue every avenue to secure the release of Evan Gershkovich and fellow American Paul Whelan," a White House official said Tuesday.

The special presidential envoy for hostage affairs, Roger Carstens, said last week that the U.S. had been in contact with Russia over Gershkovich's case and would continue to try to find ways to work for his release, but that Russian officials signaled they weren't especially willing to engage.

"He's not a spy. We've been very clear with that with the Russians. The Russians, however, have been playing a tough game. They're not will-



Washington has been in contact with Moscow about detained WSJ reporter Evan Gershkovich.

ing to really talk to us about him yet," Carstens said, appearing on a panel at the Aspen Ideas Festival.

A State Department spokesperson declined on Tuesday to go into detail on the negotiations process, citing the continuing work to secure the release of Gershkovich and Whelan, who also is considered

wrongfully detained in Russia.

On Monday, Lynne Tracy, the U.S. ambassador to Russia, was granted access to Gershkovich. It was the second such visit since the journalist's detention began. Russian diplomats have visited Dunaev, who is in U.S. custody on cyber-crime charges, Russian state media reported Tuesday.

Russian officials have hinted at the possibility of a deal for Gershkovich, but said any consideration of a swap involving the journalist would have to wait until a court issues a verdict in his case.

A prisoner exchange between the U.S. and Russia has long been seen by U.S. observers and officials as the likeliest

way of securing the reporter's freedom, particularly after two high-profile instances last year in which Americans whom the U.S. considered to be wrongfully detained in Russia were swapped for Russians convicted of crimes in the U.S.

American basketball player Brittney Griner, convicted of drug charges, was exchanged for Russian businessman Viktor Bout, who was imprisoned in the U.S. on arms-trafficking charges. Trevor Reed, an American who was convicted in Russia of assaulting two police officers, was swapped for Konstantin Yaroshenko, who was sentenced to 20 years in prison in 2011 for conspiracy to smuggle cocaine into the U.S.

Legal experts say it could be many months before Gershkovich's case is brought to trial, as investigators gather materials to present before a judge. Under Russian law, investigators and prosecutors have wide latitude to request further extensions of pretrial detention.

Espionage trials typically are conducted in secret, as in most countries, and conviction carries a prison sentence of 10 to 20 years. It is rare for a court to acquit a defendant.

Drones Are Downed in Moscow, Disrupting Flights

By THOMAS GROVE
AND ANN M. SIMMONS

Russian authorities said they downed five drones targeting western Moscow, including over one of the region's largest military facilities and near a major airport, fending off an early-morning assault that disrupted civilian flights in and out of the capital.

No one was injured, the city's mayor said.

"The attempt of the Kyiv regime to attack a region where civil infrastructure is located, including an airport that receives, by the way, international

flights, is the latest act of terrorism," Russian Foreign Ministry spokeswoman Maria Zakharova wrote on Telegram. She blamed Western powers supporting Kyiv for enabling the attacks.

Ukraine, which rarely claims responsibility for attacks inside Russia or on Russian-held territory, didn't comment directly on the assault, but Ukrainian presidential adviser Mykhailo Podolyak said Russia has been carrying out state-sponsored terrorism on Ukrainian people since the start of its invasion.

"The Russian Foreign Ministry should realize that a terrorist attack is when you have been

deliberately firing cruise and ballistic missiles at residential areas and crowded pizzerias for 16 months," he said on Twitter.

On Tuesday, flights out of one of Moscow's largest airports, Vnukovo, were suspended for three hours, with 16 inbound flights diverted to the capital's other airports, as a result of the attack.

Meanwhile, in his first meeting with key foreign allies since Yevgeny Prigozhin and his Wagner paramilitary group's aborted mutiny challenged his leadership last month, Russian President Vladimir Putin sought to reassure Asian lead-

ers that he remains firmly in charge at home.

Putin addressed a virtual meeting Tuesday of the Shanghai Cooperation Organization, which included Chinese leader Xi Jinping and Indian Prime Minister Narendra Modi. In remarks that appeared to be aimed at cementing support abroad, Putin sought to portray an image of strength and stability.

"The solidarity and high responsibility for the fate of the motherland was clearly demonstrated by the Russian political circles and the entire society by coming out as a united front

against the attempted armed rebellion," he said at the meeting, which was hosted by India.

In late June, Prigozhin marched on Moscow in what was the boldest challenge to Putin's 23-year rule, but the Wagner leader aborted the uprising before he reached the capital after the Kremlin offered him safe passage to Belarus.

While Putin has sought to reassert his authority at home and abroad since the crisis, the incident could raise fresh questions about Russia's ability to sustain the war effort in Ukraine. It also could raise questions in China and India, two allies that are

crucial to Russia's ability to withstand economic and political isolation from the West.

The SCO also includes Pakistan and the four Central Asian nations of Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan that are all former Soviet republics.

Analysts who monitor Russia's relations with Asia said it was important for Putin to participate in Tuesday's meeting to try to prevent their support from wavering. The meeting also confirms his standing in the developing world, despite being ostracized by the West.

FROM PAGE ONE

Bank Deals Are Facing Hurdles

Continued from Page One told The Wall Street Journal this spring.

"We're coming through this environment with the view that this will be an opportunistic period of time for us," he said. "Nothing immediate on the horizon, but I suspect there will be opportunities for us to take market share and grow the bank."

The outlook is especially challenging for banks too big to sidestep the costlier regulatory requirements big banks must meet but lacking the scale or the array of fee-paying services offered by behemoths such as JPMorgan Chase.

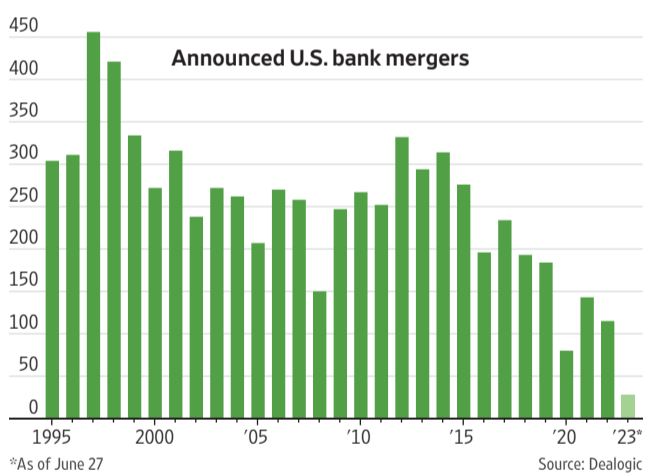
And new rules are likely. Regulators are considering requiring more banks to issue long-term debt that can help absorb losses. They also plan to close a regulatory loophole that had allowed some midsize banks to effectively mask paper losses.

"Doing business the same way you had before is just not going to cost the same amount of money," said Daniel Goerlich, U.S. banking and capital-markets deals leader at PwC.

The decadeslong consolidation of the banking industry has produced only a handful of winners, said Tom Michaud, chief executive of investment bank Keefe, Bruyette & Woods.

The next wave could further shrink the middle group between the megabanks and community lenders. "Banks want to get the benefits of breadth and the benefits of scale," Michaud said.

Bryan Jordan, First Horizon's chief executive, has chosen to step into this new era cautiously. His bank agreed to sell itself to Toronto-Dominion



Bank only to watch the deal unravel.

TD Bank pulled its First Horizon deal in early May after the U.S. government raised issues with the Canadian bank's anti-money-laundering controls. A week later, however, regulators approved a private-equity group's purchase of the majority stake in TIAA's banking arm—about six months after an agreement was announced. It is a sign, bank lawyers said, that officials can move relatively quickly.

The consortium, which includes Warburg Pincus, expects to complete the TIAA transaction later this year and remains on the lookout for other potential bank deals, people familiar with the matter said.

There are also reasons to wait. As rates rose, banks racked up paper losses on the loans and bonds they hold. The banks will keep most of those assets until they mature without marking down their value—unless they are acquired. When that happens, the buyer would have to absorb those losses, taking a potential hit to its capital position.

Acquirers also are willing to wait to see if some banks' situations turn more dire, forcing the government to step in. Acquiring a troubled lender in receivership can allow the buyer to share the risks and the costs with regulators.

First Republic, which JP-

Morgan bought in a fire sale, also had drawn interest from regionals such as PNC Financial Services Group. But the bank wasn't sold before it failed, and its collapse freed the government to step in with an agreement to share losses and help finance the purchase.

PacWest Bancorp explored its options, including a possible sale, in May after its share price declined. While it did sell loans and a business, no buyer emerged for the entire company.

Executives and advisers are concerned that not everyone in Washington is ready to embrace consolidation.

In a June 27 letter to Yellen and other senior officials, Sen. Elizabeth Warren, a Massachusetts Democrat and a longtime Wall Street critic, wrote that they "appear to be taking the wrong lessons" from the recent banking crisis by encouraging more deals.

In a recent speech, Assistant Attorney General Jonathan Kanter said the Justice Department will modernize how anti-trust laws apply to bank deals. Deposit concentration within local markets has long been the government's main concern, but that fails to account for the power megabanks have amassed across regions and business lines, he said.

"I have deep nostalgia for our banking system as it existed in 1995," Kanter said. "Like many of you, I remember the excitement of being handed a free toaster when signing up for a new account."

—Cara Lombardo and Andrew Ackerman contributed to this article.

FEMME FATALE
GEORGES DE FEURE

Ethereal forms. Art Nouveau. Esteemed artist.



A triumph of Art Nouveau aesthetics, Georges de Feure's original *La Course à l'abîme* renders two sensual female figures among a profusion of plants, showcasing de Feure's fascination with the femme fatale. Marked by sinuous Art Nouveau lines, romantic forms, vibrant colors and organic floral motifs, de Feure's oeuvre also includes posters for Folies-Bergère and Le Chat Noir Cabaret. Gouache on paper. Circa 1893-94. Signed "de Feure" (lower left). Paper: 31 7/8" h x 37 3/8" w. Framed: 37 3/8" h x 43" w. #31-6980



Scan to read more
about this painting

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Since 1912, M.S. Rau has specialized in the world's finest art, antiques and jewelry. Backed by our unprecedented 125% Guarantee, we stand behind each and every piece.

Our friend and colleague, **Evan Gershkovich**, was detained by Russia on March 29 during a reporting trip and accused of espionage. The Wall Street Journal and the U.S. government vehemently deny the allegation and have called for his immediate release.

Evan's Journal colleagues will be sharing stories of their work with him each week.

To show support for Evan, please follow the latest updates at [WSJ.com/Evan](https://www.wsj.com/Evan) and add the hashtag **#IStandWithEvan** across social media.



There are two kinds of foreign correspondents: expatriates who land and learn about the region as they cover it and natives who have a deep understanding of their homes. The latter is eager to tell the world about where they live.

On the surface, Evan Gershkovich is a born-and-raised American ex-pat, but in reality he writes about Russia like a native. Evan grew up in a Russian household, speaking Russian and watching Russian cartoons. His home just happened to be in Princeton, N.J.

When I met Evan right as the war in Ukraine started, he was staying in London awaiting his Russian press accreditation. He was anxious about his apartment there in Moscow and sad about leaving a life he loved. He talked about his travels, his friends and the dacha they shared.

Evan is also a storyteller in the great Russian tradition. His stories have a level of detail and understanding that brings the reader with him to wherever he is. People tell him their stories because he is genuinely interested and truly understands the context. His stories on how Russians are living with the war—from those who protest it to those who left to those who ignore it—capture everyday life there. He doesn't generalize or caricature the people he writes about.

Evan's detention has deprived Wall Street Journal readers and many others of a deep understanding of Russia. It is sad and ironic that one of the people best equipped to tell Russia's story is sitting in prison instead of writing. Help us get Evan out of prison and back to telling stories.



Ken Brown
Bureau Chief, Finance

#IStandWithEvan

THE WALL STREET JOURNAL.

WORLD NEWS

Nations Aim to Diversify Mineral Supplies

China's move to limit exports of two key minerals is likely to accelerate plans to diversify supply chains away from the country, as governments and industries seek to limit fallout from the U.S. and China's escalating economic rivalry.

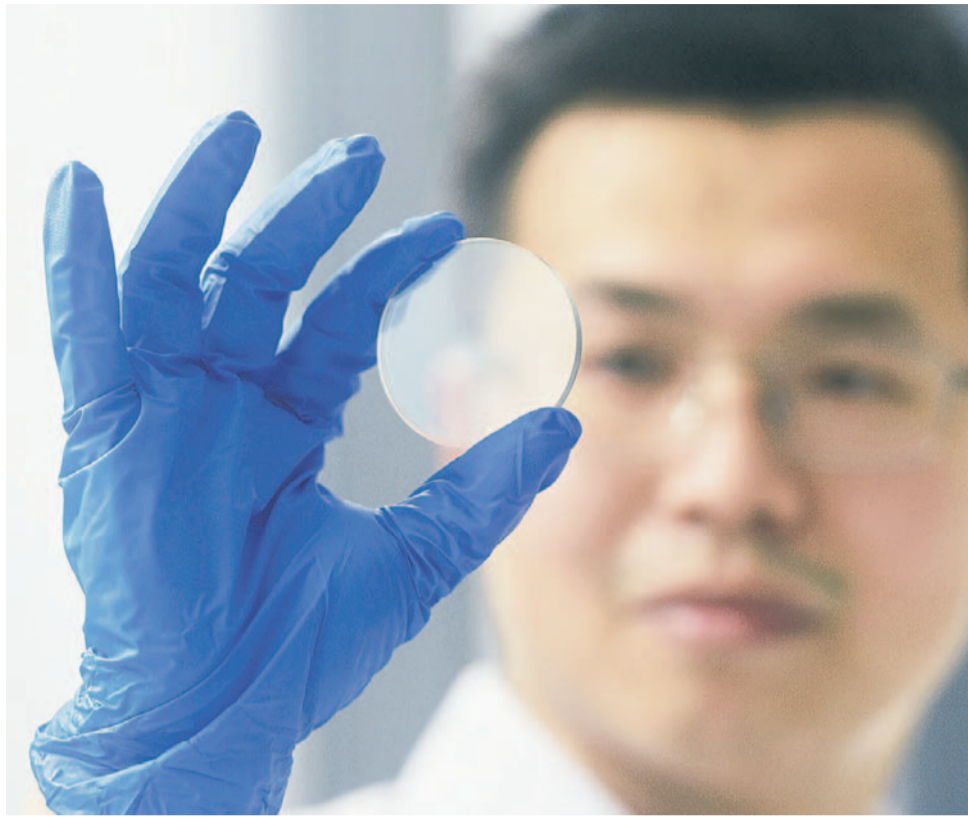
By Jiyoungh Sohn in Seoul, Yang Jie in Tokyo and Rhiannon Hoyle in Australia

Industrial experts say China's move—viewed as retaliation against U.S. export restrictions aimed at curbing Beijing's high-technology industries—is unlikely to immediately hit global output of semiconductors and other products, in part because Beijing would be hurting its own technology industry if it implemented the controls too strictly. But it has sounded an alarm for countries that stand to be hit.

South Korea's government held an emergency meeting Tuesday to assess the potential consequences of China's export restrictions on the two minerals, gallium and germanium, and pledged to do more to diversify its sourcing of materials critical to major industries such as semiconductors. Japan's government also said Tuesday that it is studying the impact of the restrictions. Both countries boast large semiconductor industries that would be exposed to a shortage of the two minerals.

China's Foreign Ministry said the latest export controls, which kick in on Aug. 1, don't target any specific countries. "China has always been committed to maintaining the security and stability of the global supply chain, and has always implemented fair, reasonable, and nondiscriminatory export control measures," spokeswoman Mao Ning said Tuesday.

Still, analysts said China's measures, which restrict exports of the two minerals, as well as dozens of related compounds, appeared to be aimed at countries such as the U.S., South Korea and Japan, which



China has put export controls on gallium and another mineral that will take effect Aug. 1.

have restricted exports of advanced semiconductors and related technology to China.

China mines and exports large quantities of gallium and germanium, providing the raw materials to countries including the U.S. and Japan that process them into high-end products, which can then be used in manufacturing advanced semiconductors, military radars, LED panels, solar panels, electric vehicles and wind turbines. By contrast, China processes other minerals such as cobalt, which are mined elsewhere.

China's restrictions are the latest in a series of increasingly contentious trade-related measures that Beijing and Washington are unleashing as each seeks to dominate in core

technologies with military and industrial applications. They amplify the pressure that other governments and many multinational companies already face in a bid to reduce the impact from growing geopolitical risks. Governments and companies around the world have been pushing to shift some of their production and supply chains away from China, while some companies have begun siloing off China operations from the rest of the global business.

More export control measures are expected. The U.S. is likely to release in the coming weeks final and upgraded regulations related to export curbs of advanced chips and equipment that it first announced in October, The Wall

Street Journal has reported.

South Korea's deputy minister for industrial policy at the Ministry of Trade, Industry and Energy, Joo Young-joon, said the impact of China's latest export controls is likely to be limited in the short term, but that uncertainties remain. The government plans to further diversify sourcing routes for key materials and develop alternatives to materials for industries that are highly dependent on imports from specific countries, Joo said.

China's announcement of the restrictions came days before Treasury Secretary Janet Yellen's planned visit to Beijing later this week. China could leverage its restrictions in discussions with Yellen, say analysts at Eurasia Group, a risk consulting firm. Beijing's move also serves as a warning shot "to remind countries including the United States, Japan, and the Netherlands

that China has retaliatory options and to thereby deter them from imposing further restrictions on Chinese access to high-end chips and tools," Eurasia's analysts told clients in a note Tuesday.

In South Korea's semiconductor sector, gallium is used mainly for research and development of next-generation products, the country's Trade Ministry said. Germanium goes into some gases used in semiconductor production, but it can be replaced with other materials and alternative import routes are available, the ministry said.

The compound gallium nitride is used to make semiconductors that deal with high-voltage electrical flows, such as power-management chips widely used in cars and certain radio-frequency chips for telecommunication devices.

U.S. and European firms specializing in those types of chips could see a bigger impact down the road, while memory chip-driven South Korea is relatively shielded, said Ahn Jin-ho of Hanyang University who is a vice chairman of the Korean Institute of Metals and Materials.

Companies that produce power-management chips and automotive chips using semiconducting materials such as gallium nitride include U.S.-based chip makers Wolfspeed and NXP Semiconductors, as well as Germany's Infineon Technologies. Wolfspeed and NXP couldn't be reached for comment. Infineon said that while it can't comment on specific materials, it doesn't see a major impact that could disrupt its manufacturing capabilities.

Radio-frequency semiconductors, used in telecommunication devices, are dominated by U.S. and Japanese firms including Broadcom, Qualcomm, Qorvo and Murata Manufacturing. These companies didn't respond to requests for comment. In addition to telecommunication base stations, radio-frequency semiconductors are also used in defense- and satellite-related applications.

SECTOR HAS OPTIONS

Should supply-chain disruptions occur, the metals and mining industry has longer-run options to help plug shortfalls in places such as the U.S. and Australia. Germanium and gallium are typically recovered as byproducts from zinc and alumina refineries.

Nyrstar, which is owned by trading giant Trafigura Group and is the world's No. 2 zinc producer, is considering building a \$150 million facility to recover and process germanium and gallium at its zinc smelter in Clarksville, Tenn. The facility could produce enough of the metals to meet as much as 80% of annual U.S. demand, the Netherlands-based company said.

"We are currently discussing the potential development with relevant government entities in order to finalize the business case and move forward with this investment as soon as practically possible," Nyrstar said.

The firm also has said it could consider extracting germanium it has ignored at its Australian operations. The company's estimates suggest it could account for roughly 5% of world production there if it did so.

There are substantial reserves of germanium in Alaska, Tennessee and Washington, and the U.S. is able to recycle new and old scrap, said the U.S. Geological Survey. Some domestic zinc deposits also could hold a significant amount of gallium, it said.

Limits on Cloud Tech Weighed

Continued from Page One

country, as well as climate change and debt in the developing world. The U.S.'s proposed cloud restrictions are seen as a means to close a significant loophole. National-security analysts have warned that Chinese AI companies might have bypassed the current export controls rules by using cloud services.

These services allow customers to gain powerful computing capabilities without purchasing advanced equipment—including chips—on the control list, such as the A100 chips by American technology company Nvidia.

"If any Chinese company wanted access to Nvidia A100, they could do that from any cloud service provider. That's totally legal," said Emily Weinstein, a research fellow at Georgetown Center for Security and Emerging Technology.

The Commerce Department is expected to unveil the action within the coming weeks as part of an expansion of its semiconductor export control policy implemented in October, the people said.

The Commerce Department declined to comment.

The ban on cloud services would be the latest in a series of tit-for-tat actions between Washington and Beijing over semiconductors and other advanced technologies.

Concerned about China's advancement in artificial-intelligence technologies and their military applications, the Biden administration is stepping up efforts to limit transfers of chips and other products and services to Chinese companies.

China has struck back, including banning some firms from buying products from Micron Technology, the largest memory-chip maker in the U.S.

Yellen has said she is hop-



Among U.S. cloud-service providers, Amazon Web Services and Microsoft's Azure are expected to be the most affected because of their existing presence in the Chinese market.

ing to arrest a downward spiral in relations, as U.S. officials worry that China could cut off access to key goods such as components to electric-vehicle batteries. In China, meanwhile, officials contend the U.S. is seeking to hobble China's economic development.

Weinstein said that as an alternative to blacklisting certain types of chips in cloud service, the administration could also restrict U.S. cloud companies from offering services to users linked to military, security or intelligence services in China and other countries of concern.

The new policy would expand the reach of the export control policy to a new set of companies beyond the semiconductor and equipment makers. Among U.S. cloud-service providers, Amazon Web Services and Microsoft's Azure are expected to be the most affected because of their existing presence in the Chinese market.

The two companies, along with Google, are the world's leading providers of cloud services, but in China, their presence is overshadowed by fast-growing local providers including Alibaba, Huawei, Tencent and Baidu. In 2022, those four companies together represented nearly 80% of the total customer spending of

\$30.3 billion, according to Canalys, a Singapore-based research firm. The total spending was up 10% from its 2021 level, the company said.

Neither Microsoft nor Amazon had any immediate comment on the potential action.

In October, the Biden administration unveiled restrictions to curb exports of advanced chips and equipment, but hasn't codified them in final rules.

In the coming weeks, the final and upgraded regulations are expected to be issued, including expanding the scope of restrictions on artificial-intelligence chips made by Nvidia and other chip makers. The new cloud-computing rule is expected to be part of that effort.

As part of the update, the U.S. is also expected to unify the list of controlled chip-making equipment with the Netherlands and Japan.

On Friday, the Dutch government published formal rules requiring its companies to seek government permission before they can sell some types of chip-making equipment abroad.

Under the rule announced by the U.S. last year, U.S. chip makers are required to obtain a license from the Commerce Department to export certain chips used in advanced artificial-intelligence calculations and supercomputing that are used in modern weapons systems.

Outside of the export control regime, U.S. officials and lawmakers have also been considering implementing steps to curb U.S. operations of Chinese cloud-service providers.

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FROM PAGE ONE

U.S. Police Funding Goes Global

Continued from Page One

Ocean coast, was a tiny victory for wildlife conservation. Some 2.7 million pangolins are poached in Africa each year, pushing them to the edge of extinction, according to the African Wildlife Foundation.

It was also a prime example of how U.S. law-enforcement agents operate behind-the-scenes overseas. In more than a dozen developing countries where the U.S. believes police agencies are so riddled with corruption that they can't be trusted, American embassy personnel handpick their own local law-enforcement units, screen them for misconduct and, to a large degree, assign them missions aligned with U.S. interests.

The U.S. State Department's Bureau of International Narcotics and Law Enforcement Affairs says it has vetted members of 105 police units worldwide for agencies including the Bureau of Diplomatic Security, the Federal Bureau of Investigation and the Department of Homeland Security.

Because some agencies do their own vetting, the State Department said it was unable to provide a global count of U.S.-aligned units or the officers they employ. It said there was no central office tracking all of the units' activities or the total government spending that goes into them.

The State Department Bureau of Diplomatic Security alone says it has 16 vetted units established under agreements with governments from Peru to the Philippines. The Fish and Wildlife Service funds police in Uganda and Nigeria.

Arrest powers

In Kenya, the FBI, Homeland Security, Drug Enforcement Administration and Fish and Wildlife Service each have their own vetted detectives from the Kenyan Directorate of Criminal Investigations. The units pursue matters ranging from heroin smuggling to passport and visa forgery to human trafficking and criminal abuse of American citizens. American agents stationed at the U.S. Embassy in Nairobi don't have arrest powers in Kenya, but their local partners do.

Kenyan officials stress that the units ultimately answer to Mohamed Amin, Kenya's director of criminal investigations, in keeping with local law and the U.S.-Kenyan agreements that established them. In practical terms, the Kenyan detectives often take strong guidance from U.S. embassy officials.

"We, for the most part, have operational control," said Supervisory Special Agent Ryan Williams of the State Department Bureau of Diplomatic Security, who directed a five-person Kenyan police unit out of the U.S. embassy in



Above, illegally harvested sandalwood is set ablaze in Kenya to curb the trade; left, a U.S. Embassy Criminal Fraud Investigator escorts American and British youths out of Mustaqim Rehabilitation Centre.

Nairobi. Kenyan detectives undergo a polygraph test before being offered a position in the unit.

The global spread of U.S.-vetted foreign police units is little known and faces little public scrutiny. Some Kenyans who do know of the units' existence bridle at the notion that foreigners wield so much influence in domestic law enforcement. "They don't have autonomy," Muriigi Kamande, lawyer for the alleged pangolin traffickers, said of the vetted officers. "They basically work at the behest of a foreign nation. It's not right."

The DEA pioneered the strategy during the cocaine wars in Colombia, Bolivia and Peru in the 1980s. Resident American narcotics agents, frustrated by the drug cartels' influence over local police, took it upon themselves to identify officers they felt they could trust, according to research conducted at the time by Ethan Nadelmann, then a Princeton University professor. At the time, the DEA's ability to keep vetted units clean and effective depended on extensive diplomatic pressure from the U.S. government, Nadelmann found.

Now the practice has become routine and global for law-enforcement agencies throughout the U.S. government. The units operate under memorandums of understanding between the U.S. and local authorities.

In May, a vetted American

embassy unit in the South American country of Guyana helped track down and arrest a man wanted in the U.S. for sexual assault of a child, according to the State Department. A Colombian unit dismantled a seven-city human-smuggling operation that was charging \$4,000 to \$5,000 a head to provide migrants with fake documents to secure U.S. visas, according to Colombian and U.S. authorities.

Kenyan officers who win positions in vetted units get upgraded training, the prestige of working in an elite squad and, depending on the unit, as much as twice their usual pay. U.S. agencies provide intelligence they might not share with ordinary Kenyan police.

"The benefits of such collaborations and partnerships are immense, and the most important being the assurance of the safety and security of the people we serve," said Inspector Mike Mugo, a spokesman for the Kenyan Directorate of Criminal Investigations, or DCI.

Vetted units tend to perform significantly better than their un-vetted counterparts, securing higher arrest, prosecution and conviction rates, according to a U.S. Embassy spokesman in Nairobi.

There have been a few instances in which detectives from vetted units have proven corrupt, but the embassy spokesman said the "bad actors were quickly identified, removed and replaced before

there could be significant impacts." Those Kenyan officers were usually exposed through repeated lie-detector testing, the spokesman said.

Mugo, the Kenyan DCI spokesman, said he knew of no cases in which vetted officers had compromised investigations or otherwise been corrupted.

In recent months, DCI chief Amin has appeared alongside U.S. Ambassador Meg Whitman to announce American reward money for wanted terror suspects and to preside over the destruction of tons of allegedly smuggled sandalwood, an endangered tree.

The Kenyan National Police Service has been criticized by civil-society groups and politicians for rampant corruption and other serious problems. Traffic officers routinely demand bribes from drivers. The country's president, William Ruto, accused the DCI's elite Special Services Unit of extrajudicial killings and closed it down last year.

"We cannot deny the fact that we have a few rogue police officers in the service, just like we have errant officers in other professions," said Mugo, the DCI spokesman.

Still, the first rule for the elite Kenyan units assigned to the U.S. Embassy is that they don't tell other police the plan. The vetted officers know that if word of an operation leaks, the chances are that when they arrive, the elephant ivory would be hidden or the

fake U.S. passports destroyed.

"Even police are our own enemies sometimes," said Inspector Josphine Korir, who runs the nine-officer Kenyan wildlife-crime unit. Her team is funded by the U.S. Fish and Wildlife Service, which is required by U.S. law to combat trafficking in protected species.

The Kenyan diplomatic-security team directed by Agent Williams of the U.S. Embassy focuses on gangs that forge U.S. passports. Increasingly the officers have been rescuing young Somali-Americans from centers that market themselves to desperate diaspora parents as experts in drug treatment and Islamic education, but can be abusive.

In September, Williams got a tip that U.S. citizens were being held against their will at Mustaqim Rehabilitation Centre in Nairobi's heavily Somali Eastleigh neighborhood. The U.S. Embassy considers the densely populated area too dangerous for Americans and Williams himself couldn't go on the raid. His Kenyan team assembled unmarked SUVs at a nearby police station, but didn't tell the station commander the details of their operation. Twice before, the unit had raided rehab centers only to find staff had been tipped off and moved the Americans elsewhere.

This time, a Kenyan reconnaissance team loitered outside of the rehabilitation center in the morning, watching who came and who went. Then the police raiding team pulled up, pretending to be health officials conducting a routine welfare check.

The officers pushed their way into the padlocked inner courtyard, where dozens of young men wandered aimlessly or knelt in prayer.

The detectives demanded the staff identify the foreign residents. Among them was a slender 16-year-old in a North Face hoodie. He was born in

Minneapolis and said his mother had had him taken in handcuffs to Mustaqim six weeks earlier due to his errant teenage behavior. "She thought it was a good place," the boy said. Instead, residents complained to police that they were routinely beaten and chained up.

The center's director, Ahmed Mohamed Abdi, dismissed their allegations. "As long as someone is here, they'll complain about something," he said, although he acknowledged that residents who don't comply with Islamic teachings are locked in a punishment room.

Tickets back

The detectives bundled two Americans and two Britons into the vehicles and drove them to a police station. They left young Somali-Kenyan men and women at the center, despite their pleas to leave. The U.S. Embassy contacted the U.K. High Commission to care for the Britons and offered the Americans hotel rooms for the night and tickets back to the U.S.

The three alleged pangolin poachers arrested in August pleaded not guilty in Kenyan court. They face a minimum of three years in prison if convicted, according to their lawyer. Like most Kenyans, the presiding judge had never seen a pangolin. During one hearing, the U.S.-funded police adviser googled "pangolin" and approached the bench to show the judge what the case was all about. The animal, which weighed 29 pounds, had a street value of \$30,000, according to a court document. Wildlife officials tagged the rescued pangolin with a tracking device and released it into a forest. Later the pangolin was spotted alive, but without the device; officials suspect a hyena chewed it off.

Superhero Wins Fans In India

Continued from Page One

scenes are common for India's Bollywood epics.

This time the frenzy is of a new flavor. The film, a Hollywood import, Sony Pictures' "Spider-Man: Across the Spider-Verse," is smashing box-office records in India and generating unusual fervor because it features a character thought to be the first Indian superhero to appear in an American blockbuster.

The animated character is Pavitr Prabhakar, a web-swinging, chai-sipping fellow whose name is a play on Peter Parker, the teen behind the original Spider-Man mask. "Spider-Verse" posits multiple parallel universes where various versions of Spider-Man protect the population. Pavitr has a key supporting role as one of them, and he uses his Spidey-like powers to help the movie's star, a teenage boy, save the world from a supervillain—and does so in the fictional metropolis of Mumbattan, a mashup of Manhattan and Mumbai.

Pavitr is new to many U.S. viewers—but here he is a long-dormant Indian comic-book hero many know from childhood. He is considered the Indian Spider-Man.

Indian moviegoers are showing up in droves wearing Spider-Man costumes and in Mumbai, fans painted elaborate murals showing Pavitr waving an Indian flag. Film buffs have started fantasizing about which Bollywood stars would play him in a live-action version.

"I've grown up reading Spider-Man comics and always wanted to see Pavitr in action. It's finally come true," said Ranjith Nayar, 44, who lined up for the New Delhi screening. "I'm so happy."

Pavitr Prabhakar's journey to the big screen begins in 2004, when Sharad Devarajan, a comic-book writer and TV producer from New Jersey, moved to India to start a publishing company, Gotham Comics. He soon won the license to make Indian versions of Marvel and DC Comics.

To appeal to Indian fans, Devarajan localized Spider-Man in the comic books. Instead of being smitten with Mary Jane, the girl-next-door, Pavitr has a crush on Meera Jain, a school classmate. He wears a traditional dhoti and gets his powers from a yogi instead of from a radioactive-



Animated character Pavitr Prabhakar is a hit in India.

spider bite.

Pavitr uses his Spidey skills to join his school's cricket team. And rather than being bullied for being a nerd—as Peter Parker is—Pavitr is taunted for being a scholarship student from a small village and for his rural clothes.

"Peter Parker is made fun of for being a bookworm and studying too hard, but in India that's a good thing," Devarajan said. "We felt that Indian fans wouldn't relate to that part of the Spider-Man character at all."

Over a few years, Devarajan said, the "Spider-Man: India" comics sold nearly one million copies, mainly at railway stations and via salesmen on bicycles. But after only four is-

suues, the Marvel license expired, and Pavitr essentially sat in a vault for two decades.

About a year-and-a-half ago, Devarajan was home in Beverly Hills when his phone buzzed with a text from his teenage son. The message linked to a YouTube video dissecting the first trailer for "Spider-Man: Across the Spider-Verse," which mentioned Pavitr would make an appearance. "I basically just fell off my chair," Devarajan said. "Twenty years ago, Pavitr Prabhakar was a huge part of my life. I hadn't thought about him in years."

Phil Lord and Chris Miller, the writing and producing team behind the new movie, are comic-book obsessives

who had read Devarajan's comics.

Miller said they liked the contrasts between the main character, a shy Brooklyn teen named Miles Morales (who learns to be a superhero from the original Spider-Man) and Pavitr Prabhakar. Miles is unsure if he's up to saving the day and is timid about his crush on fellow teen Gwen Stacy. He has a truancy problem and bristles when other, brawnier Spider-Men call him "child." Pavitr brims with confidence and passes all his classes.

Both heroes are fond of wordplay—Miles chastises a robber for the redundancy of calling a cash dispenser an "ATM machine," while people who say "chai tea" drive Pavitr crazy. Pavitr, with Miles by his side, swings past auto-rickshaws to help save Mumbattan. "We were thinking, 'What is the first world that Miles can visit and really feel like Dorothy leaving Kansas and showing up in Oz?'" Miller said.

Lord and Miller heard mid-production from animators of Indian descent working on the film who argued that Pavitr needed to be updated from his comic-book roots. In the movie, "he knows how to navigate the place and he's overconfident," Lord said.

Pavitr, voiced by Indian

American actor Karan Soni, chides a rival Spidey, "Don't 'Eat, Pray, Love' me, bro." During a tour of Mumbattan, he quips, "This is where the British stole all our stuff."

Animators studied Kalari-payattu, a 2,000-year-old Indian martial art, to inform Indian Spider-Man's movements—a fact highlighted on Twitter by the tourism board in Kerala, the southern Indian state where it originated. In India, where average movie ticket prices are about 120 rupees, or roughly \$1.45, the movie grossed \$2.8 million in its opening weekend, the country's highest debut for an animated film. It has earned more than \$560 million worldwide.

"India is a very young country, and a lot of people identify with this existential struggle that Spider-Man embodies," said Pritesh Chakraborty, a lecturer at Rabindra Bharati University in Kolkata, India, who studies the country's comic-book industry. "Plus, like many Indians, he's talkative to the point of verbose," he added.

Jeevan Kang, the artist who drew Pavitr in the original comics, went to the new movie in Mumbai, and says seeing the character on screen was "a pleasure beyond measure," and the cheers from fans were "the cherry on top."



Roberts, said only two visits a year are doable on their budget. He said he would have been able to afford more-frequent trips had he kept the door open to contract work by maintaining both his relationships with former colleagues and a project-management certification.

"We miss our grandchildren terribly," his wife said.

David Edmisten, an adviser in Prescott, Ariz., said clients sometimes regret delaying retirement for this reason. The extra years working come at the cost of missing time with family and friends and postponing trips, he said.

"Some even had people close to them pass away and regret not being able to spend more time with their loved ones while they still could," Edmisten said.

Retirement is longer than you think

Arthur Parmentier, 69, regrets retiring at 65, rather than working a few more years, partly because he missed out on a few more years of contributions to his retirement account.

The Providence, R.I., resident claimed Social Security at 65, accepting a lower monthly benefit than he would have received by waiting.

"Had I waited two more years or maybe three, I would have been quite comfortable, but right now, I'm living on Social Security and trying not to touch my IRA," said Parmentier. "I think now that I may live well into my 80s, so I have to be prepared for that and make sure my IRA will last me throughout those years."

The life expectancy for a 65-year-old is 84 for men and nearly 87 for women, according to projections by the Society of Actuaries based on 2019 data. Surveys suggest many Americans vastly underestimate those numbers.

Of 1,500 adults ages 45 to 80 polled by the Society of Actuaries in 2015, 41% of preretirees and 37% of retirees underestimated their life expectancy by five or more years, while 14% of preretirees and 18% of retirees underestimated it by two to four years.

Social Security allows people to start their retirement benefits any time between ages 62 and 70, and increases the payment for every month of delay.

For many, the math favors starting at 70, when monthly benefits before cost-of-living adjustments are 76% higher than at 62, according to Laurence Kotlikoff, a Boston University economist.

A person who postpones benefits until age 70 instead of 62 would have to live to at least 80 to come out ahead, said Kotlikoff, founder of MaximizeMySocialSecurity.com, which advises people on claiming decisions.

Retirement Advice From Those Who Learned the Hard Way

Regrets of their postwork lives include not giving more time to health, finances and relationships

By VERONICA DAGHER AND ANNE TERGESEN

Thousands of Americans retire every day short on cash, friendships and plans.

Many retirees say they realized too late how they could have prepared for a more financially secure and rewarding postwork life. They would have focused on saving more money to cover the higher cost of living. Or they would have put more time into building relationships, taking better care of their health or cultivating new pursuits.

One reason retirement is so hard to prepare for is we often lack models of postwork life to emulate, retirees and financial advisers say. Though our culture is awash with images of professional success, we are a little hazier on what retirement success looks like and what it takes to achieve.

To sharpen that picture, we asked retirees about what they would do differently if given a second chance. Their regrets offer insights that can help people think and plan better at every life stage. "Regret makes us feel bad, but

it can help us do better," said Daniel Pink, who researched people's relationships to regret across a range of areas for his book "The Power of Regret."

Here are three lessons retirees say they wish they had known sooner.

Investing for retirement means more than money

Jim Pilzner, a retired entrepreneur, regrets not setting goals for himself when he retired about four years ago. Now 78, he found there is only so much golf to play and only so many lunches to go to.

"I would counsel my younger self, and any other active, achieving person to recognize what drives them and what success really means," said Pilzner.

He eventually figured out that the two things that motivated him most during his career—taking action and learning new things—were the same recipe he needed for retirement.

So this spring he enrolled at University of Nevada, Reno with two classes (earning a 4.0) and will be full-time in the fall. He is studying for a degree in political science and history.

Retirees frequently don't realize how much their career provided a sense of identity and self-worth. Many fail to grasp the need to plan for a different source of purpose in retirement, said Betty Wang, a financial adviser in Denver.

People carefully plan how they will spend money in retirement but often give far less thought to how to spend their time.

Jay Holt, 74, regrets not retiring sooner. He planned to spend his postwork years playing polo. But in 2015, he fell while playing and had to give up the sport.

The resident of Cincinnati, N.Y., who retired in 2013 at age 64, now wishes he had had a few more years in which to enjoy this activity.

Relationships are the key to retirement

The best predictor of longevity, health and happiness in later life is the quality of your relationships. That is the finding of the Harvard Study of Adult Development, which has followed families for decades.

Dan Roberts, 72, in Idyllwild, Calif., wishes he had kept up with former colleagues for personal and



Retired entrepreneur Jim Pilzner is pursuing a degree in political science and history at 78.

professional reasons.

Roberts retired about 18 months ago. Soon after, his son and his family, who were living just two hours away, moved to New Zealand.

Roberts and his wife, Robin

Making the Right Call On Folding Phones



PERSONAL TECHNOLOGY
NICOLE NGUYEN

Who should consider adopting foldables

Android users

For now, folding phones are exclusive to Android. There's no iPhone Fold—yet.

Apple appears to be working on a foldable smartphone, but we likely won't hear about it until 2026, said Ross Young, chief executive of DSCC, a supply-chain research firm.

Meanwhile, developers, such as Peloton, Spotify, Zoom and YouTube, optimized their Android apps to accommodate big-screen and dual-screen layouts.

Big-screen lovers

Samsung's Galaxy Z Flip 4 and Motorola's Razr+ are smaller and fold in half like an old-school clamshell flip phone. Samsung's Galaxy Z Fold 4 and Google's Pixel Fold, on the other hand, open like a book to reveal a large squarish screen.

The flippers might be good for small hands and portability, but the foldables are the real upgrade, ideal for people who spend time in trains, planes or automobiles. I watched movies, read ebooks and shopped online for hours. Access to a large screen is also handy if you have low vision and read a lot on screens.

A foldable is a good stand-in for a tablet—as long as you don't mind a small midscreen indent.



The Pixel Fold, top, and Galaxy Z Fold 4, can be great entertainment portals.

Tabletop watchers

When I got tired of holding the device, I set it down on a table and propped one half of the screen up, no stand needed. YouTube, Netflix and Disney+ are optimized for this mode, though Amazon's Prime Video is not.

With the same orientation, I turned the phone into the world's tiniest laptop, with a keyboard on one side of the screen and a Google Docs draft on the other.

Multitaskers

The primary difference between a foldable and a standard phone is multitasking—running at least two different apps, one on each half of the unfolded screen. I could take notes during a video call and refer-

ence my calendar while looking at a train schedule.

Who should avoid foldables (for now)

Cost-conscious consumers

These larger-screen devices start at \$1,799. That's \$600 more than Samsung's top-of-the-line Galaxy S23 Ultra and \$900 more than Google's premium Pixel 7 Pro. The flipping Galaxy Z Flip 4 and Motorola's Razr+ cost \$1,000. Repairs are costlier. A two-year coverage plan for the Galaxy Z Fold starts at \$239, while Pixel Fold protection starts at \$279, \$90 and \$80 more, respectively, than what it costs for the companies' nonfolding flagships.

Active and outdoorsy types

These devices are thick and heavy, not ideal for toting around on runs and rides. And while newer foldables are more durable than their predecessors, they're still fragile. The Galaxy and Pixel Fold are resistant to rain or temporary water submersion, but they aren't rated to resist dust.

Debris, even tiny specks, can damage the delicate, flexible inner screen.

Photo and video pros

The Galaxy and Pixel Fold have decent cameras—but not as good as their nonfolding counterparts.

Google vs. Samsung

If you've decided to go foldable, you'll need to choose between Samsung's Galaxy Z Fold and Google's Pixel Fold.

Hardware

When folded, the Galaxy Z Fold 4 is long and skinny, and the Pixel Fold is shorter and squatter. But the Pixel's shape means each half of the screen is more square, so videos appear larger when one side is propped up. While the Pixel Fold is slightly thinner, the Galaxy Z Fold 4 is actually lighter by 20 grams.

Software

Samsung phones come with Samsung apps as default, while Google Pixel phones have only Google apps preinstalled. Google's has a cleaner look, while Samsung's is geared more toward productivity.

On the Galaxy Z Fold 4, you can run more apps side by side: You can keep three open simultaneously, with a fourth in a pop-up window.

PHOTO ILLUSTRATION BY RACHEL MENDELSON/THE WALL STREET JOURNAL; GUY AROCH/ISTOCK

PERSONAL JOURNAL.



TURNING POINTS
CLARE ANSBERRY

When are we our fastest, strongest and most creative? Elite swimmers peak in their early 20s, powerlifters peak at 35 and equestrians later still, on average. Creativity peaks either very early in our careers or later, depending on how we think. Our ability to quickly absorb facts reaches its zenith in our late teens, while our vocabulary skills crest in our sixth decade.

Economists, sports scientists and psychologists have analyzed Olympic performances and chess matches, as well as thousands of online quizzes to determine the average age when people peak mentally and physically. They are trying to understand how our brain and bodies work and if there are lessons on strengthening each.

The good news is that while we may have peaked in one endeavor, we are likely getting better in another.

“At every age, you are getting better at some things and worse at others,” says Joshua Hartshorne, an assistant professor of psychology at Boston College, who researches how various cognitive functions change with age.

People reach their various physical peaks at different times for different reasons, according to the studies. Fast-twitch muscle fibers help with speed and power—think sprinting—and are more prevalent in our muscles when we are young. Slow-twitch muscle fibers, which are those related to endurance, are more prevalent in muscles when we are older.

Physical attributes can play a role, too. Women have less muscle to lose, and peak at younger ages than men in muscle-intense sports like swimming.

The science on physical peaks

Rafal Chomik, an Australian economist at the ARC Centre of Excellence in Population Ageing Research, led a study of peak physical performances among Olympic and



When Do We Peak Mentally and Physically?

People reach their zenith at different times for different reasons

professional athletes looking at how well different age groups perform in different sports.

For sports like sprinting, which requires speed, power and maximum oxygen consumption, athletes tend to peak in their mid-20s. In endurance sports, such as marathons, the peak is typically reached by 40. In tactical low-impact sports, like sailing and equestrian competition, athletes compete at elite levels in their 50s.

This is consistent with findings on cognitive capacity, says Chomik, noting that young people are better at tasks requiring raw processing power while older people excel at strategy.

Another finding from the athlete study: Peak performance ages for elite athletes are increasing.

For example, the average age of the top 100 men and women in tennis is four to six years older, respectively, than it was in the 1980s. Athletes are competing longer, due in part to advances in training, equipment and sports science.

Steffen Peters, an equestrian who lives in San Diego, has competed in five Olympic Games and won bronze medals in 1996 and in 2016. But he says he had his best year in the 2020 Olympics in Tokyo. At the age of 56, he was part of the silver-medal-winning U.S. Dressage Team.

“In my younger age, I had more energy,” says Peters. “But I think at an older age I have extra wisdom that goes pretty far.” Peters plans to compete in 2024 and 2028.

Reaching mental peaks

Mental peaks come at different ages, too. Most people associate creativity with youth, but it depends on the type of creativity, says Bruce Weinberg, a professor of economics at Ohio State University.

“Innovation tends to follow two distinct patterns,” says Weinberg, who co-wrote a study looking at the age when 31 Nobel Prize winners in economics published their most significant research, defined as the one with the most citations. One pattern of thinking is conceptual and the other is experimental.

Economists who challenge conventional wisdom and think more abstractly published their single most significant work at the age of 25. They would be considered

conceptual thinkers. Economists who tend to refine their work based on accumulated knowledge and experience wrote their most significant paper in their mid-50s. They would be considered experimental thinkers.

Those same two innovation patterns emerged in studies of writers and artists, says Weinberg. Pablo Picasso, considered a conceptual artist, painted some of his most important works in his mid 20s. Robert Frost, a more experimental innovator, wrote for years before his first book of poetry was published around the age of 40.

Another study of peak mental performance involved the game of chess. Chess is considered a good proxy for “performance in a cognitively demanding task,” says Uwe Sunde, an economics professor at the Ludwig Maximilian University of Munich.

He and fellow researchers analyzed 24,000 professional chess matches to track the performance of top players. The researchers compared an individual’s recorded moves with the best moves suggested by a modern chess computer, to see how a player’s performance changed over the years and when they peaked.

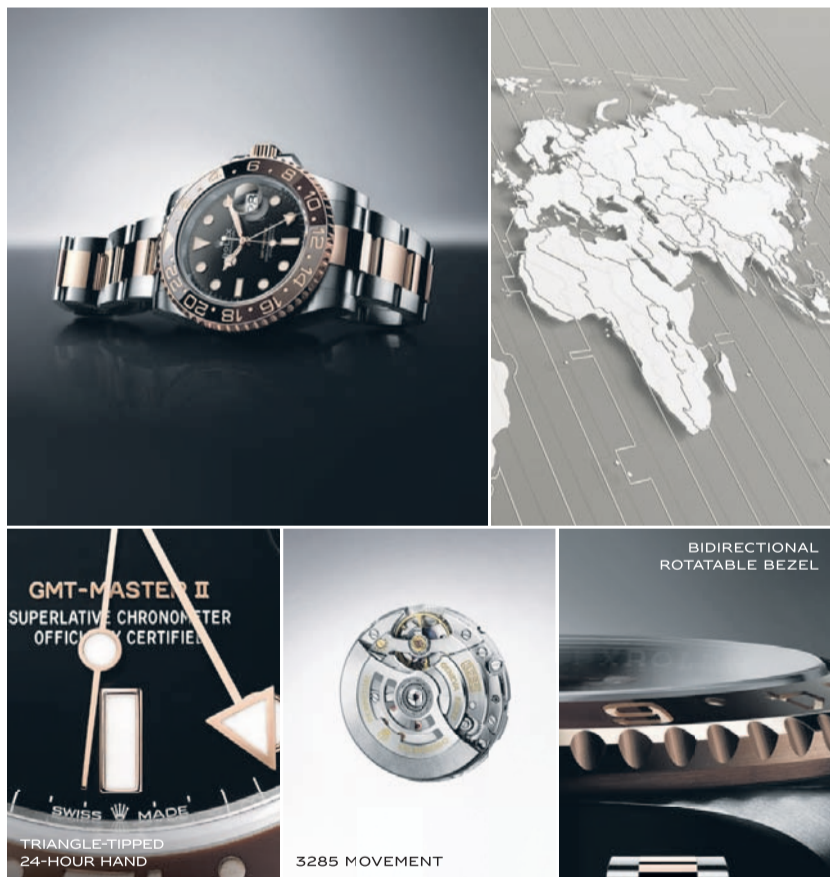
Individual performance rose sharply until the early 20s and peaked around the age of 35, says Sunde.

Not all thinking skills peak at the same time or the same age, says Hartshorne, of Boston College. Processing speed—the ability to think quickly and recall information like names—peaks around 18, based on data from standardized IQ and internet-based tests. Crystallized intelligence—the accumulation of facts and knowledge—peaks later. Vocabulary skills peak about 65.

In another study he led, using results of online grammar quizzes, he found that grammar and language-learning skills continue to build for about 30 years. For a native language, the 30-year learning period starts roughly around birth. For a second language, it starts whenever someone starts learning that language.

“Move to Paris and start speaking French at the age of 30 and you can expect continued improvement until you reach around 60,” he says. “Learning goes on longer than we might expect.”

ILLUSTRATION BY VIRGINIA GABRIELLI



CRISS-CROSSING THE GLOBE

The watch of choice for travelers. Introduced in 1955, the original GMT-Master was soon adopted by transatlantic pilots as a navigational aid. A 24-hour hand and rotatable bezel allow it to display two time zones simultaneously. Today, the GMT-Master II is the ideal timepiece for travelers, its high-tech two-color Cerachrom bezel mirroring the aesthetics of the original model. **The GMT-Master II.**

#Perpetual



OYSTER PERPETUAL GMT-MASTER II

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ROLEX OYSTER PERPETUAL AND GMT-MASTER II ARE TRADEMARKS.



Products That Keep You Healthy and Cool

BY RACHEL WOLFE

Call it nursing-home chic. Incognito compression socks, lacy incontinence underwear and earplugs that look like earrings are among the new health products attracting younger customers who might otherwise avoid the category. These products have always been practical. The difference now is they actually look good. They also make once-taboo health topics easier to talk about, their users say.

Emily Ufland, 25, didn’t think a portable urinal belonged in her life—or that one could be beautiful.

That was before she got trapped in Los Angeles traffic with a full bladder in May. Desperate, she hopped into the SUV’s trunk to use the Loona her mom bought for just such occasions.

Ufland, who works in human relations for a fashion company, now uses the \$40 device, which she says resembles a vase, on road trips with her boyfriend. “I’m not embarrassed about it at all,” she says. “Everybody pees.”

Loona’s co-founder, Dr. Valerie Ulene, estimates that about a third of customers buy the device for nonmedical reasons such as camping, boating and music festivals.

Devon Kerr, 27, knew the ringing in his ears after the concerts he attends couldn’t be good. “But when I imagine putting earplugs in, I think of the big spongy orange ones that look, like, really dorky,” says Kerr, a writer’s assistant.

He suffered through the pain until he discovered Loop a few months ago. He says the plugs go in like AirPods and are completely unnoticeable in a dark venue.

The company sold two million pairs of ear plugs last year, and says it’s on track to double that number in 2023.

Young people might benefit from this trend, but older adults are fueling much of the innovation in the category, says Lindsey Anderson, an associate professor of communication at the University of Maryland.

Options for fashionable compression socks from brands such as Comrad and Bombas and leakproof underwear from Knix and Thinx have multiplied in recent years, Anderson says.

Searches for Comrad socks are up 1,168% on Amazon.com in 2023, compared with a decline of 20% between 2021 and 2022, according to analytics company Pattern.

Robert J. Brooks, 71, is one of the converts. After he

Once-ugly health products from compression socks to portable urinals redesigned.

was bitten by a rattlesnake in May on a golf course, the recently retired oncologist ordered a pair of knee-high compression stockings.

“It looked like he was 100 years old,” says his daughter, Sara Brooks Fisher, who gave her dad a pair of Comrad socks for Father’s Day that better matched what she describes as his always-on-trend style.

In April, Walmart and Target added Thinx for All Leaks underwear to their personal-care sections. Early research indicates two-thirds of retail customers for this product are under 45, Thinx says.

Some consumers with disabilities who have long lived with limited options call these redesigned products a welcome change.

Simona Martinez learned seven years ago that she would need to wear orthotic shoes after rupturing a tendon in her foot while hiking. She says that back then, her only options for footwear were bulky white, beige or black sneakers that broadcast her injury.

“I felt like an 80-year-old with these clunky shoes,” says Martinez, a 32-year-old who manages an endodontic clinic in Austin, Texas.

Martinez has found sandals, booties and sneakers from those same brands that look practically identical to their nonorthotic counterparts.

FROM LEFT: ANDREW FERENC/COMRAD SOCKS; BOOM HOMIE MEDICAL

ARTS IN REVIEW

MUSIC REVIEW | MARK RICHARDSON

Parsing PJ Harvey's Eclectic Poetry

Her new record 'I Inside the Old Year Dying' is filled with lyrics that repay close listening.

PJ Harvey is an artist who follows her own path and intersects with the mainstream when the broader public swings her way, rather than the other way around. Her earliest music on record was squarely in the alternative-rock vein, when grunge was ascendant, and her albums "Dry" (1992) and "Rid of Me" (1993) were quickly recognized as classics of the form. But the style turned out to be just one of many interests for the English singer.

Over time, formative influences like the avant-rock of Captain Beefheart, the nightmare cabaret of Tom Waits, and the Bible-steeped mysticism of Nick Cave asserted themselves, and Ms. Harvey's work took a decidedly art-rock turn. Starting with 1995's "To Bring You My Love," each of her solo albums was its own world, with a fresh approach to singing and arranging and songs

connected by themes that ranged from war and conflict to the mystery of human desire. Two of these records, 2000's "Stories From the City, Stories From the Sea" and 2011's "Let England Shake," won the Mercury Prize, the annual award given to the best album by a British or Irish artist (she is the only two-time winner). In recent years, she has turned her attention to poetry, including the 2022 book "Orlam," a narrative in verse written in the dialect of her native Dorset. Her 10th studio album, "I Inside the Old Year Dying" (Partisan), out Friday, shares its idiom and themes with that book. This LP is on the challenging end of the spectrum as Ms. Harvey's work goes—musically, it's always interesting and often brilliant, but the lyrics require listening strategies that sit outside of rock and pop.

"Orlam" was in part about a child growing up in rural England, surrounded by the life and death of the natural world, and such imag-

ery crops up frequently on the record. From the opening track, "Prayer at the Gate," it's clear that Ms. Harvey is projecting from deep within a world that takes some time for the listener to enter. The first song has an intensely atmospheric early section, with Ms. Harvey singing chanted vowels over curling wisps of synth. When she sings on the track, it's in her tremulous upper range, where her phrasing seems less sure and doesn't hide signs of strain and effort. To the American ear unfamiliar with her sources, Ms. Harvey's lyrics here scan as cryptic and Joycean, conveying meaning

through the sound of the language as well as via the imagery. "The ash embowered night and day," goes a typical line in the opening song. The following "Autumn Term" is as difficult to parse lyrically while the arrangement is imbued with emotion, as a simple pi-

ano line bumps against a syncopated drumbeat. Halfway through, we hear children screaming—it's one of many field recordings Ms. Harvey incorporates into the mix—which lends a potent dose of drama.

Another intriguing motif that winds through the album is the repetition of references to Elvis Presley. These tidbits are often abstract, nestled alongside images of nature. It's almost as if the King becomes part of the landscape for the lonely child at the center of the music, his presence not unlike a favorite tree or a misty pond. The third track, "Lwonesome Tonight," which borrows a fragment of an Elvis song and presents it with a Dorset spelling, is filled with surreal pop-culture references. Over a folksy guitar line and light hand percussion, Ms. Harvey sings in her high voice amid distant tendrils of synth. "In her satchel, Pepsi fizz / Peanut-and-banana



'I Inside the Old Year Dying' is the singer-songwriter's 10th album

sandwiches" evokes Elvis's favorite snack, while the next line mentions "Love Me Tender." It's a pointed example of the album's virtues—musically arresting, with collisions of images that defy precise meaning but convey feelings nonetheless.

While the language is often inscrutable, it's always intriguing. On "Seem an I," she begins the song by singing a cappella, accompanied only by a recording of cows mooing in the distance, and offers lyrics of inherent musicality—"as belling from the bwoneyard / a-rangled round the archet"—that are difficult to decode. On "The Nether-edge," Ms. Harvey's voice is so high in the mix it scans as a confrontation, forcing the listener to try to

make sense of what she's singing about. Her words are heavy on alliteration and utterly original—"Femboys in the forest find figs of foul freedom" goes one line, over a distant metallic creak of the percussion—and then just as you're tuning in, the song ends abruptly.

As the album unfolds, the references to Elvis become more frequent. On the 10th track, "August," she sings, "Vore I leave / Someone please, / Love Me Tender / 'neath the trees," and partway through a male voice enters to offer a line or two of the classic ballad. In the press notes, Ms. Harvey mentions that while working on this material, she found herself returning to the joy and satisfaction that simple,

iconic songs can bring. Those found here are anything but simple, yet there's a joy in the sense of exploration, as Ms. Harvey brings the fractured, dreamlike narrative to life with words that wriggle like living creatures. This may well be her most experimental album, and it's certainly not one for someone who lost touch with her music in the '90s—both "Let England Shake" and 2016's "The Hope Six Demolition Project" are much more accessible, though each is intricate and strange in its own way. But "I Inside the Old Year Dying" is a solid testament to her restless and wide-ranging approach to her art, a record that, for those inclined to put in the time and effort, will mean much more on the 10th play than it does on the first.

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

Arresting sounds, cryptic images and references to Elvis abound.

By most reports, not including a firsthand inspection by this reviewer, there is no congregation of alligators currently infesting the New York sewer system. It is a resilient urban myth. What's not a myth at all are the abandoned Burmese pythons (and their offspring) currently depleting the mammal population of the Florida Everglades and representing one of the more disastrous examples of people introducing animals where they don't belong.

Such is the subject of "Strangers in Paradise," the first episode in the six-part "Human Footprint," which makes plain that human tampering with the balance of nature is nothing new—in a newsreel-flavored recreation, host Shane Campbell-Staton opens matters up with the March 1890 release in Central Park of dozens of European starlings by Eugene Schieffelin, whose American Acclimatization Society was invested in introducing to America species from around the world. The starling effort was a disaster. (Mr. Campbell-Staton, a Princeton professor, leaves out the perhaps-apocryphal version in which Shakespeare enthusiasts were trying to bring to America every bird mentioned in the playwright's works.) But it is hardly the only time that the wrong creature has been brought here and flourished because there was no natural predator to keep it in check. Asian carp in the Illinois River; feral pigs in Hawaii; and even invasive gophers overtaxing the West. All get a going over by Prof. Campbell-Staton.

But wild nature isn't the only arena where invasive species seem to be taking over. Although "Human Footprint" is on PBS—where "Nature" has been a reliable and relatively sober fixture for decades—"Strangers in Paradise" might well have been on TLC or Travel or History or any other plat-



TELEVISION REVIEW | JOHN ANDERSON

When Man Meddles in Nature

A series looks at the havoc wrought by humans and invasive species.

form for semi-hysterical documentary content in which the music is overdone, the editing is overwrought, the subjects strike ridiculous poses frozen against stormy, rolling, time-lapse skies, and the objective is the ADHD-friendly pace of a music video. The show takes a breath now and then—Prof. Campbell-Staton, an evolutionary biologist, has serious things to say, and serious people to listen to—but one suspects that the stylistic alligator of Discovery has infested the minds behind nonfiction TV. (The company behind "Human Footprint" is Day's Edge Productions.)

The point of the series, as spelled out in the title, is the impact humankind has had on the environment and the not-so-subtle assertion that we are an invasive species ourselves. There is so much that is fascinating about the invasive-species issue that the show needn't have climbed into the eco-pulpit.

Although it was human error or hubris or negligence that led to many of these problems, it is human ingenuity that is being employed to solve them. Python hunters in the Everglades, who can be virtually standing atop a snake

without knowing it, are tagging and releasing the voracious beasts to better understand how they travel and how to bag them. In Bath, Ill., "redneck fishing" tournaments are held, wherein boaters with nets try to catch the carp, which hurl themselves out of the water at the sound of approaching motors. (They are also being used as fertilizer, and enterprising cooks are developing ways of preparing the too-bony fish, although that will require a better sales pitch than one gets in "Strangers.")

The horse issue is particularly knotty, and insightful. The animal



Shane Campbell-Staton, the show's host, above; Shane Campbell-Staton and Dan Lewis, left

is so much a part of the American mythos that legal exceptions have been made for the wild variety that would be made for no other "pests." And horses, as we're told by Kate Schoenecker, a biologist with the U.S. Geological Survey, aren't native as we know them: Evolving millions of years ago in North America, they crossed the land bridge into Asia, made their way to Europe, went extinct 10,000 years ago in North America and then were brought back by the Spanish in 1493. So horses are an invasive species, too. But can anyone imagine a legalized horse hunt to control the population and help other species survive? It would be a repellent idea to most of us. As Mr. Campbell-Staton says, what we tell ourselves about the West—or animals, or ourselves—"can be full of contradictions."

Human Footprint: Strangers in Paradise
Wednesday, 9 p.m., PBS

Mr. Anderson is the Journal's TV critic.

SPORTS



Wimbledon's Grass Plays Like Hard Court

Surface speeds at the Grand Slam tournaments have converged over the past two decades

Novak Djokovic, below, eats the grass on Centre Court after the Wimbledon men's final in 2022.

was previously 70% rye and 30% creeping red fescue, in case you're keeping score at home.) The club doesn't believe that the alteration to the mix contributed to any significant change in the perceived speed of the grass plays.

But one thing that has evolved dramatically is the condition of the soil. As British summers grew warmer over the past two decades, the courts have become harder during the two weeks of Wimbledon, allowing the ball to bounce higher and minimizing some of the surface's more baffling effects.

The other factor, former players and coaches said, is the radical progress in racket technology. Newer equipment, which generates more spin with the flick of a wrist, helps players hit better shots from tougher positions to stay in points longer.

For a former champion such as

Djokovic's current coach, the big-serving Goran Ivanišević who won in 2001, current conditions would have been a nightmare. But over the years that followed, Annacone believes that slightly slower grass courts played a role in making the era of the Big



just 0.45 shots less than hard court rallies and 0.61 shots less than on clay.

"The grass definitely seems thicker, which is terrific, because it stays lush a lot longer," Annacone says. "And the balls feel either a little bit heavier or a little less compressed, so it's more difficult to hit winners."

Slazenger, which manufactures the Wimbledon ball, said that it hasn't changed the specifications since 1995. The last major change to the grass recipe, meanwhile, dates back to 2001, when the All England Club switched to more durable 100% perennial ryegrass. (It

Three. Neither Djokovic, nor Federer or Rafael Nadal ever had a lights-out power serve in their arsenals.

"In years past, you had 'court-surface specialists.' But I'm not really sure that that phrase really makes much sense anymore," Annacone says.

The surface might be slower than it's ever been, but to world No. 4 Casper Ruud, it remains too dizzying to play his best tennis on. Turning it into a running joke, he's all but given up on ever winning a grass-court tournament.

"I think grass," Ruud said, "is for golf players."

Novak Djokovic had just won the French Open when the questions began about his preparations to claim a 24th major title at Wimbledon. With three weeks between the two tournaments, how would he manage the transition from clay courts to grass this season? And which grass-court tuneup events would he play to rediscover a feel for the surface?

Djokovic's answer: none of them. His next competitive match was the first round at the All England Club, on Monday. As far as Djokovic is concerned, playing tennis on grass no longer constitutes the kind of esoteric pursuit that requires weeks of specialized preparation. He's not alone. Players and coaches are realizing that the lawns of Wimbledon barely feel like grass at all anymore.

"Grass courts have changed a lot—they play more like a hard court," said Chris Evert, who won Wimbledon three times between

1974 and 1981 and works as an analyst for ESPN. "They're harder. There's a lot more groundstrokes being played."

The relative hardness of a grass court might seem like a small detail in a sport as complex as tennis. But it changes everything about how the game is played, from how high the ball bounces to how players move. It used to be so awkward to get used to that Wimbledon championships spent decades as the preserve of grass-court experts, who mastered serve-and-volley tennis and short rallies.

Now, a player as gifted as Djokovic can go seamlessly from cleaning up at Roland-Garros to cleaning up at the All England Club, where the 36-year-old hopes to become the oldest men's singles champion in the Open Era.

"You still have to adjust some, but it's microscopic in comparison to what it used to be," says Paul Annacone, a former coach to Pete

Sampras and Roger Federer who now consults for the Tennis Channel. "That's a reason why I think we've seen the great players dominate even more, because they haven't had to change as much."

The trend is part of a larger homogenizing of surfaces across the sport, and in particular at the four Grand Slam events. Quantifying the phenomenon is tricky, and plenty have tried by using ace percentages. But the statistics website Tennis Abstract developed a model around the expected length of rallies with data pulled from shot-by-shot logs of over 12,000 matches.

For the period between 1959 and 1995, a spell dominated in the men's game by serve-and-volleyers, the analysis found that rallies on grass tended to be 0.75 shots shorter than they were on hard courts and a full 1.75 shots shorter than those on clay. But since 2016, the grass and clay appear to have converged. Grass rallies now last

The WSJ Daily Crossword | Edited by Mike Shenk

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FIRST WEEK OF JULY | By Sarah Bridger

Across	34 A Bern museum is dedicated to his works	52 [July 5, 1811/ Spain]	6 Cake sections
1 They may pave the way	35 Son-gun connector	57 "The Little Mermaid" composer Menken	7 Slightly
5 Canopus and Capella, for two	36 What 20- and 52-Across and 10- and 44-Down celebrate every first week of July	58 Getting millions of views, perhaps	8 Amusement park attraction
10 Fields Medal field	40 Lab subj.	59 Blizzard battler	9 Hog haven
14 "I smell ___!"	41 Essential thing	60 Await resolution	10 [July 6, 1964/ United Kingdom]
15 Words to the bandleader	42 Word with couture or cuisine	61 Nelly Furtado's "I'm Like ___"	11 Homecoming participant
16 Felipe with 1,033 MLB managerial wins	43 "Once upon a midnight dreary" source	62 Mailroom roll	12 Tattered
17 Pisco sour flavoring	46 Where you might throw in the towel	63 Sonic the Hedgehog's company	13 Shades
18 Primed		64 Smooches	21 It may block TV-MA programs
19 Spinner or jig		65 Some bills	22 Identify on Instagram
20 [July 5, 1975/ Portugal]			24 Claim on a property
22 Mellows			
23 iPad screens, e.g.			
24 House work?			
25 Furious states			
28 Pioneering			
33 Capital on the Red River			

- 25 Bridge forerunner
- 26 Dressing choice
- 27 Molly Ringwald's "Pretty in Pink" role
- 28 Bygone
- 29 Bassoon part
- 30 "Well, that's obvious!"
- 31 ___ worse than death
- 32 Cake section
- 34 Tibia's top
- 37 Covetous sin
- 38 Palminteri of "The Usual Suspects"
- 39 Approach gradually
- 44 [July 1, 1962/ Belgium]
- 45 Field for 34-Across
- 46 Uses, as power
- 48 Seinfeldian humor
- 49 Shoots with a ray gun
- 50 On the sheltered side
- 51 Turf defenders
- 52 Unspoken feeling
- 53 New York mayor Adams
- 54 Confident style
- 55 Leisurely gait
- 56 Really impresses
- 58 Carpool transport

Previous Puzzle's Solution

F	E	A	R	S	O	A	P	P	P	R	A	M
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- Down**
- 1 It's 1 on the Mohs scale
- 2 Opera excerpt
- 3 Incline
- 4 Type of digital security?
- 5 Tatters

Daring Choice for Fastest Man

By Rachel Bachman

It was two years ago when track coach Alleyne Francique got a startling phone call.

On the line was Fred Kerley, the American 400-meter runner who Francique coaches. Kerley had won bronze in the event at the 2019 world championships and was training to qualify for the pandemic-delayed 2021 Tokyo Olympics. But Francique says that Kerley had a different idea for the future that he wanted to act on immediately.

"I want to run the 100 and 200," Kerley told his coach.

"What?!" the surprised Francique replied. The U.S. Olympic trials were a week away. Francique feared that in switching events, Kerley risked going from likely Olympic medalist to not even making the U.S. team.

"Trust me, coach," Kerley told Francique. Kerley's decision—driven by gut instinct and a bit of strategy—propelled him to an Olympic silver medal in the 100 meters and, one year later, a gold medal in the same event at the world championships. That win turned him into a budding global track star with an even bigger ambition than simply claiming the title of "world's fastest man" by winning the 100.

At the world championships in August in Budapest, Kerley aims to win both the 100 and 200. That hasn't been done since 2015, when a bolting Jamaican did it—or as Kerley calls him, "Usain, the great one."

First, Kerley must finish in the top three in the 200 at the U.S. championships that start Thursday in Eugene, Ore. He has an automatic spot in the 100 at worlds as reigning champion.

Kerley's best time of 9.76 seconds in the 100, set at the 2021 Olympic trials, ties him for the sixth-fastest man of all time, behind Usain Bolt's 9.58-second

world record set in 2009.

But Americans Trayvon Bromell and Christian Coleman also have run 9.76 in recent years. On June 24 at the NYC Grand Prix, Zharnel Hughes ran 9.83 to break Linford Christie's 30-year-old British national record. (Italian Lamont Marcell Jacobs, the surprise gold medalist at the Tokyo Olympics, has been dogged by injuries and hasn't approached his winning time of 9.80 since then.)

In the 200 meters, Kerley's potential foes include 19-year-old American Erriyon Knighton, who is faster than Bolt

record at the time for the 400 meters.

Kerley won world championship medals in the 4x400-meter relay—silver in 2017, gold in 2019. When the pandemic halted sports around the world in 2020, however, Kerley got to thinking: The 400 wasn't his passion.

"I know deep down inside where my heart really was—it was back in what I was doing back in high school," he said. "I was originally a 200 athlete."

There was another issue heading into the 2021 U.S.



At the world championships in August in Budapest, Fred Kerley, center, aims to win both the 100 and 200.

ton, who is faster than Bolt as a teenager with a 19.49-second personal best, and Noah Lyles, the American record-holder and reigning world champion with a time of 19.31 last year—who also aims to win both the 100 and 200 titles. Kerley's wind-legal best is 19.76, but his coach says Kerley's speed and strength make the 200 his ideal event.

Although Kerley's quest to match Bolt might raise eyebrows, skeptics would be wise to learn how far he's already come.

As a toddler in Taylor, Texas, with a father who, Kerley has written, wound up in jail and a mother who "took wrong turns in life," Kerley moved in with an aunt who at one time was caring for 13 children.

He started at South Plains College, outside of Lubbock, then transferred to Texas A&M, where he set the NCAA

Olympic trials: Kerley had a sore ankle. The turns of a full-lap race were suddenly daunting.

"He did not think his ankle would hold up running all the rounds in the 400 meters," his agent, Ricky Simms, said.

To outsiders, what Kerley was attempting seemed absurd, like a French pastry chef suddenly taking up a knife at a world-renowned sushi spot. But he had run two sub-10-second 100-meter races that year. And he was mentally ready.

"When your gut tells you something," Kerley said, "go full force."

He qualified for the Olympics in the 100, and won silver in Tokyo.

At the world championships a year later, when he led an American sweep in the 100 meters, his career hit a new level.

► Solve this puzzle online and discuss it at [WSJ.com/Puzzles](https://www.wsj.com/puzzles).

OPINION

End College Legacy Preferences



POLITICS & IDEAS
By William A. Galston

Unlike *Dobbs v. Jackson Women's Health Organization*, which overturned *Roe v. Wade*, the Supreme Court's decision to end affirmative action in higher education enjoys wide public support. A recently released survey finds 52% of Americans approve of the decision, with only 32% opposed. Strong majorities of whites and Asian-Americans support it, Hispanics are evenly split, and black Americans find themselves isolated in their opposition.

Although *Students for Fair Admissions v. Harvard* won't end the controversy over affirmative action, it has established a new legal reality that is unlikely to change anytime soon. This doesn't mean, however, that the country should abandon its quest for fairness in higher education. Instead, the decision should lead to a thorough re-examination of the entire college-admissions process.

Fairness requires equal opportunity for all and special privileges for none. Yet today admission to elite colleges and universities is rife with preferences that have nothing to do with race and give additional advantages to the advantaged. Americans are just as opposed to these practices as they are to racial preferences.

Special treatment for children of wealthy donors is an

egregious example. As Frederick Hess of the American Enterprise Institute has written, officials from top schools don't deny favoring well-connected applicants. They justify it on the grounds that every university does it.

The unequal treatment extends well beyond donors. Three economists—Peter Arcidiacono of Duke University, Josh Kinsler of the University of Georgia and Tyler Ransom of the University of Oklahoma—used public information to analyze Harvard's admissions practices. They examined four kinds of nonracial preferences—for recruited athletes, and for children of Harvard graduates, financial donors and members of faculty and staff. The researchers found that more than 43% of white applicants admitted to Harvard between 2014-19 fell into one or more of these categories. Nearly three quarters of them would have been rejected if they had been subjected to the same standards as other white applicants.

Children of alumni, who make up on average 14% of each entering class, were the biggest part of the problem. At every level of qualification, children from families in which one parent had attended Harvard were much less likely than others with similar qualifications to be racial or ethnic minorities and far more likely to be admitted. If both parents had attended Harvard, their children's boost was even greater. Of these "legacy" admissions, 41% came from families with

annual incomes of \$500,000 or more—putting them in roughly the top 1% of all families—compared with 15% for all those admitted. It is hard to imagine a clearer case of intergenerational advantage.

Top universities fear that donations and alumni engagement will decrease if nonracial preferences are eliminated. That's probably true.

Favoring students for family connections is as at least as unfair as affirmative action.

Some wealthy people won't write big checks if they can't buy admissions slots for their children. Less-competitive football and basketball teams will damp enthusiasm, and contributions will follow suit.

But there are larger issues at stake. Populist politicians gain support by claiming that in the competition for income, status and respect, the rules of the game are "rigged." Admissions policies at elite educational institutions help fuel these charges. Such policies are flatly inconsistent with the nation's promise of equal opportunity, and institutions like Harvard—whose endowment at the end of fiscal 2022 amounted to \$51 billion—can afford to change them. The last thing America needs is a hereditary meritocracy.

Admissions standards at top colleges and universities are only part of the battle for

equal opportunity. On average, children from lower-income and less-educated families attend schools that don't prepare them for higher education and the workforce as well as the schools that their privileged peers attend. Less-advantaged students deserve but don't enjoy a fair chance to succeed.

Despite giving special treatment to children of big donors, the University of Texas at Austin has found a way to mitigate the effects of this unequal opportunity. Since 2009, 75% of its admissions slots have been reserved for the highest-achieving students at each of the state's high schools: rich and poor; rural, urban and suburban. This policy has produced a highly diverse student body—65% are nonwhite—nearly one quarter of whom are the first in their families to attend college. Over the past decade, the university has achieved dramatic increases in the share of students from low-income and minority backgrounds who remain in school and graduate on time.

While this strategy can't achieve full equality of opportunity, it certainly opens the door to the kinds of students who didn't have a chance when I taught at the University of Texas a half-century ago. Other schools, private as well as public, would do well to try it.

Holman W. Jenkins, Jr. is away.

BOOKSHELF | By Allan Massie

Cultivated, Rich and Devout

La Duchesse

By Bronwen McShea
(Pegasus, 466 pages, \$28.95)

Marie de Vignerot is not exactly a household name in the English-speaking world. It is true that, in 1905, Sir Walter Scott's great-granddaughter Mary Maxwell Scott, a historical novelist in her own right, wrote an admiring article about her in the *Dublin Review*. But it was hardly enough to spark a flurry of interest.

Bronwen McShea's "La Duchesse" is the first biography in English of this estimable figure—a niece of the man who, as first minister, came to dominate Louis XIII, a king lacking in both energy and self-confidence, and prepared the way for the absolute monarchy of Louis XIV: that is to say, Cardinal Richelieu. Marie's devotion to the Catholic Church at a time of religious division—not to mention her friendships with St. Vincent de Paul and Blaise Pascal—is part of what gives her historical stature. She was also, as it happens, Richelieu's heiress.

As Ms. McShea tells us, Marie was deeply religious from an early age. But for Richelieu, she would have probably taken the veil and passed her life in a convent. Instead he arranged her short-lived marriage and established her in the household of Marie de' Medici, the queen mother, a troublesome woman whose portrait makes her look, Aldous Huxley once said, like a "gorgeously bedizened barmaid."

Marie de' Medici, after the assassination of her husband Henry IV in 1610, played an outside role in the politics of France, especially while her son, Louis XIII, was in his minority. This "unscrupulous daughter" of an Italian nobleman told stories to her lady-in-waiting ("some of them bloodcurdling") about the Medicis, Borgias and other Italian ruling families while also nurturing Marie's "growing love for Italian art and music," Ms. McShea writes.

Cardinal Richelieu did much to form his niece as well, to give her an understanding of politics, the life of the court and the place of religion in public affairs. Ms. McShea, whose previous book took up the Jesuits in France's New World colonies, gives the reader a good sense of the cardinal-minister and shows that his ruthless politics and greed for property didn't make his commitment to the Catholic Church insincere. Devotees of Dumas and the musketeers may find Ms. McShea's Richelieu lacking the sinister glamour of D'Artagnan's scheming foe, but Ms. McShea enables us to see him in a sympathetic light. At one point, after Marie has left the queen mother's service, he writes to her: "I pray that you continue to have a care for your health and that you do not engage in any of the austerities that are so detrimental to you, since this is not what God asks from us."

The early parts of Ms. McShea's narrative, dealing with politics, are rather detailed and may be perplexing to readers not well-versed in the period. It might have been better had she stepped back at times to explain why, for instance, Cardinal Richelieu made war on the privileges granted to the French Protestants by Henry IV's Edict of Nantes and then entered the Thirty Years' War on the Protestant side against the Catholic powers. A few more character sketches might have helped as well. Louis XIII's brother Gaston d'Orléans arguably deserved a bit more portraiture, though we do learn, at one point, that friends of his, with his knowledge, planned to kill Richelieu, who was tipped off in advance: "Gaston, upon waking at Fontainebleau, was stunned to be greeted not by an attendant informing him of Richelieu's assassination but rather by the Cardinal himself."

Upon Richelieu's death in 1642, when Marie was 38 (and a widow), she inherited her uncle's fortune and became a very rich woman. She was already a titled one, the cardinal having made her a duchess a few years before. Among much else, Richelieu left her his château at Rueil, on the outskirts of Paris. Louis XIV, who ascended to the throne in 1643 (after his father's death), had spent some time there as a child and was so taken with the château that he tried to buy it from her. She showed her independence of mind by refusing to sell and her charm by doing so in such a way that he took no offense.

With Louis's reign and the return of prosperity to France, the duchess came into her own. She eschewed court politics for the most part, though she kept a watching eye on affairs of state from her Parisian base, the palace known as the Petit Luxembourg. She was a leader of culture, establishing a salon and supporting music and theater. While favoring Corneille's tragedies, she failed to grasp the comic and irreverent genius of Molière, whose work she deplored.

When Louis XIV tried to buy her château, she refused to sell it, doing so with such charm that he took no offense.

The king, for his part, defended Molière against the hostility of "les dévots"—that is, the religious establishment—of which the duchess was a leader. Many of the paintings that hung in the Petit Luxembourg had been collected by Richelieu, among them Poussin's "Abduction of the Sabine Women," now in the Met in New York. Marie may have admired it but can scarcely have approved of the subject.

Religion and the condition of the church were her principal interests. She was active in support of Vincent de Paul and his zealous reform of the lower clergy, many of whom had long been poorly educated and lax in their ministry. Much of her attention was given to missionary activity in what was known as New France (the French territories in North America). The duchess was eager for the conversion to Christianity of the native Indians and all but adopted an Iroquois girl. Inevitably, these days, the question of slavery is raised: Marie did make active attempts to free slaves, but they were Europeans taken captive by the Barbary pirates and sold to Arab masters in North Africa.

With her vivid chronicle, Ms. McShea has given a newly prominent place, in the rich tapestry of 17th-century France, to Marie de Vignerot, Duchesse d'Aiguillon (to use her full title). She was, as we see, intelligent, loyal, discreet and benevolent, committed to good works throughout her long life. (She died in 1675, at the age of 71.) Reading "La Duchesse" will surely prompt readers to turn back to the classic writers of Louis XIV's reign: Molière and Racine, Madame de Sévigné and Voltaire—not to mention, two centuries later, Dumas and his "Three Musketeers."

Mr. Massie is the author of "The Royal Stuarts: A History of the Family That Shaped Britain."

Canada Is Coming for Our Lottery Winners

By Elliot Kaufman

Canada has a new idea: Hold the poutine and eat America's lunch on igration. Last week Ottawa announced a Tech Talent Strategy, the first plank of which is to poach America's H-1B visa holders. Canada will offer flexible work permits with a clear path to permanent residency to skilled legal aliens the U.S. doesn't seem to want.

I know the uncertainty of the H-1B process. Immigrating to America from Canada, I had assumed that I would be judged according to common-sense criteria, and either I would pass muster or I wouldn't. Instead, after graduating from a U.S. university and working for a year for an employer who wanted to keep me, I had to enter a lottery.

Are you feeling lucky? A lawyer advised that the odds of winning in the H-1B visa lottery were less than 1 in 3. If I

lost, I'd get the boot. By the grace of the random-number generator, I won. Good thing, too; I love this country, and I'm grateful it let me stay and begin dating the American who is now my wife. You won't catch me moving to Canada no matter who wins the next election.

Tech talent on H-1B visas are lured to my home and native land.

But I know others—educated, productive English speakers with skills and high-paying jobs—whose numbers didn't come up in the lottery. They were sent packing without rhyme or reason.

The U.S. also takes so long to adjudicate green-card applications that even H-1B lottery winners are often left in limbo, with unemployment threatening deportation, for years after

their six-year H-1Bs expire. Don't feel too bad for them, though. They'll succeed whether they end up. It's the U.S. that loses out.

The typical H-1B visa holder works in technology, where his skills are in demand. He isn't taking an American job; he is helping keep that job in the U.S. He commands an impressive salary and pays his fair share in taxes—and more, since he likely works in California or New York.

The U.S. limits how much such people can contribute by chaining them to single employers and making it cumbersome and dangerous to start their own businesses. Having left their homes from far away to pursue careers in the U.S., these tech workers would otherwise be precisely the kind of risk-takers most likely to start new companies, create wealth and employ others.

The U.S. holds itself back. It takes in top students from

around the world, and then, after a year or three of work (known in bureaucratese as Optional Practical Training), when graduates are able to be more productive, the door slams shut. That a U.S. employer is ready to navigate a confusing system to keep a recent grad around can often buy him only a lottery ticket, with worsening odds in recent years. The annual cap for H-1B visas has stayed static for nearly two decades at 85,000, well below demand. Many graduates are deterred from even trying to stick around.

It makes you wonder who has a better chance of staying in this country—foreign graduates of U.S. universities or every Tom, Dick and Harry who can make it across the southern border? But there I go again, looking for logic in the U.S. immigration system.

Mr. Kaufman is the *Journal's* letters editor.

Antitrust Officials Pile On the Paperwork

By Christopher Williams And Henry Hauser

The Federal Trade Commission is trying to make it harder for companies to merge by burying them in paperwork. The FTC's proposed overhaul of a critical part of the U.S. merger review process would increase the average time to prepare a merger filing from 37 hours to 144. According to the agency's calculations, that's roughly \$350 million in added costs for an estimated 7,100 filings a year, which would be a boon for lawyers but a burden for businesses.

The one-size-fits-all proposal to add dozens of hours of paperwork per deal—regardless of competitive concerns—is an overreach by the FTC and the Justice Department's antitrust division that will disproportionately chill investments at the lower end of the reporting threshold. While some of the changes are reasonable adjustments to address evolving business and transaction structures, subjecting thousands of competitively neutral transactions to expanded reporting hurdles is hard to justify when only a slim minority of deals raise antitrust concerns.

Requiring a merging company to identify all communication systems or messaging applications "that could be used to store or transmit information or documents related to its business operations," for instance, is premature at the filing stage. While this information could

be relevant for a full-fledged antitrust merger investigation, it's difficult to see the relevance for a preliminary evaluation of competitive issues.

Additionally, the requirement to provide all drafts of transaction-related documents (e.g., management presentations) that were shared with officers, directors or deal team supervisors could cover hundreds of documents, many of which may be subject to withholding or redaction for privilege.

The FTC and Justice say the changes will "improve the efficiency and effectiveness" of the initial review period and "potentially narrow the scope of any investigation or reduce

The FTC and Justice Department would make merger filings \$350 million costlier.

the need to conduct a more in-depth review of the transaction." We believe the changes will have little effect on the speed and outcome of the initial review. And we should know—one of us has prepared hundreds of merger filings across an array of industries, and the other has reviewed dozens of mergers at both Justice and the FTC.

To see why the proposed rule is misguided, it is important to understand the merger regime. Enacted in 1976, the Hart-Scott-Rodino Act establishes a process for the

FTC and Justice Department to review and challenge deals before they are consummated by imposing two types of waiting periods. The initial waiting period allows agency staff to determine whether a transaction warrants further scrutiny. During this time, agencies may open a preliminary investigation and request more information for review. For most deals, no further inquiry is necessary, and most transactions never reach that stage.

The agencies may extend the initial waiting period by issuing a "Second Request." This process requires companies to produce extensive tranches of documents and data and make executives and employees available for depositions or investigational hearings. A Second Request can take six months or longer to complete and routinely costs millions of dollars in legal fees.

Tripling the amount of time required to prepare a pre-merger filing makes little sense when less than 2% of reported deals received a Second Request in 2021.

The agencies argue that the proposed changes are justified because they bring U.S. merger review more in line with that of other jurisdictions, such as the European Union. It is true that the EU and other jurisdictions require information that isn't in the current HSR Form. But unlike the U.S., many jurisdictions have streamlined proceedings for transactions that clearly don't present competitive issues.

To be sure, several elements of the proposed HSR

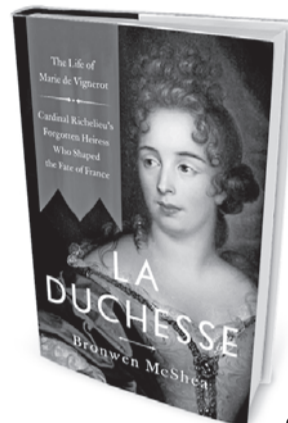
changes—such as providing an explanation of the deal rationale—are reasonable.

But a glaring issue with the proposed rule is that some of the information requests are subjective and could provide undue leverage to reject filings in an effort to restart the waiting period. Submissions could be rejected based on reasonable differences over the adequacy of responses, even if made in good faith.

Example: Companies must identify and provide sales, customer and other information for current and planned products that compete or could compete with their merger counterpart. It isn't hard to envision cases in which companies and regulators disagree over the nature and scope of this actual and (to an even greater extent) potential competition.

A blanket approach to reform is unwise, will add millions of dollars in costs, and will deter economically and socially beneficial investments and transactions. We urge individuals and businesses to weigh in on this potentially burdensome proposal before the close of the public comment period on Aug. 28.

Mr. Williams is a partner at Perkins Coie. He advises clients on antitrust merger control matters, including premerger notification requirements and merger investigations before the Justice Department and the FTC. Mr. Hauser is counsel at Perkins Coie. He has served as an antitrust attorney at the Justice Department and the FTC.



OPINION

REVIEW & OUTLOOK

Who's Afraid of a Third Party?

A majority of Americans say they prefer presidential nominees other than Joe Biden or Donald Trump in 2024, yet the parties are on track to give them exactly this choice. So why has the group that is trying to give voters an alternative become a target of media and Democratic hostility?

That's the predicament of No Labels, a centrist group of Republicans and Democrats organizing to get a spot on the ballot in 2024 in case the major parties default to a Biden-Trump race. Democrats claim the group will elect Mr. Trump if the third party does get on the ballot. The press is piling on the disdain, digging not so deep to report that one of the donors to No Labels is Harlan Crow, the rich friend of Supreme Court Justice Clarence Thomas. But anyone who knows Mr. Crow knows he's not a fan of Mr. Trump.

No Labels has other donors, and its founder and CEO is Nancy Jacobson, the wife of Mark Penn, the former Hillary and Bill Clinton pollster. Its national co-chairs include Ben Chavis, the civil-rights legend, and Joe Lieberman, former Democratic Senator and vice presidential candidate. Former GOP Govs. Larry Hogan and Pat McCrory are also co-chairs. None are admirers of Mr. Trump.

The progressive complaint is that if a No Labels ticket made it onto enough state presidential ballots in 2024, it couldn't win but could be a spoiler. Democrats say a third candidate would take more votes from Mr. Biden, perhaps deny him the 270 Electoral College votes to win, and throw the election into the House. With each state House delegation having one vote for President, they say, Mr. Trump would be the likely winner.

That's possible, as anything seems to be in politics these days. But it's hardly guaranteed. The most successful recent third-party candidate, Ross Perot, won 19% of the vote and no electoral votes in 1992. But he divided the GOP coalition and caused President George H.W. Bush's support to collapse to a vote share of 37.5%. Bill Clinton won with 43%.

The last three elections have shown that a sizable chunk of GOP voters don't want to vote for a party dominated by Mr. Trump. A third-party candidate might be a safe harbor for these voters to abandon Mr. Trump again.

It's true that the odds of a third-party candidate winning the election are long. The Electoral College means that winning a plurality of votes isn't enough. You have to finish first in enough states to get to 270 electoral votes.

Washington State Imitates California

Congratulations, of the dubious sort, to Washington state. The folks in Olympia have dethroned California to claim the distinction of the country's highest gasoline prices. Credit goes to their cap-and-trade program and "clean fuel standard," both of which took effect this year. California pioneered these policies more than a decade ago, and Washington wants to catch up.

Both programs require fuel suppliers to reduce CO2 emissions or buy credits from other more "sustainable" businesses such as owners of electric-vehicle charging stations. Refiners can also buy cap-and-trade credits at state auctions with the proceeds funding green subsidies. These policies add about 40 to 50 cents to the price of each gallon of gas in California.

That isn't enough for the climate lobby, and Washington state regulators have heeded green complaints and made it even tougher for fuel suppliers by raising the costs of compliance. Washington Policy Center's Todd Myers estimates that cap-and-trade adds 45 cents a gallon to price of gas—about twice as much as California's program.

Gas prices in Washington have shot up \$1.18 since the start of the year—Florida's have re-

Hong Kong's Global Bounty Hunters

June 30 marked the third anniversary of Hong Kong's notorious national-security law, but apparently the city's government thinks that jailing publisher Jimmy Lai and other locals for years isn't enough. On Monday Hong Kong issued arrest warrants and offered a bounty of HK\$1 million (\$127,636) each for eight pro-democracy advocates now living abroad.

The eight are former lawmakers, commentators and union representatives: Nathan Law Kwun-chung, Elmer Yuen Gong-yi, Dennis Kwok Wing-hang, Kevin Yam Kin-fung, Anna Kwok Fung-yee, Mung Siu-tat, Finn Lau Chodik, and Ted Hui Chi-fung. The Hong Kong Security Bureau notes that because "the National Security Law has extraterritorial effect, the Police have the responsibility to pursue the liability of those who have allegedly committed offences under the National Security Law outside Hong Kong."

The eight now live in freedom in the likes of the U.S., Britain and Australia, and the government's move confirms they were right to flee Hong Kong when they did. Hong Kong knows these countries won't extradite the dissidents. But it's a warning for people still in Hong Kong that they can be arrested even for communicating with people abroad.

It's also a reminder that China recognizes

In today's polarized presidential map, each major party has an advantage in states with close to 220 electoral votes. That means a third-party candidate would need to build a center-out Electoral College majority by carrying swing states like Wisconsin, Virginia, North Carolina, Pennsylvania, Michigan, Colorado and many others. Calling this a tall order is an understatement.

Then again, No Labels says its polling shows the public is open to a third-party candidate—59% of all voters would consider a moderate independent, including 53% of Republicans and 59% of Democrats. No Labels is already on the ballot in five states and hopes to get on all 50.

The group plans to have a convention next spring after the March primaries when they'll see where the Democratic and GOP nominations are heading. If a better nominee emerges in either party, No Labels would bow out. If the race is Biden-Trump the sequel, the group is likely to nominate a centrist ticket.

Who those candidates are would be crucial, and in our view it might require a moderate Republican like New Hampshire Gov. Chris Sununu at the top of the ticket. Democratic Sen. Joe Manchin would be a plausible veep nominee. The party would then have to fight to get its candidate on the presidential debate stage, assuming there is a debate.

Another obstacle is that the group lacks a galvanizing issue or agenda that the two parties are ignoring. Its platform is likely to be a set of compromises on immigration, the budget deficit and other issues on which the two parties are stalemated. But its main pitch would be as an alternative to what would by then be an 81-year-old President and a 78-year-old former President, both of whom are unpopular.

* * *

What we don't understand is the obloquy heaped on No Labels. Its members are patriots who want to spare the country from a campaign that offers four more years of the last two polarizing Presidencies. Second terms are notoriously weak even when the winning candidate is popular.

If nothing else, the presence of No Labels may serve to wake up both parties that they can do better, and should do better, or face a third-party challenge. Serious Republicans are running against Mr. Trump, and Democrats worried about Mr. Biden's vulnerability could do the same. Voters certainly deserve better than a 2020 rerun.

mained flat—and are now averaging \$4.97 a gallon compared to a national average of \$3.49. The climate policies are intended to punish fossil-fuel consumption, but they punish lower- and middle-income folks who spend more of their income on fuel.

That's not enough punishment for the Seattle City Council, which now wants to impose a new 2% capital gains tax. Washington long maintained no income tax, which made it more attractive to businesses and high earners. But two years ago Democrats in Olympia imposed a 7% tax on capital gains over \$250,000.

The Washington Supreme Court this spring used legal legerdemain to uphold the tax despite a 1933 precedent that prohibits a progressive income tax. Seattle progressives want to exploit this tax loophole. "People are eager for a fair and reasonable tax system because we currently suffer from the most regressive taxes in the nation," City Councilman Alex Pedersen said. Tell that to drivers.

Washington's gas tax at 49.4 cents a gallon is the country's third highest after Pennsylvania and California. Evergreen State residents who have fled California's high taxes are discovering they may have to move again.

no international boundaries to its police state. In April two men were charged for operating an illegal secret Chinese police station in Manhattan. The station is one of dozens around the world used to monitor and harass Chinese abroad. The eight who are targeted will have to be careful where they travel lest some government seeking to win points in Beijing snatch them and send them to the dungeons of Hong Kong.

The announcement of arrest warrants and bounties is further evidence that the line once distinguishing Hong Kong from China has vanished. Chief executive John Lee is under U.S. sanctions, though in June the Biden Administration said it hasn't made a final decision on whether Mr. Lee will be allowed to enter the U.S. to attend the next meeting of the Asia-Pacific Economic Cooperation in San Francisco in November.

Anna Kwok is executive director of the Hong Kong Democracy Council in Washington and one of those targeted by Mr. Lee's government. She tweeted that she is urging President Biden "to give a strong and firm NO" to letting Mr. Lee attend APEC. Good idea. Free societies need to show China and Hong Kong that we take our own laws as seriously as Hong Kong and China so readily abuse theirs.

LETTERS TO THE EDITOR

The Long Journey to End Racial Preferences

Racial preferences were always woven with a circular logic that threatened to bring about their unraveling ("A Landmark for Racial Equality at the Supreme Court," Review & Outlook, June 30). A race-based solution to a racial problem is an implicit perpetuation of the problem. An expedient coping mechanism of social justice, it never got us outside the loop of race. It was the best available legal accommodation at the time for some that created problems of disaccommodation and displacement for all others. The only moral or legal justification was to tolerate it as a "necessary evil" to mitigate a greater injustice: bigotry based on skin color.

The looming question was always this: For how long will it remain necessary? The Supreme Court is signaling that the collective consciousness has been raised and the time has arrived to throw away the crutch. We are at a place in American history when we can now stand upright as a more just society. But if we now buckle under the weight, we will all be left to ponder if there is anything in our culture that transcends race.

DAN SPECIAL
Aliso Viejo, Calif.

Harvard University apparently still plans to consider "an applicant's views on how race has affected his or her life." I wonder how the Harvard admissions staff would respond to

statements by Asian applicants describing how they have been required to have higher test scores than others to gain admission to elite schools. Would Harvard consider the effects of such anti-Asian discrimination in its decision process?

Let's simply stop discriminating.
DANA R. HERMANSON
Marietta, Ga.

This ruling will solve one major admissions issue, as viewed by many college applicants who believe admissions should be based rigorously on test scores. In 2024, however, many thousands of applicants to Harvard and every other private university will again learn that admission has never been made based rigorously on test scores and never will be. This issue won't be resolved by the court.

SHERMAN N. MULLIN
Oxnard, Calif.

While Harvard and the other Ivy League schools argue that diversity is vitally important in education, the statistic in their class breakdowns that stands out the most isn't race, gender or the rest. It is "legacy," the advantage given to children of alumni. How hypocritical to cry for racial preferences as necessary to achieve diversity, while a quarter to a third of each class is made up of legacies.

SCOTT TAUSK
Hinsdale, Ill.

Endocrine Society Responds on Trans Care

Roy Eappen and Ian Kingsbury's op-ed "The Endocrine Society's Dangerous Transgender Politicization" (June 29) ignores scientific evidence and the conclusions reached by the American Medical Association, the American Academy of Pediatrics and other reputable medical organizations. More than 2,000 studies published since 1975 form a clear picture: Gender-affirming care improves the well-being of transgender and gender-diverse people and reduces the risk of suicide.

Based on this evidence, the Endocrine Society developed our clinical-practice guideline through a rigorous process adhering to the Institute of Medicine's highest standards of trustworthiness and transparency. All

18,000 members had an opportunity to be heard during our extensive vetting process. Based on much of the same evidence, federal judges in Tennessee, Kentucky and Florida have joined the Arkansas judge in striking down bans on lifesaving gender-affirming care.

Do No Harm, the organization with which Messrs. Eappen and Kingsbury are affiliated, produced model legislation used to ban gender-affirming care in Arkansas and two other states, according to the Associated Press. It seeks to keep in place bans fueled by misinformation. It is quite clear who is motivated by politics and who relies on scientific evidence.

STEPHEN R. HAMMES, M.D.
President, Endocrine Society
Rochester, N.Y.

Who Is to Blame for Your Delayed Flight?

As a former air-traffic controller, I can attest that the controllers union, Natca, along with the incompetent Federal Aviation Administration, implement policies that exacerbate the shortages of controllers ("Stuck on the Airport Tarmac," Review & Outlook, June 29). The training backlog is due to the unnecessary snail's pace of the training. It shouldn't take three to five years to train a controller. In my training, I spent half the time in a

classroom—awaiting training. NATCA also pushes for air-traffic control facilities to be understaffed, so it can strong-arm the FAA for more overtime and favorable work conditions. The FAA and the union, not the airline, deserve the blame for your flight delay or cancellation.

TED HOLLAND
Denver

The Employers' Loss at the Court Is the Lawyers' Gain

In most contexts, the Supreme Court's conservative wing can be expected to urge a narrow construction of employment-discrimination laws because they infringe on the prerogatives of employers. These libertarian leanings fell to the wayside in the court's unanimous decision heightening the burden an employer must meet to justify a failure to accommodate its employee's religious practice ("A 9-0 Victory for Religious Rights," Review & Outlook, June 30).

Lower courts ruled for decades that employers were required to assume no more than "de minimis costs" to satisfy Title VII's duty to accommodate. Congress never acted to alter that rule, but today the court did, deciding that an employer may deny a requested accommodation only where the employer would incur "substantial costs" by granting it.

Your editorial cheers the court's broadening of Title VII, which will result in increased liability for employers and subject them to exceedingly long and expensive litigation over when the costs of a requested accommodation become "substantial." Surely the lawyers are cheering today's decision as well.

KENNETH A. MARGOLIS
Chappaqua, N.Y.

Where Is Biden Running Us?

Your editorial "The Incredible Expanding Chips Act" (June 29) ends by warning about handing "more power to the Biden Administration to run more of American business." I would tack on three final words to finish the sentence: "into the ground."

DAVID A. EITEL
Buford, Ga.

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Pepper ... And Salt

THE WALL STREET JOURNAL



"Oh, here comes Jerry. Now we're gonna have to hear about all the gardens he 'singlehandedly' ruined last summer."

OPINION

My Plan to Preserve Peace in the Taiwan Strait

By Lai Ching-te

My defining moment came as China's military adventurism disrupted commercial shipping to Taiwan and threatened our shores with live fire exercises and missiles. I decided I had a duty to participate in Taiwan's democracy and help protect this fledgling experiment from those who wished it harm.

That was 27 years ago. I was a doctor at National Cheng Kung University Hospital when news broke of the 1996 Taiwan Strait Crisis. This was during the runup to a presidential race, the first free election after decades of martial law during which activists had fought for democracy and freedom. Beijing wanted

As China ratchets up military and economic tensions, we can never take our democracy for granted.

to send a message to those who supported Taiwan's democratic reforms, preferring candidates more receptive to their authoritarian tendencies.

Thankfully, those candidates lost by a landslide. Our democracy has since flourished, but history has a way of repeating itself. After hanging up my white coat, I served in successive roles as an elected official—premier, vice president and

now presidential candidate. I find myself in the same position as my predecessors. Consequently, my commitment to defending peace, our democratic achievements and the cross-strait status quo is stronger than ever.

A lot is at stake. President Xi Jinping has quashed dissent in Hong Kong, established “re-education” centers in Xinjiang, fomented conflict in the South China Sea, and stepped up military adventurism across the Taiwan Strait.

It's unsurprising that in recent years there has been an outpouring of global support for peace in the Taiwan Strait. The invasion of Ukraine and growing strains of authoritarianism around the world have awakened the international community to the fragility of democracy. It can wither and die without proper care and attention.

Care must start at home. As a doctor, I never left patients without a treatment plan. As president, I will implement a four-pillar plan for peace that is clear-eyed about the challenges we face and ensures continued stability in the region.

First, we must build up Taiwan's deterrence. Defense is the bedrock of our national security. Under President Tsai Ing-wen, we have increased defense budgets, reformed conscription and the reserve system, and supported new practices and capabilities within our military. These measures reduce the risk of armed conflict by raising the stakes and costs for Beijing. I will also expedite our transition into an asymmetric fighting force, focusing on cost-effective



Taiwanese soldiers and anti-aircraft artillery near Taipei.

Communist Party pressure, we do not stand alone.

The fourth pillar is steady and principled cross-strait leadership. In recent years, China has cut off exchanges in line with its insistence on the “1992 consensus” and the “one China” framework that Mr. Xi himself has called a road map for unification. Military tensions are rising, fueled by coercive People's Liberation Army actions against Taiwan, Japan and our neighbors in the South China Sea.

Despite increased military and economic challenges, my top priorities remain pragmatism and consistency. I will support the cross-strait status quo—which is in the best interests of both the Republic of China, as Taiwan is formally known, and the international community. I will never rule out the possibility of dialogue without preconditions, based on the principles of reciprocity and dignity.

Much has changed since 1996, yet much remains the same. People's Liberation Army fighter jets and naval vessels continue to move around Taiwan in a bid to influence our democratic elections. Economic tensions persist. We are reminded daily that we can never take our freedom and democracy for granted. But my commitment is as clear today as it was 27 years ago: I will always work toward peace and stability for the people of Taiwan and the international community.

Mr. Lai is vice president of the Republic of China (Taiwan) and the Democratic Progressive Party's candidate for the 2024 presidential election.

and mobile capabilities. I will seek greater cooperation with partners and allies, particularly in training, force restructuring, civil defense and information sharing.

Second, economic security is national security. In the years since democratization, Taiwan has become a high-tech powerhouse. As a former mayor of Tainan, I am proud to see semiconductors made both in the city and around Taiwan driving the next generation of technology. As premier, I spearheaded efforts to increase salaries, cut taxes and attract new investment.

Our economic achievements, however, have brought both opportunity and challenge. Trade dependencies toward China have created

vulnerabilities that can be exploited through economic coercion. We must foster secure supply chains while pursuing trade agreements that encourage trade diversification. I will support innovative indigenous industries, cut unnecessary regulation, and strive to ensure that the fruits of economic growth are more evenly enjoyed.

The third pillar is based on forming partnerships with democracies around the world. This year Taiwan sent the first medical team from Asia to Ukraine, assisting war-wounded personnel and residents. Record numbers of parliamentarians, nongovernmental organizations, think tanks and official delegations have visited Taiwan, showing that despite

Who Says Justice Thomas Benefited From Affirmative Action?



UPWARD MOBILITY
By Jason L. Riley

I received more automatic respect when I first began teaching in 1962, as an inexperienced young man with no Ph.D. and few publications, than later on in the 1970s, after accumulating a more substantial record,” he writes. “What happened in between was ‘affirmative action’ hiring of minority faculty.”

To illustrate the point, Mr. Sowell recounts a student approaching him after class at UCLA, where he taught economics in the 1970s. The student was having trouble understanding something in the textbook, and Mr. Sowell explained to him what it meant. “Are you sure?” the student said.

“Yes, I'm sure,” Mr. Sowell replied. “I wrote the textbook.” The student then noticed the professor's name on

the cover and was “obviously embarrassed,” Mr. Sowell writes. “It was a sign of the times, one of the fruits of ‘affirmative action.’ ”

The political left's reaction to Justice Clarence Thomas's concurrence in last week's Supreme Court ruling that bars the use of racial preferences in college admissions is more evidence that affirmative action stigmatizes black achievement. Justice Thomas has been labeled a hypocrite for opposing racial preferences because he supposedly benefited from them as a college student, yet no one has produced any evidence that race played a role in his admission to Holy Cross College or Yale Law School.

According to press accounts, Justice Thomas was recruited to Holy Cross by a dean, Father John Brooks, who wanted to increase the number of black students on campus, but the justice has long denied this claim. He started college at Immaculate Conception, a seminary in Missouri, but left after a year and returned home to Savannah, Ga. In his memoir, he says he applied to Holy Cross at the urging of a nun who had taught him in high school.

“I ranked near the top of my class at Immaculate Conception, so Holy Cross had quickly accepted my application,” he writes. “The only problem was money, but the director of financial aid told me that something could be worked out.”

It's true that some black students who had been contacted by Brooks were admitted to Holy Cross the same year that Justice Thomas transferred there, but the justice

He graduated Yale Law School. So did Bill and Hillary Clinton. Only his credentials get questioned.

has rejected the suggestion that he was one of Brooks's recruits. “A nun suggested Holy Cross. That's how I wound up there,” Justice Thomas told a reporter in 2007. “Your industry”—the media—“has suggested that we were all recruited. That's a lie. Really, it's a lie. I don't mean a mistake. It's a lie.”

Nor is there any evidence that Justice Thomas was admitted to

Yale Law School under its affirmative-action program rather than through the regular admissions process. He graduated from Holy Cross ninth in his class (of more than 500 students). According to the New York Times, eight Holy Cross graduates were admitted to Yale Law between 1968 and 1978, the decade that included Justice Thomas's law school career. Why assume that he got in only because of his race? Why question the justice's credentials but not Bill Clinton's or Hillary Rodham's, two of his fellow Yale Law students? The reason is affirmative action, which has made people suspicious of black academic and professional success.

Chief Justice John Roberts's majority opinion makes clear that the use of race in college admissions is wrong primarily because it violates the Equal Protection Clause of the 14th Amendment. But Justice Thomas performs a public service in his concurrence by detailing the harm that these policies have inflicted, even on their intended beneficiaries. Reiterating what he has written in previous opinions, Justice Thomas notes that racial double standards “taint” accomplishment.

Thus, when blacks and Hispanics “take positions in the highest places of government, industry or academia, it is an open question . . . whether their skin color played a part in their advancement.”

There's also the question of how much affirmative action has contributed to the academic achievement gap in K-12 education. How many black students didn't try as hard as they could have because they knew they would be held to a lower standard than their white and Asian peers? How many teachers didn't push their black students as hard for the same reason?

Justice Thomas's concurrence includes several references to the writings of Mr. Sowell, a leading critic of affirmative action for more than 50 years. After the Supreme Court upheld race-conscious admissions in a 2003 ruling, Mr. Sowell lamented that he probably wouldn't live to see the day when the court finally issued “a clear-cut statement that racial quotas and preferences were illegal.” He was wrong, thankfully. The decision was handed down on June 29, the day before Mr. Sowell celebrated his 93rd birthday.

By Dominic Green

As the riots in France abate, the reckoning starts. President Emmanuel Macron blames the copycat contagions of social media and videogames. That's shooting the messenger. The message itself lies in the incident that sparked the riots. A deep-rooted dynamic of disorder has set France's police against teenagers and young men from immigrant backgrounds. The law-abiding majority now faces the consequences of the state's long failure to enforce the law.

On June 28 in Nanterre, just west of Paris, two police officers stopped Nahel Merzouk, a 17-year-old driving a car with Polish license plates. When he attempted to accelerate away from the police during their interaction, one of the officers shot Merzouk. Prosecutors have charged the officer with “voluntary homicide by a person in authority.” It's only the latest in a series of police-brutality cases involving white officers and nonwhite youths.

Merzouk had no criminal convictions, but not for lack of effort. His judicial file, which happened to reach France's Europe 1 channel, is said to

contain 15 items, including driving with false license plates, driving without insurance, drug dealing and possession, “rebellion against police officers,” and several charges in juvenile courts for resisting arrest. He didn't deserve to die. The law-abiding, hard-working majority in the outlying housing projects known as *banlieues* don't deserve to live amid endemic crime and violence.

Though France's historical circumstances are unique, there is nothing uniquely French about the country's present discontent. Western European societies were historically cohesive and “high-trust” societies. High immigration rates and a systemic failure to integrate the children of immigrants have in recent decades balkanized them into low-trust, high-crime societies, especially in the cities. An underclass culture of dependency and macho criminality contributes to high crime rates and increasingly violent interactions between youth and police.

Bad blood from France's colonial era may divide whites from the brown-skinned children and grandchildren of immigrants from North Africa and the Middle East. But that doesn't

explain everything. Germany never had an empire in North Africa or the Middle East, yet it too struggles to assimilate the children of immigrants. Meantime, Britain's population of immigrant descent also largely comes from ex-British colonies, yet its population isn't at odds with the British state. Prime Minister Rishi Sunak's Indian-descended parents emigrated from East Africa in the 1960s.

Islam may now be the established religion of the *banlieues*, and ranting imams may be racking up the hits on TikTok as they celebrate the coming conquest of France, but Islam is also a secondary phenomenon in these riots. The vandals may feel that France treats Islam as a second-class religion, but this is a force multiplier for their general sense of exclusion and hostility. Their desecration of Nanterre's memorial to French Jews deported during the Nazi occupation reflects their contempt for Jews. It was also an assault on an official symbol of France, like their attacks on police stations and municipal libraries.

The rioters are as French as rioting itself. Most of them seem to be native-born French, showing the same social pathologies as the underclass everywhere. Much of the international media attribute the riots

to the ever-mitigating emotion of “anger,” in this case at excessive racial profiling by the police at random traffic stops. But it's impossible to know if the rate at which nonwhites are stopped is proportionate to, or even below, their rates of arrest or conviction. French law prohibits collecting information on religion and race in census or criminal-justice statistics.

A culture of dependency and macho criminality is also thriving elsewhere in Western Europe.

The data on the intensifying hostility between petty criminals and overwhelmed police are clearer. In 2017, in the aftermath of terrorist attacks and with an election imminent, the government of Mr. Macron's Socialist predecessor, François Hollande, relaxed restrictions on the police's use of firearms. Police shootings at random traffic stops increased sharply; in 2022, 13 were killed. Reuters reports that the “majority of victims since 2017 were Black or of Arab origin.”

The last major outbreak of rioting in France was in 2005 and was largely confined to the *banlieues*. This time, however, rioters looted French city centers, attacking police with shotguns, Molotov cocktails and fireworks. The unions representing more than half of France's police officers said this week that they are fighting “savagely hordes” and “vermin.” This is the language of civil war.

If the police are losing a struggle for control of the streets, there will be electoral consequences across Western Europe. Nationalist French politicians Marine Le Pen or her niece Marion Maréchal will continue to narrow the gap with the centrist parties as the country approaches its 2027 presidential elections. In Germany, the far-right Alternative for Germany party is now polling at 20%, ahead of the Social Democrats. The structural consequences will be felt in Brussels, where the European Parliament is already a repository for nationalist protest votes. An insurrection can be crushed. Democratic government can rule only by assent.

Mr. Green is a Journal contributor and a fellow of the Royal Historical Society.

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Emma Tucker
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1211 Avenue of the Americas
New York, N.Y., 10036
Telephone 1-800-DOWJONES

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Notable & Quotable: ‘Turned Around’ Dissent

From Justice Neil Gorsuch's majority opinion in *303 Creative v. Elenis*, decided June 30:

It is difficult to read the dissent [by Justice Sonia Sotomayor] and conclude we are looking at the same case. . . . The dissent claims that Colorado wishes to regulate Ms. Smith's “conduct,” not her speech. Forget Colorado's stipulation that Ms. Smith's activities are “expressive,” and the Tenth Circuit's conclusion that the State seeks to compel

“pure speech.” The dissent chides us for deciding a pre-enforcement challenge. But it ignores the Tenth Circuit's finding that Ms. Smith faces a credible threat of sanctions unless she conforms her views to the State's. The dissent suggests (over and over again) that any burden on speech here is “incidental.” All despite the Tenth Circuit's finding that Colorado intends to force Ms. Smith to convey a message she does not believe with the “very purpose” of “[e]liminating . . . ideas.” . . .

In some places, the dissent gets so turned around about the facts that it opens fire on its own position. For instance: While stressing that a Colorado company cannot refuse “the full and equal enjoyment of [its] services” based on a customer's protected status, the dissent assures us that a company selling creative services “to the public” does have a right “to decide what messages to include or not to include.” But if that is true, what are we even debating?

WORLD NEWS

Residents Flee West Bank Camp

Israel launched one of its biggest military operations in the occupied territory

BY STEPHEN KALIN
AND ANAS BABA

Hundreds of Palestinian families fled a refugee camp in the West Bank city of Jenin as Israel's largest military operation in the occupied territory in more than two decades stretched into a second day on Tuesday, with a deadly assault involving drone strikes and ground troops.

In Tel Aviv, at least seven people were injured when an attacker drove into pedestrians on a commercial street, then got out of the car and began stabbing them before he was fatally shot by a civilian, Israeli police said. The perpetrator belonged to Hamas, the Palestinian militant group said in a statement, which sought to justify the attack by citing Israel's assault in Jenin.

At least 12 Palestinians have been killed and about 120 wounded since the Israeli operation began Monday, the Palestinian Health Ministry said.

The Israeli military said it was conducting a counterterrorism effort in the camp and adjoining city, confiscating thousands of weapons and explosive devices, dismantling facilities used to perpetrate attacks on Israeli civilians and soldiers, and arresting some 30 suspects. At least one Israeli soldier was wounded.

A spokesman for the Israel Defense Forces said Tuesday evening that they planned to leave the camp within hours



People fled the Jenin refugee camp in the occupied West Bank on Tuesday as an Israeli military operation decimated the area.

but return as needed.

The operation, which involved construction equipment and engineering corps, has caused extensive property damage and interrupted water and electricity to large parts of the camp.

Jenin Deputy Mayor Muhammad Jarrar said about 3,500 residents—or nearly a quarter of the camp's population—were forced to leave by midday Tuesday. Most of them were women, children and the elderly. He said nearly a third of the camp, which covers

about 250 acres, was destroyed.

The White House said it was closely monitoring the situation. "We support Israel's security and right to defend its people against Hamas, Palestinian Islamic Jihad and other terrorist groups," said a spokeswoman with the National Security Council.

Um Hussein Dhabaya, 53 years old, said an Israeli army officer gave her family 15 minutes to evacuate their home in the camp before it was bombed.

"I have lived in the camp since my childhood, and I

swear I could not recognize the streets around me," she said.

Israel's military said it isn't forcing residents to leave, is allowing access for ambulances and is targeting only those taking up arms against it.

The Palestinian Authority called on the international community to pressure Israel to stop the assault. A World Health Organization spokesman said there is no safe corridor for humanitarian access to Jenin camp, and a spokeswoman at the United Nations called the scale of the Israeli

operations "alarming."

Israeli Prime Minister Benjamin Netanyahu has faced calls, including from his own Likud Party, for a broad military operation in the West Bank using the air force and armored corps. The current assault represents a more aggressive approach.

Watch a Video



Scan this code to watch a video on the Israeli raid in the West Bank.

Stoltenberg To Serve Another Year as NATO Chief

BY DANIEL MICHAELS

BRUSSELS—NATO members, unable to agree on a new leader for the military alliance amid Russia's invasion of Ukraine, extended Secretary-General Jens Stoltenberg's mandate by one year.

Stoltenberg, who recently said he had no plans to remain in the office he has held since October 2014, said he was honored by the decision, which is the fourth time his initial four-year term has been extended. He will serve through the North Atlantic Treaty Organization's 75th anniversary next April, and a summit in Washington next summer.

NATO members had hoped to replace the 64-year-old Stoltenberg, whose current term was set to run until Oct. 1, and who has guided the 31-country alliance through its biggest transformation since the end of the Cold War. A former Norwegian prime minister, he took office at NATO months after Russia seized the Crimean Peninsula from Ukraine in early 2014 and then fomented rebellions in its east.

Since then, he has led a rebuilding of NATO defenses near Russia. NATO also worked closely with Ukraine from 2014 until Russia's large-scale invasion last year to modernize and reorganize the country's military. Ukrainian and Western military officials have said those years of work were crucial in Kyiv's success last year repelling Russia's effort to grab the capital city.

Stoltenberg, who has advocated relentlessly on behalf of Ukraine, while keeping NATO out of direct involvement in the war, also has overseen the alliance's biggest expansion in years. Following Russia's 2022 invasion, Finland and Sweden shed decades of nonalignment and applied to join NATO. Finland joined in April, while Sweden awaits approval from Hungary and Turkey, which have raised objections with its application.

The extension of Stoltenberg's term comes one week before NATO leaders gather in Lithuania for their annual summit, where they plan to focus on support for Ukraine, and approve sweeping plans to bolster alliance armed forces. Stoltenberg's term extension is scheduled for final approval there.

Fukushima Water Discharge Gets Green Light

BY MIHO INADA
AND DASL YOON

TOKYO—The international nuclear-safety authority Tuesday gave Japan the green light to release slightly radioactive wastewater from the crippled Fukushima nuclear plant into the sea, saying science didn't justify concerns raised by nations around the Pacific.

The International Atomic Energy Agency, a United Nations body, said Japan's plan is in line with similar discharges carried out by nations around the world that operate nuclear-power plants.

The IAEA's chief, Rafael Grossi, personally delivered a final report favoring the plan to Japanese Prime Minister Fumio

Kishida in Tokyo and said later that the discharges "would have negligible impact on the environment." He said IAEA representatives would be present on-site in Fukushima to monitor discharges for decades to come.

The government of China and South Korean fisheries groups are among those protesting the plan, which Japan has said it wants to carry out this summer.

A Chinese Foreign Ministry statement Tuesday said Japan was treating the Pacific Ocean as its own sewer. The statement dismissed the IAEA report as hasty and incomplete, and it said: "Japan has chosen to shift the risk of nuclear contamination onto the whole humanity."

An earthquake and tsunami

knocked out power at the Fukushima Daiichi plant on March 11, 2011, causing meltdowns at three reactors. Since power was restored a few days later, Japan has been pumping in water to cool reactor cores. That water, as well as some groundwater at the site has been contaminated with radiation.

Japan has stored the water in more than 1,000 tanks at the site, and it is running out of storage space.

Under the dumping plan, plant operator Tokyo Electric Power intends first to reduce the concentration of nearly all radioactive substances in the wastewater to within safety standards, with the exception of tritium, an isotope of hydrogen. To reduce the concentra-

tion of tritium to a safe level, the water will then get diluted with seawater, according to the company. It aims to release more than 1.3 million tons of water over three decades into the Pacific Ocean.

In Japan, fisheries groups generally haven't challenged the scientific points made by the government but argue that the Fukushima area, already associated worldwide with nuclear disaster, shouldn't be made to go through another controversy that could taint its reputation.

Some nations still bar imports of fish and other food from Fukushima, although Japan says the radiation level in the sea and soil long ago fell below the danger zone. The Fukushima catch has

recovered to only 20% of its pre-accident level, according to a Fukushima prefecture fishing-industry body.

Japan's plan has been particularly controversial in neighboring South Korea. On June 12, fishermen from across South Korea gathered in front of the National Assembly. "We have only known the sea and made our living through the sea," the protesters shouted. "Protect our territory and safety."

Jim Smith, an expert in radioactive pollution at the University of Portsmouth in the U.K., said water discharge is likely the best option to deal with residual amounts of tritium. Storage in tanks "always carries the risk of leaks."

RUSSIA

Government Critics Beaten

A prominent Russian journalist and a lawyer were beaten by armed men in the southern Russian republic of Chechnya.

Elena Milashina, an investigative reporter for opposition newspaper Novaya Gazeta, was traveling from the airport to the Chechen capital, Grozny, with lawyer Aleksandr Nemov when their car was ambushed by a group of armed men in balaclavas on Tuesday, according to Milashina's employer. They were on their way to the trial of a government critic whom Nemov was defending.

The men viciously beat them with batons and pointed guns at their heads, demanding their smartphones and smashing their equipment, Novaya Gazeta said.

A Kremlin spokesman said President Vladimir Putin had been informed about the incident. The attack drew outrage from some lawmakers and government human-rights officials at a time when the Kremlin has driven most independent journalists into exile and silenced criticism of its actions in Ukraine.

During the assault, which left the pair hospitalized, the assailants cited trials that Milashina had covered as a reporter, said Sergei Babinets, a human-rights lawyer who heads Russia-based nongovernmental organization Crew Against Torture.

Authorities in Chechnya didn't respond to a request for comment about the attack.

—Matthew Luxmoore

HONG KONG

Activists Face Arrest for Life

Hong Kong's leader said Tuesday that eight pro-democracy activists who now live in the U.S., Britain, Canada and Australia would be pursued for life for alleged national security offenses, dismissing criticism that the move to have them arrested was a dangerous precedent.

Chief Executive John Lee expressed his support for police efforts to arrest the eight. Lee said anyone, including their friends and relatives, who offered information leading to their arrests would be eligible for rewards offered by the police. "The only way to end their destiny of being an abscondee who will be pursued for life is to surrender," he said.

The arrest warrants were issued for former pro-democracy lawmakers Nathan Law, Ted Hui and Dennis Kwok, lawyer Kevin Yam, unionist Mung Siu-tat and activists Finn Lau, Anna Kwok and Elmer Yuen. They were accused of breaching the Beijing-imposed National Security Law by committing offenses such as collusion with foreign powers and inciting secession.

More than 260 people have been arrested under the law, which was enacted in 2020 as part of a broad crackdown on dissent in the city.

The move quickly drew criticism from the U.S. and British governments, which took issue with the extraterritorial application of the security law.

—Associated Press

WORLDWATCH



PUTTING A RING ON IT: A volunteer state coordinator for ospreys and peregrine falcons in Mecklenburg-Western Pomerania, Germany, held an osprey that is about five weeks old after a band to enable identification and tracking was attached.

JENS BÜTTNER/OPA/ZUMA PRESS



Packed campuses and rising rents fueled last year's record sales, but sales this year will likely not match 2022 levels

Landlords Find Shelter On Campus

By Maggie Eastland

Many office buildings sit mostly empty. Once-soaring apartment-rent growth has slowed and is falling in some places. But housing geared to college students at popular schools is a rare bright spot in the beleaguered commercial real-estate business.

Rents for student housing are poised to grow, boosted by limited supply and strong demand at many colleges, especially top research universities and schools in the five highest-earning athletic conferences for U.S. college football. However, with college enrollment declining overall, student housing is facing higher risks at smaller colleges with less name recognition and falling enrollment.

Despite the rise in mortgage rates last year, sales of student-housing property reached a record of \$22.9 billion in 2022, according to data from commercial real-estate firm **CBRE Group**.

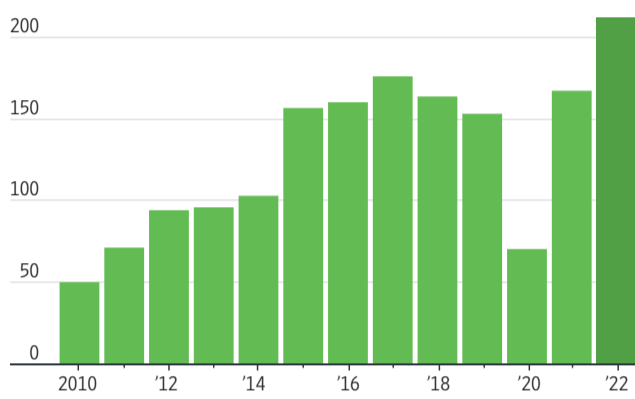
Multifamily rents show signs of cooling from last year's double-digit increases. They increased 2.3% during the 12 months ended in May 2023, according to RealPage, an online firm that tracks the apartment market. Meanwhile, student-housing rent is growing at about 9%, RealPage said.

Real-estate investment giant **Blackstone** made the biggest bet on student housing last year, with a \$12.8 billion acquisition of American Campus Communities.

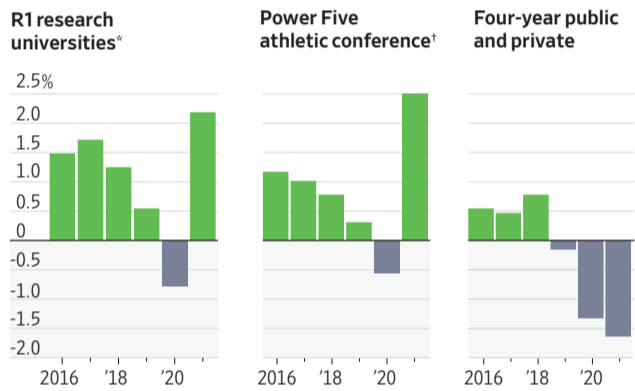
"This is a sector that we

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Student housing investment sales transaction volume



Average enrollment by university type, change from a year earlier



*R1 research universities are determined by the Carnegie Foundation based on research prestige, funding and doctoral degrees awarded. †Power Five athletic conference schools are those in the five highest-earning athletic conferences for college football. Sources: JLL (enrollment); CBRE (transaction volume)

Utility Companies Sell Wind, Solar Farms to Shore Up U.S. Power Grid

By Katherine Blunt and Jennifer Hiller

U.S. utility companies are selling off their wind and solar farms to free up money to make record investments in the power grid.

Duke Energy, American Electric Power and Consolidated Edison have each announced or finished deals in recent months to sell renew-

able-energy projects. Each has said it plans to use the billions of dollars in proceeds to modernize the power lines and other infrastructure that supply electricity for their utility businesses.

The moves highlight the mounting stress on the country's aging power infrastructure, as well as how rising competition among renewable-energy developers is

pushing margins lower.

Utilities are planning their biggest spending increases in decades to replace aging equipment, prepare for a surge in power demand driven by electric-vehicle adoption and strengthen their systems to withstand severe weather patterns linked to climate change. Edison Electric Institute, an industry trade group, expects that utilities will in-

vest roughly \$159 billion in 2023 and \$155 billion in 2024, more than any year since 2000, when the group began tracking spending.

Utility spending is generally low risk and lucrative because regulators allow the companies to earn set rates of return on investments in power lines, and, in some cases, power plants. That isn't the case for spending on unregulated businesses, including portfolios of renewables or conventional power plants that operate in competitive power markets throughout the U.S.

Duke in June announced plans to sell about 3,400 megawatts of wind, solar and battery projects to Brookfield Renewable for \$2.8 billion. Brian Savoy, Duke's chief financial officer, said the sale would help the company finance its capital-spending plan, which proposes \$145 billion in investments over the next decade.

Savoy said the company, which supplies electricity in the Carolinas, Florida, Ohio,

Please turn to page B2



Duke Energy announced plans to sell 3,400 megawatts of wind, solar and battery projects.

EU Court Curbs Personal-Ad Aspect of Facebook

By Sam Schechner and Nuha Dolby

Meta Platforms' Facebook must get user consent before sending personalized ads in certain circumstances, the European Union's top court ruled, a surprise element in a broader court decision in which it sided with German competition regulators in how the company uses data.

The personalized-ad element of the decision issued Tuesday by the EU's Court of Justice throws a potential wrench in Meta's longstanding legal battle to protect its core business model, which is based on its ability to send users targeted advertisements.

Depending on how broadly the ruling is interpreted, Facebook could be compelled to ask its users to opt in to ads that are based on how they interact with it and other Meta apps. Such interactions could include a user's comment on an Instagram post or their views of a particular Instagram video.

That would cut into Meta's core business model, which re-

volves around selling targeted ads to its users based, in part, on their digital activity. Meta brought in \$28 billion in advertising revenue for the three months ended March 31, about 22% of which came from Europe.

Tuesday's ruling would only apply in the EU. But it could set a precedent for other social-media companies that rely on the same elements of the EU's privacy law to justify their personalized ads and may now need to seek user consent in the bloc.

Meta is appealing a January privacy decision in Ireland that fined the company roughly \$425 million and ruled that the company couldn't use its contracts to justify personalizing its ads based on users' activity on Meta's platforms. Tuesday's Court of Justice decision isn't appealable, and it could influence the Irish court's handling of Meta's appeal.

Following January's Irish

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◆ **Zuckerberg seeks to re-enter Chinese market.... B4**

Twitter Rivals Press Amid User Frustration

By Tim Higgins

Twitter's challenges escalated, as competitors capitalized over the holiday period on user frustration with Elon Musk's decision to limit how many tweets users of his platform can see.

The biggest competitive threat emerged from **Meta Platforms**, which tipped plans to launch a Twitter rival on Thursday dubbed Threads. The "text-based conversation" app's arrival comes on the heels of upstart social-media companies Bluesky and Spill being inundated with new interest over the weekend as Twitter began the unusual step of limiting the number of posts its users could read.

The colliding forces raise the pressure on Musk and his efforts to reinvent Twitter while rivals try to pick away at the core of his business. Since buying Twitter, which suffered years of losses before Musk took over, he has faced a

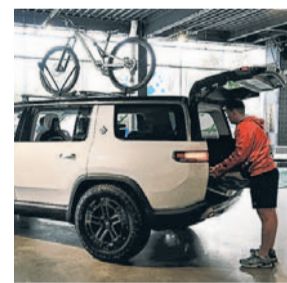
string of largely self-inflicted dramas in his bid to remake the social-media platform, including the departure of many of its advertisers.

The latest commotion came late last week when Twitter capped the number of posts users can read on its platform, prompting widespread complaints and multiple efforts by the company to explain and adjust the policy. In the hours after the policy, Musk on Saturday twice increased the number of allowed posts, which differed for subscribers and nonsubscribers, and suggested the temporary move was needed to fight companies trying to scrape Twitter's data for developing artificial-intelligence programs.

On Tuesday, Twitter issued a statement offering additional explanation. It said the move was an effort to remove spam and bots from the platform that were both scraping Twitter data to build AI mod-

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INSIDE



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Rivian EV deliveries topped expectations in the recently completed quarter. **B2**



TECHNOLOGY

Japan's SoftBank missed out on the recent frenzy in artificial intelligence. **B5**

China's Chip Makers Face Prospect of More Curbs With Concerns, Defiance

By Yoko Kubota

SHANGHAI—Chinese chip makers and suppliers, gathered in Shanghai for an industry event, were in a grim but defiant mood following a report that the U.S. plans to widen export controls targeting the industry.

Among those blacklisted, **Yangtze Memory Technologies** urged suppliers to show "integrity" and deliver machinery parts it had already purchased. "We can't get the components, which we have bought legally," said Nanxiang

Chen, YMTC's chairman and acting CEO. The company is China's leading maker of flash memory chips. Such chips are essential in all kinds of electronic devices including computers and smartphones.

His comment was a rare public acknowledgment of the challenges YMTC has faced since being hit by U.S. sanctions late last year.

In October, YMTC was placed on the Commerce Department's "unverified list" as a company of concern. It was affected, too, by U.S. curbs on China's chip sector, including

restrictions on exports of any technology, tools or machinery that China could use to manufacture advanced chips.

The curbs also restricted the ability of "U.S. persons" to support the development or production of some of the most cutting-edge chips in China. That led U.S. makers of semiconductor-manufacturing equipment to withdraw employees who had been based at YMTC to maintain highly technical tools.

In December, YMTC was moved to the Commerce Department's "entity list," mean-

ing U.S. exporters need to obtain a license before selling the company goods or services.

In his speech Thursday, the opening day of the three-day Semicon China chip-industry conference, Chen also suggested that tool makers buy back some of the equipment they have sold to YMTC. He didn't elaborate on how well YMTC is maintaining operations under the sanctions.

Blacklisting YMTC is intended to prevent China from developing technologies that might give it an edge in de-

fense or other areas that Washington deems critical to national security.

More measures targeting China's semiconductor industry are likely. The Biden administration is considering further restricting exports to China of chips used in artificial intelligence, The Wall Street Journal reported. The Netherlands published new rules last week saying Dutch semiconductor companies will have to seek government permission before they can sell certain types of chip-making tools abroad.

Meanwhile, China said Monday that it is putting export restrictions on gallium and germanium, two minerals the U.S. says are critical to the production of semiconductors, missile systems and solar cells.

A frequent lament from the Chinese chip makers and researchers at the Shanghai event was that geopolitical tensions had ended a decades-long era in which a global supply chain had grown and flourished.

Globally, semiconductor

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BUSINESS & FINANCE

Rivian EV Deliveries Beat Estimates, Lifting Shares

BY BEN GLICKMAN

Rivian Automotive said its electric-vehicle deliveries topped expectations in the recently completed quarter, sending shares higher.

The Irvine, Calif.-based electric-vehicle maker said Monday that it delivered 12,640 vehicles in the quarter ended June 30, more than the 11,000 deliveries expected by analysts polled by FactSet.

Rivian posted about 8,000 deliveries in its previous quarter, and just under 4,500 a year ago.

Shares of Rivian jumped 17.4% to \$19.56 Monday in the stock's best five-day stretch since November.

Rivian's announcement came after Tesla said Sunday that deliveries in its latest quarter exceeded expectations.

Tesla said that significant discounts in the second quarter led global deliveries to increase 83% to 466,000 EVs.

Rivian, an EV startup that first began making vehicles in late 2021, has dealt with large swings in consumer demand. The company initially faced long wait lists for its vehicles, but now has a glut of inventory as production outpaces demand.

After long adhering to an online selling strategy, Rivian



Rivian delivered 12,640 vehicles in its latest quarter, topping analysts' forecast of 11,000.

held an in-person sales event at its Normal, Ill., factory last month to quickly unload its R1T electric pickups to customers.

Rivian said Monday that it produced 13,992 cars in the quarter, more than triple the 4,401 produced in the same period a year earlier.

The carmaker said it still expected to deliver 50,000 vehicles in the fiscal year, more than double the some 20,000 units delivered in fiscal 2022. Analysts polled by FactSet expect annual deliveries of 47,000.

Rivian and Tesla said last month that they had reached

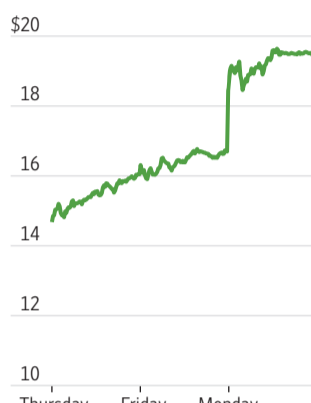
an agreement to integrate Rivian's vehicles into Tesla's fast-charger network.

Rivian cars will use a charging port compatible with Tesla Superchargers starting in 2025.

The growing list of automakers adopting Tesla's charging standard—including Ford Motor and General Motors—means greater access to charging infrastructure, but could move the industry away from a universal standard, which has been pushed by lawmakers.

Tesla shares rose nearly 7%, finishing Monday's trading at \$279.82.

Rivian Automotive share price



Source: FactSet

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A Red-Hot Market for Warehouse Workers Has Cooled

BY LIZ YOUNG

Josh Marshall says he could use two more workers on his team in the warehouse operations of a Bayer seed-production facility in central Illinois, but the company isn't rushing to raise wages or take other steps to speed along the hiring.

"We're just at the point where we're willing to wait it out," said Marshall, who operates a forklift at the facility. "We've got enough people to kind of get by."

That is a big change from the past three years, when fierce competition for warehouse workers triggered higher starting salaries, hiring bonuses and extra rewards for attendance, with some sites even draping banners across their distribution centers to lure new recruits.

A warehouse hiring spree that made logistics one of the fastest-growing job sectors during the pandemic, as businesses added nearly 700,000 workers in just over two years and increased average hourly pay about 8%, is over. A looser U.S. labor market, a pullback in



Warehouses have lost more than 41,000 jobs since last June.

the growth of online sales and economic uncertainty have left many companies choosing to stand pat on hiring as demand for warehousing and logistics services retreats from historic high levels.

"It got bananas," said Dawn Nixon, senior vice president of human resources for the Americas and Asia Pacific at contract-logistics provider GXO Logistics. "I think every employer dealt with people that

would leave our warehouse and go to the warehouse down the street for 25 cents more an hour."

U.S. warehousing employment hit a peak of 1.96 million jobs in June 2022, according to the Bureau of Labor Statistics. Since then, the sector has shed more than 41,000 jobs, according to the BLS seasonally adjusted figures.

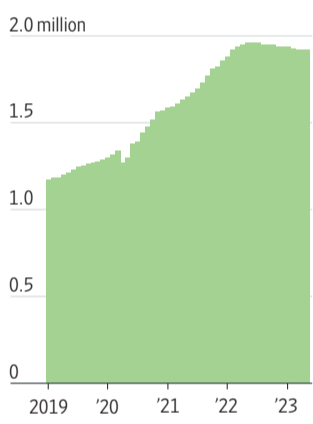
Although the number of workers handling goods at

Average hourly earnings for warehouse employees, monthly



Source: Bureau of Labor Statistics

Monthly employment in the U.S. warehousing and storage sector



ferent now. "This year it started turning to where it felt like there was enough availability that we weren't feeling a pinch around being able to find good workers, quality workers, in the warehouse at the wages that we offer," he said.

Figures suggest the broader U.S. jobs market has remained strong even in the face of rising interest rates and relatively modest economic growth. Workers gained more than 1.5 million jobs in the first five months of the year, boosted in part by resilient consumer spending.

But growth in household spending in May came largely because Americans spent more on services and less on goods, which drive business through distribution and warehousing networks. E-commerce sales, which peaked at 16.5% of overall U.S. retail sales in the middle of 2020, retreated to 15.1% of the market by this year's first quarter.

Retailers and logistics operators have pulled back on supply-chain investments in response in recent months, including closing some warehouses and cutting jobs.

Utilities Sell Off Renewables

Continued from page B1

Kentucky and Indiana, is working to assess what upgrades are needed to account for more electric vehicles and the prospect of more severe hurricanes, tornadoes and flooding.

"Our utility growth plans just continue to expand," he said. "There's a lot of work that needs to be done on the grid."

The company is also building some renewable projects under its regulated businesses.

AEP, which supplies power in parts of 11 states in the Midwest and South, earlier this year agreed to sell 1,365 megawatts of renewable-energy projects, mostly wind farms, to a consortium of infrastructure investors. The company said it expects to net \$1.2 billion on the sale.

Chief Executive Julie Sloat said AEP plans to invest roughly \$40 billion in its utility businesses in the next five years. The sale, she said, will help the company reduce financial risk and manage the extent to which customers have to foot the bill.

"How are we going to fund all of that, and keep rates as

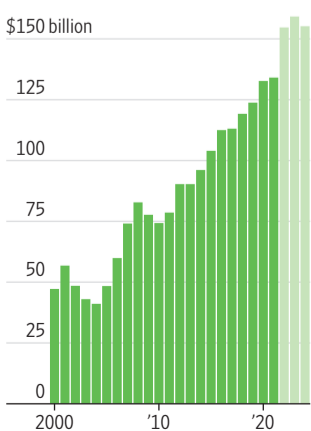
low as possible for our customers?" she said. "There are other companies that are probably better suited to own unregulated assets."

The sales come as the competitive renewables sector becomes more challenging to navigate amid rising interest rates and an increase in the number of project developers seeking to supply power at the lowest cost. Supply-chain snarls and inflation have lately made projects more expensive to build.

"When competition picks up, margins start to erode," said Guggenheim analyst Shahriar Pourreza. "The valuations of these businesses have deteriorated over time."

Duke recorded nearly \$1.5 billion in impairment charges in recent months as it wrote

Electric-utilities industry capital expenditures*



*Public companies only. Data for 2022-24 are projections made in September 2022. Source: Edison Electric Institute

down the value of its renewables portfolio, which it once pegged at \$4 billion.

Still, large developers see opportunity, in part because of a suite of tax credits available through the Inflation Reduction Act passed last year.

German energy company RWE this year bought ConEd's renewables business for \$6.8 billion. The acquisition nearly doubled its U.S. portfolio to more than 8 gigawatts of wind, solar and battery projects, with more than 24 gigawatts in the development pipeline. ConEd serves New York City, other parts of New York state and areas of New Jersey.

Mark Noyes, chief executive of RWE Clean Energy, said the company expects strong and consistent market conditions for the next 10 to 13 years because of the Inflation Reduction Act.

"We're doing the opposite of utilities. We're growing," he said, adding that if utilities were to keep the unregulated renewables portfolios, it would require them to spend increasing amounts of capital outside of their core business.

Jehangir Vevaina, managing partner in Brookfield's renewable power and transition group, said developers are better positioned for that. "It's right in our wheelhouse," he said, adding that Brookfield can retrofit and update existing plants, add battery storage to some projects and "optimize them on a commercial basis."

EU Court Curbs Facebook

Continued from page B1

privacy decision, Meta switched its legal justification for such ads under the EU's privacy law to a provision that cites the "legitimate interest" of its business, and created an online form that EU-based users could fill out to request an opt-out from personalized ads. That move riled privacy activists, who had campaigned for the company to prompt all of its European users to decide whether they agree to the use of their activity data for ads.

In Tuesday's decision, however, the Luxembourg court found that users' interest in their own privacy overrides the "legitimate interest" argument for a social network such as Facebook to personalize ads. It said that is because, despite the fact that Facebook is free to users, "the user of that network cannot reasonably expect" that it will use large volumes of data to personalize ads "without his or her consent."

Under EU law, consent must be freely given, which means access to a service can't be conditional on clicking "yes."

The court decision added that Meta's monitoring of users' online activities is "par-

ticularly extensive" and could give a user "the feeling that his or her private life is being continuously monitored."

A spokesperson said Meta was "evaluating the court's decision and will have more to say in due course."

The judgment on the legality of Facebook's ad model came as part of a wide-ranging decision from the EU court, which said that competition regulators such as Germany's Federal Cartel Office can consider whether companies comply with rules other than competition laws—such as the bloc's data-protection laws—as part of investigations into questions of competition violations.

That is something that could open the door to new types of anti-trust investigations against big tech companies, which are already facing an expansion of tech regulations related to competition, content moderation and—soon—artificial intelligence.

The broader decision Tuesday means Meta will have to comply with a 2019 order from the German cartel office and stop combining user data from various platforms unless users gave their consent. That included Facebook and Meta-owned products WhatsApp and Instagram.

The original German privacy case was seen as a novel combination of privacy rules into a competition case—something that Meta had argued went too far. The German regulator said Facebook had abused its dominance as a social network by requiring users to agree to terms of service that included combining data between its services.

But the concrete impact of that part of the decision may be limited, in part, because a new EU digital competition law is likely to impose similar rules on Meta beginning next year.

The EU's Digital Markets Act requires explicit user consent for providers of digital core platforms to process personal user data, combine it with data from other platforms and cross-use data from one service to another. If a user doesn't provide consent, the DMA states they must still be able to use the service.

While its appeal has continued, Meta has been working with the German competition authority and taken steps to comply. The authority announced in June that Meta planned to update its user accounts center to better allow users to decide whether to combine their Meta accounts across platforms.

22%

Portion of quarterly ad revenue for Meta generated in Europe

BUSINESS NEWS

Failed Retailer's Closure Extends Trend

Christmas Tree Shops follows same path to liquidation as Bed Bath & Beyond

BY ALEXANDER GLADSTONE AND ALEXANDER SAEEDY

More retailers that filed for bankruptcy are liquidating inventory and going out of business for good after failing to pull off turnaround plans, as shifts in consumer behavior continue to threaten bricks-and-mortar chains.

Last week, **Christmas Tree Shops** said it would close all of its stores and liquidate, after its lenders said they were

pulling the plug on the retailer's efforts to reorganize in bankruptcy.

The retailer's financial performance deteriorated after Christmas Tree Shops entered chapter 11, leading it to default on a \$45 million loan it took out to fund its bankruptcy reorganization. The company now is pivoting to liquidate its roughly 70 remaining stores unless a buyer emerges within the next week or so.

Christmas Tree Shops is following the path of a number of other retailers that recently aimed to restructure debt while keeping their business going but ended up having to put up "everything

must go" signs. The liquidation trend among distressed retailers is driven by the persistent competitive threat from e-commerce as well as other factors such as inflation that has damped consumer spending; a change in consumer behavior to favor experiences over physical goods; and the expense of maintaining bricks-and-mortar locations.

"The recent run-up in retail bankruptcies can be attributed to several factors, including the continued shift towards online shopping, combined with a general increase in the cost of living which have had a meaningful impact on retail sales across most sectors,"

said Richard S. Klein, senior managing director of Hilco Corporate Finance, Hilco Global's investment-banking advisory firm. "Many retailers that file for bankruptcy wind up liquidating because they have previously explored all paths to resuscitating the business prior to filing, and there is very little going concern value left."

Bed Bath & Beyond also tried for months to find a way to avert liquidation, attracting financing from both a hedge fund as well as individual investors. But the money that it raised was insufficient to enable the company to revamp its operations and put itself on sustainable footing. The com-

pany is now selling off its remaining inventory and shutting down stores.

The company recently struck a deal to sell its intellectual property to **Overstock.com** for \$21.5 million, and last week reached a separate tentative agreement to sell the intellectual property of its Buybuy Baby subsidiary to fellow baby retailer **Dream On Me Industries** for \$15.5 million. Bed Bath & Beyond had a market capitalization as high as \$16.36 billion in 2013, according to FactSet.

"Bed Bath & Beyond has reportedly stated it shall have an 'orderly liquidation' under the auspices of chapter 11," said Anthony Michael Sabino,

professor of law at St. John's University. "But it is far more akin to a liquidation under Chapter 7 of the bankruptcy code, just by another name."

David's Bridal, the wedding dress retailer, filed for bankruptcy in April while looking for a buyer willing to continue to operate the company. The company said that if its efforts to find a buyer are unsuccessful, it would wind down its operations with the help of liquidation firm Gordon Brothers, according to a court filing.

Home-goods retailer Tuesday Morning also has moved to liquidate stores after filing for bankruptcy in February for the second time in less than three years.

De Beers Sweetens Terms for Botswana

BY ALEXANDRA WEXLER

JOHANNESBURG—Botswana will increase its take of the diamonds **De Beers** mines there from 25% to 50% in 10 years' time, part of a deal that extends the company's relationship with the country while loosening its hold on its output there.

Shares of Anglo American, the U.K.-listed mining company that owns 85% of De Beers, rose 0.1% in European trading Tuesday.

The agreement in principle was announced over the weekend, but De Beers Chief Executive Al Cook provided details of the pact on Monday. Negotiations over the new deal were watched closely in the diamond industry.

The relationship is deeper than most that involve a miner and a host state. De Beers is the world's biggest producer of rough diamonds by value.

Botswana, meanwhile, accounts for 70% of De Beers's

worldwide production.

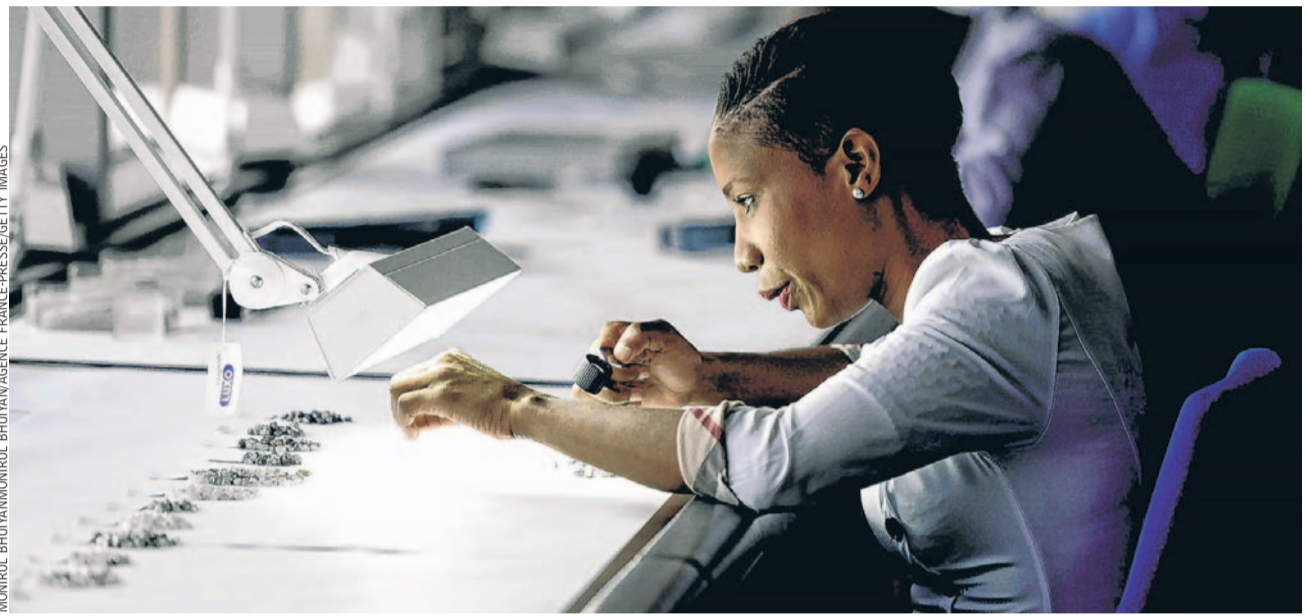
Under the current deal inked in 2011, De Beers gets 75% of production from **Debswana**, a 50-50 joint venture between the government and De Beers.

De Beers sells those rough diamonds to buyers that polish and sell them. Botswana sells its share of production from the pact.

According to the terms of the new deal, Botswana's share will jump to 30% of production, according to Cook. That will increase to 40% in five years and then 50% after 10, he said in an interview.

De Beers and Botswana also extended by 25 years De Beers's current mining licenses. Those had been slated to expire in 2029, and will now run to 2054. The new sales agreement will be subject to approval by Anglo American's shareholders, the company said.

De Beers was founded by a group including Cecil John Rhodes in 1888. As recently as



In 10 years' time, Botswana will keep 50% of the diamonds De Beers mines in the country, up from its current share of 25%.

the 1980s, the company controlled more than 80% of the world's diamond supply.

Prospectors from De Beers found a so-called kimberlite pipe—diamond-bearing rock ore—in central Botswana in 1967, a year after what was then one of Africa's poorest colonies gained independence from Britain.

Diamonds are responsible for about 90% of exports from the landlocked and sparsely

populated nation of 2.6 million people. Botswana's per-capita gross domestic product is more than four times the average for sub-Saharan Africa and similar to that of much larger economies such as Peru or Thailand.

De Beers has acquiesced to pressure before: In 2012 and 2013, it surprised the market by moving its international sales department and a related stone-sorting operation

to Botswana's capital, Gaborone, from London, part of the last 10-year sales deal the company struck with the government, in 2011. Botswana also owns a 15% stake in De Beers.

This time around, Botswana's president, Mokgweetsi Masisi, said he was ready to break with De Beers unless the miner conceded to more favorable terms in the production-sharing agreement

that governs the relationship between the two. The current deal, which expired on June 30, will remain in place until the new agreement is finalized.

The 2011 agreement for the first time gave Botswana the right to market and sell its own rough diamonds and that expertise, analysts said, gave the government a stronger hand in the current negotiations than in previous rounds.

Soros Foundation Will Cut Staff 40%

BY GREGORY ZUCKERMAN

George Soros's \$25 billion nonprofit, Open Society Foundations, will cut its staff by about 40% while reorganizing various senior roles, according to a spokeswoman for the foundation.

The foundation, one of the biggest backers of progressive causes, is now led by Soros's 37-year-old son, Alex. The foundation made the decision to trim staff to become a more nimble organization months ago, and it isn't related to Alex Soros's recent ascension atop the Soros empire, according to people close to the matter. The decision was approved this week by OSF's board, which is chaired by Alex.

"Open Society's board of directors met this week about the future of the organization.... The board has directed Open Society's senior leadership to proceed with the work necessary to implement this new approach," OSF said. "We anticipate that implementing the proposed new model would involve redesign and retooling of our existing operations, and a substantial reduction in headcount of no less than 40% globally."

OSF, which is backed by George Soros, the legendary investor, philanthropist and right-wing target, currently employs about 800 people in 18 offices globally.

Behind the move, which was earlier reported by Bloomberg, is a view that OSF has become too large and unwieldy. As a result, it takes too long for it to make decisions, the people said. OSF sends about \$1.5 billion a year to groups such as those backing human rights and helping build democracies and has offices around the globe. Part of the goal is to streamline the organization. OSF isn't expected to reduce its activity or backing of various causes.



The energy drink maker will pay \$362 million for Bang.

Monster Beverage To Buy Bang Energy Out of Bankruptcy

BY BEN GLICKMAN

Monster Beverage agreed to acquire bankrupt beverage maker Bang Energy in a deal that would bring the beleaguered brand under control of one of the industry's largest players.

Monster said in a June 28 bankruptcy court filing that it agreed to purchase Bang's assets from bankruptcy proceedings for \$362 million. The deal is subject to approval by bankruptcy court.

Vital Pharmaceuticals, the owner of Bang, filed for chapter 11 bankruptcy protections in October after a jury ordered the company to pay Monster a \$293 million settlement. Monster sued its smaller competitor in 2018, claiming that Bang had misled consumers and overstated the health benefits of its drink.

Pending approvals from bankruptcy court and regulators, Monster will acquire Bang's assets and its production facility in Phoenix.

Bang filed for bankruptcy last year after facing mounting costs from litigation. In addition to the suit from Monster, the company also said in its October filing that it agreed to a \$115 million settlement with **PepsiCo** after a distribution deal between the two ended.

Legal battles have continued in the company. In March, the energy drink company sued its recently ousted chief executive, Jack Owoc, for allegedly refusing to return control of Bang's social-media accounts on Twitter, Instagram and TikTok.

Monster, a large player in the energy drink industry, has faced increased competition and an inflation-pinched consumer in recent years. The company raised its prices as it faced falling profits and increased costs.

Over the past several years, various beverage makers have begun selling energy drinks. Celsius, an energy drink company which began selling in 2005, has jumped in popularity recently, quickly increasing its market share and securing a major investment from PepsiCo.

Monster's acquisition of Bang would bolster the company's already sizable market share.

However, the transaction still may be held up by review of the Federal Trade Commission.

According to last Wednesday's court filing, Bang and Monster had received second requests from the FTC on June 22 to obtain more information about the planned acquisition.

Who's Who of Distinguished Leaders: 2023 Honorees

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Law Off. Thomas S. Tisdale



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Amphenol Global Interconnect Soln.

Zuckerberg Faces Challenge in China

CEO's criticisms may get in the way of bringing VR headset to huge, new market

BY NEWLEY PURNELL
AND RAFFAELE HUANG

HONG KONG—Mark Zuckerberg in late 2021 had a question for those working on **Meta Platforms'** strategy for its virtual-reality headset: If Apple can sell iPhones in China, and Tesla can sell cars, why can't we sell our devices there?

The question, posed on a video call, led to a push by Meta to restart its China business by selling its Quest headsets in the country, according to a person familiar with the matter, more than a decade after Facebook was blocked there.

The company held discussions with several Chinese tech companies and has made progress with videogame powerhouse **Tencent Holdings**, people familiar with the matter said. But the effort faces challenges, in part because Chinese executives worry Zuckerberg isn't seen as friendly to China, according to people familiar with the matter.

In recent years, the Meta founder accused China of stealing technology and taken aim at ByteDance, the Chinese owner of video-sharing platform TikTok. That has undermined a charm offensive Zuckerberg undertook in Beijing in 2016 and bolstered negative



Zuckerberg with a VR headset in 2021.

views of the entrepreneur in Beijing, the people said.

The Cyberspace Administration of China, the country's top internet regulator, didn't respond to a request for comment.

Officials' perceptions of Zuckerberg could add uncertainty should Meta and its partner seek licenses and approvals for their products and services in China, some of the people said.

Meta's refusal to comply with Beijing's censorship rules led to its being blocked in 2009, officials have said. Facebook and Twitter were cut off that year after unrest in China's Xinjiang region, with state media saying social media was used to stir riots. China has since tightened control of online content.

Prospective partners in talks with Meta have discussed concerns internally about how Meta

might react to possible future restrictions on VR content, a segment Beijing plans to regulate, the people said.

A Meta spokesman declined to comment. Tencent didn't respond to a request for comment.

A tie-up could benefit both Tencent and Meta. China's enormous consumer market could help Meta recoup some of the billions of dollars it has spent developing headsets, software and apps for the metaverse.

Tesla and Apple depend on the country for significant portions of manufacturing and sales. Earlier this year, Tesla Chief Executive Elon Musk and Apple Chief Executive Tim Cook met senior Chinese officials during trips to Beijing.

Still, as Meta tries to push into China, many American companies are re-evaluating their ties to the country. Apple

is shifting some production outside China, which has long dominated its supply chain.

Tencent executives heatedly debated whether to join with Meta as they discussed strategies late last year, people familiar with the matter said. Tencent Chairman Pony Ma decided to proceed with the negotiation first and see what deals they could reach, one of the people said.

One challenge is how Meta would roll out content in China, the people said. Users there would likely be presented with content siloed from Meta's global offerings, while Tencent has also sought to integrate its own products into the headset, they said.

Additional complications to any deal are China's damped consumer spending and operational issues such as the handling of user data, they said. China has increasingly restricted the sending of data outside the country.

This is the latest of several attempts by Meta to re-enter China. Facebook remains blocked in the country of 1.4 billion, as do Meta's WhatsApp and Instagram, though the company makes revenue from Chinese companies that advertise on Facebook.

After Zuckerberg's 2021 video call about headset strategy, Meta late last year began talks with several Chinese tech companies, including Tencent, PC giant **Lenovo Group** and some smartphone makers, people familiar with

the matter said.

Any deal with Tencent would make the Chinese company the country's exclusive seller of Meta's headsets, including the coming Quest 3, the people said. Tencent would gain a new source of revenue and an opportunity to leverage off the VR hardware business. Some of its in-house teams and studios it has invested in have been developing VR games, but it hasn't had a device for playing them.

If successful, Meta would likely compete with homegrown rivals that dominate the Chinese market. They include ByteDance, whose Pico device led the market with 43% of shipments last year, according to research firm Counterpoint.

Competition between Meta and Pico has been intensifying globally. Pico's headset is available in Europe and Asia. A ByteDance spokeswoman didn't respond to a question about whether it plans to launch Pico in the U.S.

Additional competitors would include Sony Group, whose PlayStation VR2 launched in China in February, and Apple. Apple's Vision Pro headset, unveiled in June, will go on sale in the U.S. early next year, with more countries to follow shortly. Analysts expect it will be released in China, with Apple sourcing components from Chinese suppliers and assembling it there.

—Salvador Rodriguez contributed to this article.

Chip Firms Brace for More Curbs

Continued from page B1
companies' revenue reached \$573 billion in 2022, according to SEMI, a global semiconductor-supply-chain industry body that organized the annual Shanghai event. That is expected to grow to \$1 trillion by the end of the decade, SEMI said, fueled by demand for chips in cars and data centers and the rapid adoption of artificial intelligence across industries.

Whether the industry can keep up may depend on how geopolitical tensions play out. YMC's Chen said the sector had entered an "era of chaos and disorder."

Employees at the exhibition booths of some Chinese tool makers called the U.S. restrictions unfair, citing the monthslong process of seeking import licenses with no guarantee of success.

An executive from **Semiconductor Manufacturing International**, China's biggest foundry operator, also on the U.S. blacklist, warned that a slowdown in the country's chip industry would weigh on the sector globally.

There was little visible sign of slowdown at Semicon, packed with visitors milling around some 1,100 exhibitors. SEMI forecasts that between 2022 and 2026, China will account for more than one-quarter of the 96 new chip-fabrication plants or major expansions planned globally for commonly sized wafers of 200 mm and 300 mm.

Among the most popular booths were those of **Naura Technology Group** and **Advanced Micro-Fabrication Equipment**, or AMEC, China's top makers of chip-manufacturing tools. Naura's products include etching tools, which help carve circuit patterns onto a semiconductor wafer, tools to clean the wafer and PVD equipment used to deposit thin metal films. AMEC is also known for etching tools.

A noticeable presence at the exhibition were relatively new, smaller Chinese suppliers that said they are developing products to compete with those of dominant suppliers. Products included chip-testing tools, where the U.S.'s **KLA** currently dominates, and chemicals.

Forum speakers as well as exhibitors said that while the American restrictions were painful, they also open opportunities for local players. If not for the restrictions, some local suppliers said, chip makers wouldn't have considered using their technology.

"It's not all bad for China, in that it could also give China a chance to develop," said Tsinghua University professor Shaojun Wei, who specializes in semiconductors.

Twitter Sees New Threats

Continued from page B1
els and "manipulating people and conversation on the platform in various ways."

The statement said Twitter had to make the move without warning because: "Any advance notice on these actions would have allowed bad actors to alter their behavior to evade detection." It said only "a small percentage of people using the platform" were affected by the restrictions. "As it relates to our customers, effects on advertising have been minimal," the company said.

Meta Platforms Chief Executive Mark Zuckerberg clearly sees an opening in the tumult at Twitter. Threads, which Meta has been planning for months, will be launched under the umbrella of photo-based social-media site Instagram, which is increasingly looking like the Swiss army knife in Zuckerberg's toolbox.

Popular among younger users, Instagram has been used by Meta to launch a Snapchat competitor in 2016 with the

Stories feature and a TikTok rival in 2020 with the Reels feature.

Now, Meta is betting Instagram users will help quickly populate Threads, a new stand-alone app that will let users keep their Instagram usernames.

"I think Meta will incrementally grow ad revenue through expanded engagement onto Threads from Instagram users, but I don't know that this will represent meaningful growth," said Eric Seufert, general partner at venture-capital fund Heracles Capital, which focuses on the mobile ecosystem.

What might be incremental to Meta's \$100 billion-plus in annual revenue could be material to Twitter if Threads can siphon away spending from the Musk platform's advertisers.

In 2021, Twitter recorded about \$5 billion in revenue, mostly from selling ads. Musk has suggested that figure dropped to \$3 billion in 2022.

Since taking control eight months ago,

Musk has been racing to reinvent the platform—building out a subscription business and emphasizing video, among other moves—with ambitious goals of turning it into a super app at the center of users' lives with the promise of new



The competitor from Meta is scheduled to launch Thursday.

features such as digital banking services.

His efforts have been complicated by financial challenges from the pullback in ad spending from brands concerned over the initial drama at Twitter under his leadership and an industrywide pullback in spending.

Twitter's finances were made all the more shaky by the terms of Musk's \$44 billion deal to acquire the company, which saddled it with large debt payments. To avoid bankruptcy,

Musk has said, he had to slash spending dramatically—including cutting and pushing out roughly two-thirds of the company's workforce, adding

to the sense of uncertainty at the San Francisco-based company.

Musk has said that most advertisers have returned or will be returning, though Twitter's global ad revenue in the start of the second quarter was down about 40% compared with a year ago, The Wall Street Journal has reported.

His tenure has further been marked by a string of service glitches that hark back to the early days of the platform when it was still figuring things out and the site would often go down.

Taken together, Twitter users are on edge. "The recurrent pattern in Elon's twitter

interventions: when something breaks, no one knows if it's a bug or a decision," Benedict Evans, an independent industry analyst, said on Twitter this week.

The tweet limits uproar was followed Monday with Twitter's announcement that its popular free TweetDeck tool, which lets users see multiple panels of tweets at the same time, would be temporarily unavailable and in 30 days would be accessible only to subscribers.

Limiting users' use of a platform is a tough business proposition for a company that aims to keep users engaged as much as possible. Musk has said his goal with Twitter is to maximize "unregretted" user-minutes on the platform.

To improve his ad business, Musk has hired former NBC-Universal advertising chief Linda Yaccarino to be Twitter's CEO. She began last month.

—Salvador Rodriguez and Alexa Corse contributed to this article.

Watch a Video

Scan this code for a video by Joanna Stern on the new age of big tech fights.

After Hack, Biotech CEO Gets Hands-On to Protect Firm

BY CATHERINE STUPP

Werner Lanthaler rushed to the office the Friday before Easter after learning his biotech company **Evotec** had been hacked. The chief executive met with senior leaders, formed a crisis team and decided to shut down Evotec's information-technology systems.

The drug-discovery company's business was at stake. Hamburg, Germany-based Evotec has more than 500 partners, including pharmaceutical and other biotech companies like Bayer, Bristol-Myers Squibb and Novo Nordisk.

Lanthaler knew ransomware could easily spread, encrypting or exposing business partners' data. "It was maybe a 20-second discussion," he said. "Shutting down was the only way to really protect our business model in the long run."

It isn't unusual for a company to stop operations out of caution during a cyberattack. Colonial Pipeline halted fuel transport as it dealt with ransomware in 2021. Hospitality chain Nordic Choice Hotels shut down reservations in 2022, also after a ransomware hit. Lost revenue, potential customer defection and supply-chain problems are viewed as worth it compared with the unknowns of a crippling hack.



Biotech company Evotec, which has more than 500 partners, was hacked in April.

Yet Lanthaler took an uncommonly active, public role in the cyber response at Evotec. He communicated personally with business partners, wrote an open letter about the attack in the midst of Evotec's ordeal and held town-hall meetings with employees every few days to provide updates.

Lanthaler said Evotec's handling of the cyberattack and decision to disclose details will help keep partners' trust. "It's also a clear differ-

entiation probably, how we are dealing with that situation now into data security as a whole," he said.

In a letter on Evotec's website on April 19, two weeks after he shut down technology systems, Lanthaler pledged that "research never stops," quoting the company's motto. But Evotec operations did stop, in some areas for weeks.

Machines that normally run around the clock for proteomics, the study of cell struc-

tures for biomedicine, were interrupted and new control studies for drug discovery were paused. Yet some business partners that needed to complete studies quickly sought out other firms, said Matthias Evers, the company's chief business officer.

These companies have since returned to Evotec, Evers said. Lanthaler is convinced that his openness helped keep the business afloat.

The company was tempo-

rarily delisted from indexes on the Deutsche Börse, the German stock exchange operator, because it couldn't file an annual report by the end of April. The delisting didn't stop trading of Evotec stock, and it has since been relisted.

To respond to the hack and analyze the damage, Evotec Chief Information Officer Hans-Ulrich Wolf and his team delved into the hackers' tactics.

Some of the hackers' work was sloppy and indicated that multiple parties were involved in different stages of the attack, Wolf said during a webinar last week.

Even if the hackers were to provide tools for decryption, Wolf said he doubted they would work. Evers declined to comment on whether any ransom was demanded or paid, citing a continuing law-enforcement investigation.

The IT staff were able to reverse engineer parts of the encryption malware. Ransomware groups often split up an attack, selling malware to different hackers who all take a piece of the profit.

Companies in drug development, in particular, are heavily interconnected, making cyberattacks especially dangerous, said Errol Weiss, chief security officer of the Health Information Sharing and Analy-

sis Center, a nonprofit group that facilitates the exchange of details between healthcare companies about cyber threats.

In the weeks after the attack, Evotec's bioinformatics experts and software developers stepped in, using their skills for cyber response, Lanthaler said. They analyzed malware and helped enroll colleagues in new IT systems as they came back online.

Two months after the attack, Evotec's technology still isn't completely restored, though it is clear, Lanthaler said, that the hackers went after financial and corporate data, but not clinical information.

Now, staff go through a painstaking process to secure all of the company's data in a controlled, quarantined environment to make sure it is safe before they share any information with partners.

Data that Evotec shares with business partners comes with proof that it is validated and safe, Evers said. With these additional security steps, the company isn't as efficient as it was before the attack, but productivity is at a similar level, he said.

Evotec still hasn't calculated lost revenue from the attack, and said it expects to pay tens of millions of euros to rebuild IT systems.

BUSINESS & FINANCE

SoftBank Plays Catch Up in AI Market

By Eliot Brown

After global technology investor Masayoshi Son launched the world's biggest private investment fund six years ago, he said his **SoftBank Group** was plowing money into companies based on a single strategy.

"We are not just recklessly making investments," Son told investors in 2018. "We are focusing on one theme, which is AI."

More than \$140 billion spent on 400-plus startups later, an artificial intelligence mania is sweeping the market—and SoftBank is playing catch-up.

Despite the unprecedented spending spree that Son in 2020 said would make SoftBank "the investment company for the AI revolution," one of the world's most prolific tech investors has missed out on the frenzy in generative AI, the red-hot subsector in which products such as ChatGPT learn from huge datasets to create unique text or images.

The Tokyo-based conglomerate has invested in just one of the 26 generative AI startups valued at more than \$1 billion, according to PitchBook. The area has ignited in recent months, with private companies such as ChatGPT-maker OpenAI raising new rounds of investment cash that double or triple the companies' prior valuations. SoftBank competitors including Coatue, Lightspeed and Tiger Global Management have each backed several billion-dollar companies in the area.

At the company's annual meeting in June, Son pledged again to be at the forefront of the field. He said AI will reshape humanity, and that he was devoted to becoming an architect of that future, admitting that he cried during mo-

ments of introspection last year. He was "ashamed that I made many mistakes," he said.

Son's lack of success with AI shows the difficulties that face investors attempting to ride the current wave of enthusiasm. Even with a gargantuan amount of money to spread across dozens of companies and areas of the industry, picking winners is an elusive game.

The AI wave that jolted many tech stocks had little effect on SoftBank's portfolio of publicly traded tech stocks it backed as startups—36 companies including DoorDash and South Korean e-commerce company Coupang.

Much of that stock fervor has been confined to the incumbent giants such as Microsoft and Meta Platforms, rather than the upstarts that SoftBank targets. SoftBank missed out on huge gains at AI-focused chip maker Nvidia: The Tokyo-based investor put around \$4 billion into the company in 2017, only to sell its shares in 2019. Nvidia stock is up about 10 times since.

SoftBank has benefited from the AI boom in one of its companies: chip designer Arm, which it bought in 2016 for \$32 billion.

Analysts say Arm is likely to be valued at more than \$60 billion—a big boost from prior estimates—in an initial public offering expected in coming months. That, along with a weaker Japanese yen, has helped lift SoftBank shares more than 33% since late May.

Amir Anvarzadeh, a strategist at research firm Asymmetric Advisors, said that SoftBank's missing the AI companies reinforces his belief that the bank "is not a great investor." Still, he said, with a boost to Arm's valuation, "potentially that really



Masayoshi Son at a symposium on generative artificial intelligence in Tokyo on Tuesday.

rescues SoftBank from its past disastrous investments."

In recent months, the AI fever has only intensified in the venture sector. Prices have skyrocketed for AI startups considered hot, and investors are throwing money at founders who seem promising. A French AI startup raised \$113 million last month, less than eight weeks after it incorporated.

SoftBank says nearly 90% of the companies backed by its Vision Fund use AI in their daily operations, largely for tasks such as predictive analytics and systems that make recommendations based on past behavior and other factors. At a June meeting, Son said he expects several of those companies to become big winners as the AI wave expands.

Still, the miss by Vision Fund of the AI investment trend is noteworthy given how much SoftBank emphasized the sector.

Son mentioned "AI" more than 500 times in quarterly and annual results presenta-

tions between 2017 and mid-2022. In quirky investor presentations that featured diagrams with dinosaurs and steam engines, the SoftBank CEO said AI would "redefine all industries" and usher in a powerful new wave of the information revolution that began with computers—language similar to that many CEOs have begun using in recent months. He said SoftBank would look for the top startups in a field, what he called the Cluster of No. 1 AI Strategy.

Part of the problem was timing: For most of the six years since Son raised the first \$100 billion Vision Fund, pickings were slim for generative AI companies, which tended to be smaller or earlier in development than the type of startup SoftBank typically

backs.

In early 2022, SoftBank nearly completely halted investing in startups when the tech sector was in the midst of a chill and SoftBank was hit with record losses.

It was then that a set of buzzy generative AI companies raised funds and the sector began to gain steam among investors. Later in the year, OpenAI released ChatGPT, causing the simmering interest in the area to boil over. SoftBank's

competitors have spent recent months showering AI startups with funding, leading to a wide surge in valuations to the point where many venture investors warn of a growing bubble for anyone entering the space.

During the years that SoftBank was investing, it generally avoided companies fo-

cusied specifically on developing AI technology. Instead, it poured money into companies that Son said were leveraging AI and would benefit from its growth. For example, it put billions of dollars into numerous self-driving car tech companies, which tend to use AI to help learn how humans drive and react to objects on the road.

Other SoftBank investments enjoyed less-clear benefits from the technology, showing the perils of pushing money at a sector with such a murky theme as AI, which includes everything from mundane tasks such as making social network recommendations to generating complex engineering code.

Son told investors that AI would power huge expansions at numerous companies where, years later, the benefits are unclear or nonexistent. In 2018, he highlighted AI at real-estate agency Compass, now-bankrupt construction company Kattera, and office-rental company WeWork, which he said would use AI to analyze how people communicate and then sell them products.

Analysts expect the SoftBank wallet to open once again. Son, at his investor meeting, said the company's defensive strategy of the past year was nearing its end. "The time is approaching for us to go on the counteroffensive," he said.

"It's very hard to see how he translates the walk into the talk," said Victor Galliano, an independent analyst who publishes research on the SmartKarma platform. "Arm may be very well positioned to indirectly benefit," he said of SoftBank's chip maker. But there aren't other clear winners in the SoftBank portfolio.

Taylor Swift Fans Resort To Unofficial Livestreams

By Meghan Bobrowsky

Taylor Swift fans know all too well the struggles of trying to secure concert tickets. Now they face a new search: where to find unofficial livestreams of the star's shows on social media, and stay ahead of the platforms that shut them down.

There have been superfans as long as there have been pop stars, willing to go to great lengths to score tickets in unofficial ways, sneak into live performances or find bootleg recordings. But Swift's fans have something Beatles fans didn't: the possibility of subversively watching live shows in real time via crisp and clear unsanctioned streaming.

Erin Slusher is among the millions who participated in the great war to land tickets to the Eras Tour when they first went on sale. The 23-year-old nurse ultimately wasn't successful after unprecedented demand and a Ticketmaster glitch overwhelmed the system during presale, leading to the general sale being canceled.

So when the 33-year-old singer came to Atlanta, Slusher put on a dress and tried to get tickets at the door. After she and her friend struck out, they headed to a local Chili's restaurant to gorge on fries and watch an unofficial livestream of the show they found on TikTok.

"It just feels like you're more a part of that whole experience," she said.

Such unsanctioned livestreams, broadcast by breathless fans lucky or rich enough to get into the concert, are increasingly popping up when artists and music festivals have limited tickets or are too expensive to attend. One TikTok livestream of Swift's concert in Nashville, Tenn., in May appeared to have more than 80,000 people watching at one point. About 70,000 fans attended that concert, according to the Nashville Convention and Visitors Corp.

While plentiful in the beginning, such pop-up broadcasts have become harder to find. Some Swifties think it is because the platforms may be cracking down on the streams. That has led to an online



Jana Rogers, left, decided to livestream the Dallas concert. Loren Provins has watched every weekend of the tour.

community of fearless fans who help each other find the latest livestream link, some with dedicated accounts on Twitter and TikTok to crowdsource concert streams. Others go live themselves and tell viewers what livestream they are watching.

TikTok confirmed that some Swift livestreams have been removed at the request of the music rights' holders, declining to specify which ones. A spokeswoman added that TikTok has created a special search hub dedicated to the Eras Tour, where users can search for related content.

A representative for Swift didn't respond to a request for comment. Representatives for Swift's label, **Universal Music Group**, and the Recording Industry Association of America declined to comment.

Instagram said live performances are generally permitted on the platform but its

systems occasionally detect a live broadcast that includes music in a way that doesn't adhere to its licensing agreements.

Loren Provins, a 25-year-old in Mountain View, Calif., said she has watched livestreams of the concerts every weekend.

Provins said she finds them by typing in "Taylor Swift Eras Tour" with the location and night 1, 2 or 3. Then she scrolls to the "live" tab, sorts through her options and streams the one she selects to her TV.

Jana Rogers, a 35-year-old in Louisiana, said she hadn't planned to livestream the concert she saw in Arlington, Texas. But about two hours in, she looked around and didn't see many people doing it.

She wanted to pay it forward to the fans who couldn't make it, she said, especially since she had tuned in to some of the livestreams herself.

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NOTICE OF SALE

NOTICE OF SALE
 PLEASE TAKE NOTICE that, in accordance with applicable provisions of the Uniform Commercial Code as enacted in the State of New York, by virtue of certain Event(s) of Default under that certain Mezzanine Loan Agreement (as amended, the "Mezzanine Loan Agreement"), dated as of November 25, 2013, between 625 MAD HOLDINGS LLC a Delaware limited liability company ("Debtor") and 625 PARTICIPATION LLC, a Delaware limited liability company, in its capacity as administrative agent for the lenders party to the Mezzanine Loan Agreement (the "Secured Party"), Secured Party will offer for sale at public auction all of the Debtor's right, title and interest in and to (a) 100% of the limited liability company interests in the "Interests" in 625 MAD REALTY LLC, a Delaware limited liability company (the "Owner"), and (b) certain related rights and property relating to the Interests (collectively, (a) and (b) are the "Collateral"). The public sale (the "Sale") will take place at 11:30 am New York time on August 8, 2023, both in person and remotely from the offices of Meister Seelig & Fein PLLC, 125 Park Avenue, 7th Floor, New York, New York 10017, with access afforded in person and remotely via the link below or by any other web-based video conferencing program selected by Secured Party. Secured Party's understanding is that the principal asset of Owner is certain real property commonly known as, and located at, 625 Madison Avenue, New York, New York (the "Property"). This Sale of the Collateral involves the sale of the equity interests in the Owner and does not involve the direct sale of the Property.
 Mannion Auctions, LLC ("Mannion"), under the direction of Matthew D. Mannion, Licensed Auctioneer, NYC Division of Consumer Affairs Licensed Auctioneer, License No. 1434494 (the "Auctioneer"), will conduct the Sale in respect of an indebtedness with an unpaid principal balance as of June 6, 2023, of the approximate amount of \$462,000,000.00 (which amount is reflective of a recent payment by cashier's check in the amount of \$20,000,000.00 but subject to clearance of such check) together with interest and other sums due under the Mezzanine Loan Agreement, subject to all additional costs, fees and disbursements permitted by law. The Secured Party reserves the right to credit bid.
 Virtual bidding will be made available via Zoom, meeting link: https://bit.ly/625MAD (URL is case sensitive). Meeting ID: 818 2023 1099; Passcode: 585577; Dial-In: +1 (646) 931 3860; Find your local dial-in number: https://us06web.zoom.us/j/421011L. The Collateral will be sold to the highest qualified bidder; provided, however, that Secured Party reserves the right to cancel the Sale in its entirety, or to adjourn the bid on the New York stock and bidding instructions. UCC broker, NewMarket, at c/o Mayda Kocan, Contact: (212) 850-5415, Email: mayda.kocan@nmrll.com to receive the Terms of Public Sale and bidding instructions. An execution of a standard confidentiality and non-disclosure agreement, additional documentation and information will be made available.

THE PROPERTY REPORT

Office Market's Remote-Work Woes Spread

Many businesses that depend on the sector are having to pivot, shrink or worse

By PETER GRANT

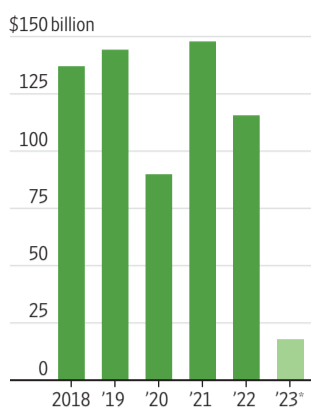
Pain from the anemic return to the office is spilling over into architecture, construction, cleaning, brokerage, furniture and other industries that depend on thriving downtowns.

During good times, these firms generate tens of billions of dollars in revenue from the sale, development and leasing of U.S. office space. But the businesses, which employ tens of thousands of workers, are now shrinking owing to the pandemic-era sea change in office-space usage.

Some companies in the office-industry ecosystem are contracting, laying off workers or even going out of business. In New York, **Henegan Construction**, which has built office-interior space for tenants such as Morgan Stanley and the Ford Foundation, has laid off more than 50 workers, according to a filing with the state Labor Department.

Steelcase, one of the world's largest manufacturers of office furniture, last month reported \$751.9 million in revenue for its most recent quarter, down from \$824.3 million during the comparable period in 2019. The Grand Rapids, Mich.-based company has taken numerous cost- and

Sales of U.S. office buildings



workforce-reduction steps, including closing a regional distribution center in Atlanta.

"There are still a lot of companies that are taking a different approach or a more relaxed approach about getting people back in the office," said David Sylvester, Steelcase chief financial officer, on a June earnings call.

It isn't clear how many jobs are affected by the troubled office sector because many companies are able to pivot from office to other real-estate sectors, which are faring better. For example, the value of office construction is expected to decline to only \$82.2 billion this year compared with \$138.3 billion in 2019, according to Dodge Construction Network, a data and analytics firm.

But employment in the sector this year was more than 7.9 million in May, up from 7.5 million in 2019. The rise was



Empty offices mean less revenue for varied professionals.

partly because of companies that shifted to more active sectors such as warehouses and healthcare facilities, according to Dodge.

"While the office sector may be down, there's a lot of growth elsewhere that's offsetting it," said Richard Branch, Dodge's chief economist.

Still, these cutbacks in the businesses that support office buildings are magnifying the broad economic repercussions resulting from remote work and hybrid workplace strategies. The brunt of the impact so far has been mostly felt by office landlords and their lenders as well as small businesses

that depend on commuters.

But increasingly the sting from changing work patterns is being felt by other professions that benefit from a healthy office market. "This illustrates the multiplier effect of any...declining industry," said Brian Lewandowski, who directs a research center at the University of Colorado's Leeds School of Business.

Many of the businesses being hurt are small ones. About 30% of architecture firms are sole practitioners and 60% have fewer than five employees, according to Kermit Baker, chief economist of the American Institute of Archi-

tect.

SanMar Building Services, a Manhattan cleaning company with 20 employees, used to have nightly work at 30 office buildings. That has dwindled to about 15, forcing the company to focus more on restaurants, gyms and daycare centers. "Because business was down, we had to do something," said owner Steve Slutsky.

Among the hardest hit in the office ecosystem are the thousands of lawyers, financiers and brokers who depend on the office leasing and sales markets. Both leasing and sales have experienced steep declines.

Investors purchased only \$17.6 billion of U.S. office buildings in the first five months of 2023, a 65% decline from the same period in 2022, according to data firm MSCI Real Assets. New searches in the office-leasing market in May were down 37% from what they were in 2018 and 2019, according to data firm VTS.

With revenue from brokerage commissions falling, CBRE Group, the world's largest real-estate services firm, last year announced a \$400 million cost-reduction plan that included layoffs. Eastdil Secured, a real-estate investment bank, earlier this year laid off 7% of its global staff in response to the decline in all commercial real-estate sales, including office.

Even when brokers do leasing deals, commissions often add up to less than normal be-

cause leases are for fewer years. Before the pandemic, average lease terms were 10 years and commissions came to 32% to 36% of the first year's rent, said Jim Wacht, New York president of Lee & Associates, a national brokerage firm.

Now, many tenants are signing leases of only three years as they try to figure out their new workplace strategies. Commissions on those deals are about 12% of the first year's rent, Wacht said.

Leasing brokers also have to navigate a market in which many landlords are facing financial distress. "Despite the fact that you might have a commission agreement, collecting it can be difficult," Wacht said.

Participants in the office industry say the pain from the weak market so far isn't as bad as it was during previous downturns. Architectural billings have been declining since the fall at firms in the West and Northeast, according to a May report by the American Institute of Architects. But billings fell for four straight years during the global financial crisis, said Baker.

If the deal drought continues much longer in the office brokerage business, many marginal brokers will have to find new jobs because they earn all their money from commissions. "If someone isn't making any money, they're going to go somewhere else," said George Fox, an executive vice president at CBRE.

Commercial-Sector Turmoil Roils Ground-Leases Talks

By KATE KING

For over a century in New York, commercial-property investors carved up the value of the city's skyscrapers by separating the land from the building and trading the pieces separately.

But now, in the midst of one of the worst office downturns since World War II, that practice is escalating disputes between the owners of the different pieces.

Under ground-lease arrangements, the building operator pays rent to the owner of the land. Historically, these rents have been recalibrated periodically based on the land's appraised value at that moment in time. That process, often contentious, is especially tricky now because of slowing property sales and turmoil in the office sector.

Office-building operators are hoping they might be spared dramatic jumps in their ground rent in part because the office market is getting pummeled by high interest rates and the weak return-to-office rate. Office rents have been declining since the pandemic, with building owners forced to offer significant concessions to attract tenants.

"If I am a ground-lease tenant, right now is probably a good time to be doing a rent reset," said Joshua Stein, a New York real-estate attorney and the author of a coming book on ground leases. "The value of land is declining dramatically." Ground rents historically

have been based on the appraised value of the land as if it were vacant. But the value of land under office buildings is based partly on surrounding office-market values. Those values are difficult to determine now because there has been a dearth of office-building sales.

In the first quarter of 2023, investors purchased only \$489.5 million in Manhattan office properties compared with \$5 billion in the first quarter of 2022, according to data firm MSCI Real Assets.

Against this backdrop, a battle over land values and ground rents is currently under way on the west side of Manhattan between **Vornado Realty Trust**, one of the city's biggest office and retail landlords, and the family that owns the land under Penn 1, Vornado's marquee office tower. Vornado owns the building and recently renovated it for \$450 million but has leased the ground underneath since 1998.

Vornado recently renewed its ground lease with New York's Korein family through 2073 and is wrangling over how much rent the company will pay for the next 25 years. In early 2022, Vornado Chairman Steve Roth estimated the rent for Penn 1's ground lease could jump to \$26 million from \$2.5 million a year. But by the end of the year, he was telling investors "we now think that number should be quite a bit lower" based on current market conditions, interest rates and availability of financing.

The two sides are litigating the matter in court and through a separate arbitration. Roth and the Korein family declined to comment.

The average acre of land in Manhattan sold for about \$67.7 million so far this year, down 57% from the same period last year, according to real-estate firm CoStar. Manhattan land values rose in the decade leading up to the pandemic, with the average acre selling for a record-high \$278 million in 2019, CoStar said.

About 11% of securitized office properties in New York operate under ground leases, according to data provider Trepp. These are long-term agreements, commonly 99 years, with rent resets scheduled for every 20 or 30 years. New rent prices have historically been based on a percentage, typically around 6%, of the land's fair-market value at the time of reset.

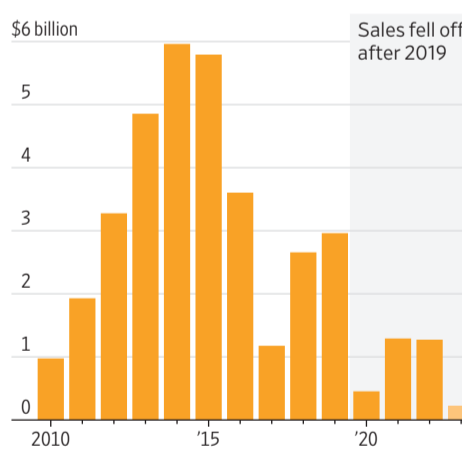
Rents have been subject to dramatic increases during resets depending on the valuation date. In April, the ground-lease rent increased to more than \$20 million from \$4.6 million a year for a Madison Avenue office building owned by New York office landlord **SL Green Realty**. Citing the rent increase, which was based on a 2021 appraisal and then finalized by an arbitrator earlier this year, the company said it would write down the value of its investment in the building to zero.

Ground-lease tenants and landowners settle rent resets through negotiation or arbitration. If the building operator is unable or unwilling to pay the new ground rent, the landlord assumes ownership of the property.

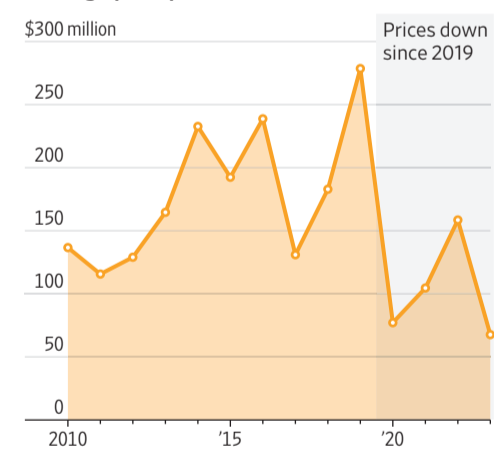


Vornado Realty Trust owns Penn 1, but has leased the ground underneath for decades.

Total land sales in Manhattan



Average price per acre of land in Manhattan



That happened in 2020 to New York real-estate firm **RFR Holding**, which surrendered control of Lever House, a prestigious Park Avenue office building, after the ground rent was scheduled to rise to more than \$20 million from \$6.15 million in 2023. RFR was unable to refinance its loan on the office tower as a result of the increase.

The Korein family, which owned the land underneath Lever House, brought in other developers to operate Lever House.

Sometimes, however, building operators have an advantage because most landowners don't want to run the buildings that sit on top. "They want the income, they don't want the hassle of operating the building," said Alexander Goldfarb, senior REIT analyst at Piper Sandler.

Ground-rent disputes will likely be less common in the future because most new deals signed today base rent increases on inflation rather than appraisals. The real-estate firm **Safehold**, which formed six

years ago, owns 15 ground leases in New York and charges a fixed annual rent increase of 2% with capped inflation adjustments every decade.

Landowners also see the merits of more predictable ground-lease terms, said Richard Kessler, chief operating officer for Benenson Capital Partners, a real-estate firm that owns ground leases in New York and across the country. "It's much more manageable for the tenant," Kessler said. "And the owner has a pretty predictable cash-flow stream."

Campuses Provide Bright Spot

Continued from page B1

think has stood the test of time and is going to be a continued bright spot in the future," said Jacob Werner, co-head of Americas acquisitions for Blackstone real estate.

Demand for student housing isn't typically stifled by economic downturns. "It's an all-weather asset class. In good times, people go to school," Werner said. "In bad times,

more people tend to go to school."

Higher interest rates also mean that fewer developers will be able to finance new construction, limiting new supply, analysts said. Other restrictions on supply, such as a dearth of sites, at some schools will also likely enable many landlords to keep raising rents.

The pandemic provided a unique test of student housing's ability to withstand tough markets. Analysts braced for a hit in 2020, but occupancy remained stable even during the peak of online classes. Students wanted to move out of their parents' houses and live near their college campuses even though they were attending classes virtually.



Rents for student housing are poised to grow. UCLA housing.

Uncertainty about the return-to-campus kept rents down until the second half of 2021, but they began increasing in 2022. Packed campuses and rising rents fueled last year's record sales.

Sales of student-housing

properties this year will likely not match 2022 levels because last year's volume was partly the result of pent-up demand.

Like other commercial-property types, student-housing values have fallen because of higher borrowing costs. But

the decline hasn't been as great as other property types because rent growth and occupancy remain strong, said Jaclyn Fitts, national student-housing co-leader for CBRE.

"It's performing differently than other asset classes in the market right now," Fitts said. Not all the news in the student-housing business is good. Student-housing developments near smaller or lesser-known institutions are suffering from weak demand due to declining enrollment.

Although college enrollment declined 1.1% last academic year, it increased for universities in the highest-earning athletic conferences and those with well-regarded research programs. What we're seeing

in the enrollment story is almost this tale of two markets," said Elsa Wilson, senior research analyst at **JLL**, a real-estate investment firm.

Thad Wilson, a restructuring attorney at King & Spalding, said he has seen an increase in student-housing investments facing financial distress, especially for older, poorly maintained properties. "There are definitely a number of distressed student housing developers and projects that are out there," Wilson said.

Still, investors are optimistic that overall student housing is 70% preleased for this fall, about the same as in May 2019, according to data from **JLL**.

COMMODITIES

wsj.com/market-data/commodities

Futures Contracts

Table with columns: Metal & Petroleum Futures, Copper-High (CMX), Gold (CMX), and various contract details like Open, High, Low, Settle, Chg, Open interest.

Bonds | wsj.com/market-data/bonds/benchmarks

Tracking Bond Benchmarks

Return on investment and spreads over Treasuries and/or yields paid to investors compared with 52-week highs and lows for different types of bonds

Table showing bond benchmarks for Broad Market, U.S. Corporate, High Yield, and Global Government, with columns for Index, Yield (%), and Latest/High/Low values.

* Constrained indexes limit individual issuer concentrations to 2%; the High Yield 100 are the 100 largest bonds. ** EMBI Global Index

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 mapping yields for various countries (U.S., Australia, France, Germany, Italy, Japan, Spain, U.K.) across different maturities and spreads.

Corporate Debt

Prices of firms' bonds reflect factors including investors' economic, sectoral and company-specific expectations

Investment-grade spreads that tightened the most...

Table showing corporate debt spreads for issuers like Wells Fargo, Williams, MetLife, HSBC Holdings, Intesa Sanpaolo, Oracle, Royal Bank of Canada, and Bank of Montreal.

...And spreads that widened the most

Table showing corporate debt spreads for issuers like BPCE, Coca-Cola, Credit Suisse, International Business Machines, Toronto-Dominion Bank, JPMorgan Chase, Eaton, and Sumitomo Mitsui Financial.

High-yield issues with the biggest price increases...

Table showing high-yield issues with price increases for issuers like Transocean, Ford Motor, Howmet Aerospace, Intesa Sanpaolo, and CSC Holdings.

...And with the biggest price decreases

Table showing high-yield issues with price decreases for issuers like Aadvantage Loyalty, DISH DBS, Onemain Finance, ZF North America Capital, and Navient.

* Estimated spread over 2-year, 3-year, 5-year, 10-year or 30-year hot-run Treasury; 100 basis points=one percentage pt.; change in spread shown is for Z-spread. Note: Data are for the most active issue of bonds with maturities of two years or more

Dividend Changes

Table showing dividend changes for companies like First Bancorp, Stocks, Biotricity, and PainReform.

KEY: A: annual; M: monthly; Q: quarterly; r: revised; SA: semiannual; S2L: stock split and ratio; SO: spin-off.

Table showing futures contracts for Agriculture (Corn, Soybeans, Wheat, etc.), Energy (Crude Oil, Natural Gas), and Interest Rate Futures (Treasury Bonds, Treasury Notes).

Agriculture Futures

Detailed table of agriculture futures including Corn, Soybeans, Wheat, Rice, and other grains, with contract details and prices.

Cash Prices | wsj.com/market-data/commodities

Tuesday, July 4, 2023

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

Table of cash prices for Metals, Fibers and Textiles, Food, Energy, and other commodities, listing prices for various grades and quantities.

KEY TO CODES: A=ask; B=bid; BP=country elevator bids to producers; C=corrected; D=CME; E=Manfra,Tordella & Brookes; H=American Commodities Brokerage Co; K=bi-weekly; M=monthly; N=nominal; n.a.=not quoted or not available; P=Soiland Publishing; R=SNL Energy; S=Platts-TSI; T=Cotlook Limited; U=USDA; V=Benchmark Mineral Intelligence; W=weekly; Y=International Coffee Organization; Z=not quoted. *Data as of 7/2

Source: Dow Jones Market Data

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To advertise: email sales.realestate@wsj.com or WSJ.com/classifieds

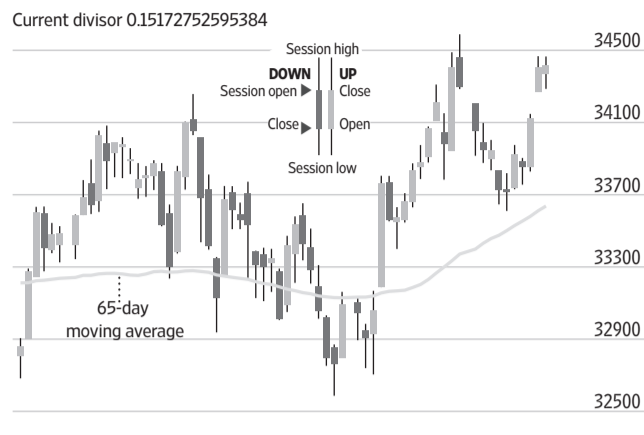
Real estate advertisement for a 13-acre development site in Marana, AZ, featuring a large image of the site and text describing the property and contact information for Fine & Company, LLC.

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

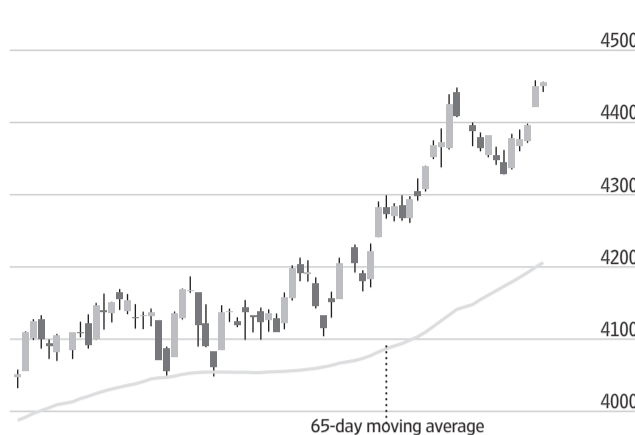
34418.47 ▲10.87, or 0.03%
 High, low, open and close for each trading day of the past three months.
 Last: 34418.47, Year ago: 34286.54
 Trailing P/E ratio: 22.96, P/E estimate*: 18.19, Dividend yield: 2.06, All-time high: 36799.65, 01/04/22



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

S&P 500 Index

4455.59 ▲5.21, or 0.12%
 High, low, open and close for each trading day of the past three months.
 Last: 4455.59, Year ago: 4455.59
 Trailing P/E ratio*: 19.61, P/E estimate*: 19.80, Dividend yield*: 1.57, All-time high: 4796.56, 01/03/22



Nasdaq Composite Index

13816.77 ▲28.85, or 0.21%
 High, low, open and close for each trading day of the past three months.
 Last: 13816.77, Year ago: 13150
 Trailing P/E ratio*: 31.15, P/E estimate*: 28.67, Dividend yield*: 0.73, All-time high: 16057.44, 11/19/21



Major U.S. Stock-Market Indexes (July 3)

	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg YTD	% chg 3-yr. ann.
Dow Jones									
Industrial Average	34465.60	34286.54	34418.47	10.87	0.03	34589.77	28725.51	10.7	3.8
Transportation Avg	15638.65	15424.65	15614.03	84.26	0.54	15640.70	11999.40	17.5	16.6
Utility Average	912.54	901.21	912.39	5.73	0.63	1061.77	838.99	-8.1	-5.7
Total Stock Market	44495.24	44340.85	44485.63	74.16	0.17	44485.63	36056.21	15.8	15.5
Barron's 400	984.79	979.53	984.38	4.18	0.43	1023.20	825.73	13.3	7.0

	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg YTD	% chg 3-yr. ann.
Nasdaq Stock Market									
Nasdaq Composite	13839.09	13773.41	13816.77	28.85	0.21	13816.77	10213.29	24.2	32.0
Nasdaq-100	15232.96	15153.60	15208.69	29.48	0.19	15208.69	10679.34	31.3	39.0

	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg YTD	% chg 3-yr. ann.
S&P									
S&P Index	4456.46	4442.29	4455.59	5.21	0.12	4455.59	3577.03	16.5	16.0
MidCap 400	2636.11	2618.80	2630.48	8.14	0.31	2726.61	2203.53	14.6	8.2
SmallCap 600	1224.58	1214.08	1223.88	7.53	0.62	1315.82	1064.45	7.5	5.7

	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg YTD	% chg 3-yr. ann.
Other Indexes									
Russell 2000	1898.60	1885.63	1896.78	8.05	0.43	2021.35	1655.88	9.8	7.7
NYSE Composite	15932.01	15853.73	15918.50	42.59	0.27	16122.58	13472.18	8.8	4.8
NYSE Line	575.16	571.70	575.00	2.50	0.44	606.49	491.56	8.4	7.2
NYSE Arca Biotech	5228.78	5198.42	5220.20	-5.03	-0.10	5644.50	4390.11	10.0	-1.2
NYSE Arca Pharma	873.94	858.50	860.27	-13.67	-1.56	892.45	737.84	2.3	-0.9
KBW Bank	82.12	80.51	81.63	1.42	1.76	115.55	71.96	-20.4	-19.1
PHLX ^S Gold/Silver	122.40	120.53	121.97	1.94	1.61	144.37	91.40	6.9	0.9
PHLX ^S Oil Service	80.31	79.22	79.76	0.68	0.86	93.94	56.08	20.7	-4.9
PHLX ^S Semiconductor	3713.91	3663.45	3703.62	30.56	0.83	3739.75	2162.32	50.6	46.3
Cboe Volatility	13.85	13.47	13.57	-0.02	-0.15	33.63	12.91	-49.2	-37.4

§Nasdaq PHLX Sources: FactSet; Dow Jones Market Data

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 1 p.m. to 4 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Goodyear Tire Rubber	GT	1,674.0	13.72	...	unch.	13.76	13.68
Lucid Group	LCID	1,673.9	7.33	-0.06	-0.81	7.41	7.30
Cnsmr Staples Sel Sector	XLP	1,633.5	74.85	0.10	0.13	74.85	74.63
iShares MSCI EAFE ETF	EFA	1,505.0	72.38	-0.04	-0.06	72.63	72.34
Altice USA CIA	ATUS	1,437.5	3.18	-0.01	-0.31	3.26	3.01
Tesla	TSLA	1,435.0	278.38	-1.44	-0.51	280.09	162.36
Rivian Automotive	RIVN	1,368.5	19.48	-0.08	-0.41	19.65	19.22
TAL Education Group ADR	TAL	1,333.5	6.05	-0.04	-0.66	6.12	6.05

Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	% chg	52-Week High	52-Week Low
ACM Research CIA	ACMR	368.3	15.08	0.25	1.69	15.10	14.80
Bumble CIA	BMBL	206.8	17.40	0.23	1.34	17.40	16.77
Digital Realty Trust	DLR	50.5	116.60	1.37	1.19	116.60	114.50
Hut 8 Mining	HUT	110.3	3.56	0.04	1.14	3.61	3.48
Robinhood Markets	HOOD	193.8	10.77	0.11	1.03	10.98	10.61

...And losers

Company	Symbol	Volume (000)	Last	Net chg	% chg	52-Week High	52-Week Low
Vanguard Materials	VAW	136.0	177.49	-5.48	-3.00	182.97	177.49
Lazards	LAZ	60.7	31.76	-0.97	-2.96	32.73	31.76
iShares MSCI Netherlands	EWN	60.6	42.51	-0.86	-1.98	42.51	42.51
Radian Group	RDN	63.4	25.05	-0.50	-1.96	25.55	25.05
Apollo Global Mgmt A	APO	329.6	75.68	-1.39	-1.80	77.07	75.20

Trading Diary

Volume, Advancers, Decliners

	NYSE	NYSE Amer.
Total volume*	460,443,231	9,679,504
Adv. volume*	340,351,448	7,156,142
Decl. volume*	113,910,323	1,784,211
Issues traded	3,018	315
Advances	2,033	190
Declines	890	107
Unchanged	95	18
New highs	93	5
New lows	7	4
Closing Arms*	0.69	0.22
Block trades*	3,498	97

*Primary market NYSE, NYSE American, NYSE Arca only. *TRIN A comparison of the number of advancing and declining issues with the volume of shares rising and falling. An Arms of less than 1 indicates buying demand; above 1 indicates selling pressure.

International Stock Indexes

Region/Country	Index	Close	Net chg	Latest % chg	YTD % chg
World	MSCI ACWI	685.22	0.15	0.02	13.2
	MSCI ACWI ex-USA	304.97	0.17	0.05	8.4
	MSCI World	2971.70	-0.33	-0.01	14.2
	MSCI Emerging Markets	1008.05	2.94	0.29	5.4
Americas	MSCI AC Americas	1688.86	0.07	0.004	15.9
Canada	S&P/TSX Comp	20204.87	49.58	0.25	4.2
Latin Amer.	MSCI EM Latin America	2470.43	-20.26	-0.81	16.1
Brazil	BOVESPA	119076.37	-596.41	-0.50	8.5
Chile	S&P IPSA	3331.15	22.92	0.69	5.0
Mexico	S&P/BMV IPC	53930.86	-468.24	-0.86	11.3
EMEA	STOXX Europe 600	461.30	0.32	0.07	8.6
Eurozone	Euro STOXX	460.94	-0.50	-0.11	12.4
Belgium	Bel-20	3558.79	16.45	0.46	-3.8
Denmark	OMX Copenhagen 20	2028.82	4.09	0.20	10.5
France	CAC 40	7369.93	-16.77	-0.23	13.8
Germany	DAX	16039.17	-41.87	-0.26	15.2
Israel	Tel Aviv	1767.17	8.74	0.50	-2.1
Italy	FTSE MIB	28386.88	-60.02	-0.21	19.7
Netherlands	AEX	778.72	2.28	0.29	13.0
Norway	Oslo Bors All-Share	1399.90	2.82	0.20	2.7
South Africa	FTSE/JSE All-Share	76223.70	-10.23	-0.01	4.3
Spain	IBEX 35	9588.41	-56.34	-0.58	16.5
Sweden	OMX Stockholm	847.12	4.56	0.54	8.3
Switzerland	Swiss Market	11217.34	-1.81	-0.02	4.5
Turkey	BIST 100	6003.90	-11.39	-0.19	9.0
U.K.	FTSE 100	7519.72	-7.54	-0.10	0.9
U.K.	FTSE 250	18533.79	26.02	0.14	-1.7
Asia-Pacific	MSCI AC Asia Pacific	165.77	0.10	0.06	6.4
Australia	S&P/ASX 200	7279.00	32.88	0.45	3.4
China	Shanghai Composite	3245.35	1.37	0.04	5.1
Hong Kong	Hang Seng	19415.68	109.09	0.57	-1.8
India	S&P BSE Sensex	65479.05	274.00	0.42	7.6
Japan	NIKKEI 225	33422.52	-330.81	-0.98	28.1
Singapore	Straits Times	3203.77	-3.32	-0.10	-1.5
South Korea	KOSPI	2593.31	-9.16	-0.35	16.0
Taiwan	TAIEX	17140.77	56.57	0.33	21.2
Thailand	SET	1515.31	8.47	0.56	-9.2

Sources: FactSet; Dow Jones Market Data

Percentage Gainers...

Company	Symbol	Close	Net chg	% chg	High	52-Week Low	% chg
Adv Hlth Intelligence ADR	AHI	5.70	1.87	48.83	15.52	0.64	150.0
Greenidge Generation	GREE	3.56	0.74	26.24	48.90	1.55	-86.1
BIT Mining ADR	BTM	3.33	0.63	23.33	8.60	1.40	-49.2
Ventyx Biosciences	VTYX	40.30	7.50	22.87	47.25	12.25	218.8
Stronghold Dig Mining	SDIG	5.10	0.92	22.01	37.90	3.58	-68.9
Iris Energy	IREN	5.66	1.00	21.46	6.94	1.02	57.2
FingerMotion	FNMR	3.63	0.64	21.40	9.80	0.62	168.9
Nutraceuticals	NTRB	3.63	0.63	21.00	6.98	1.92	3.8
Oncolytics Biotech	ONCY	3.13	0.53	20.38	3.39	0.96	216.2
BioXcel Therapeutics	BTAI	7.88	1.22	18.32	34.13	5.88	-44.8
GraniteSh 1.5x Lg Coin	CONL	12.07	1.83	17.87	24.43	3.80	...
Milestone Pharm	MIST	3.35	0.50	17.54	9.85	2.73	-42.8
MGO Global	MGOL	2.62	0.39	17.49	16.61	0.92	...
Rivian Automotive	RIVN	19.56	2.90	17.41	40.86	11.68	-23.9
PainReform	PRFX	6.44	0.95	17.33	9.50	3.40	-32.9

Most Active Stocks

Company	Symbol	Volume (000)	% chg from 65-day avg	Latest Session Close	% chg	52-Week High	52-Week Low
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MARKETS

Cocoa Prices Soar to Highest in Decades

By ALEXANDRA WEXLER AND YUSUF KHAN

Get ready for chocolate to become a lot more expensive.

Prices for cocoa are trading at their highest level in nearly four decades. Strong demand, a global shortfall in production and bad weather forecasts in West Africa, the world's biggest growing region, are all to blame.

Benchmark cocoa futures prices in London have surged by more than 32% this year, making cocoa among the world's best investments in the first half of the year, outpacing the Nasdaq Composite. They are at their highest levels since at least 1985, the oldest data available on data provider FactSet.

The jump in cocoa futures is likely to exacerbate already high prices for chocolate, long considered an affordable lux-

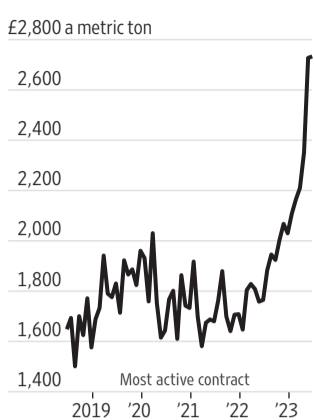
ury. Prices per unit of chocolate candy in the U.S. are up more than 20% since 2021, according to Circana, a Chicago-based market-research firm.

In the past, large multinationals dealt with high prices by making candy bars smaller, replacing cocoa butter with palm oil or other ingredients, and in many instances by raising prices.

Even as prices for other commodities such as energy and metals have come down in recent months, select agricultural commodities have run higher, adding to inflationary pressures in the grocery aisle. Sugar, another key ingredient in chocolate, as well as coffee, also are trading near multi-year highs.

The price increase has upended trading in cocoa beans, with buyers reneging on orders and holding back on long-term purchases, accord-

Cocoa futures traded in London



Note: £1=\$1.27 Source: FactSet

ing to Javier Lastanosa, senior trader at London-based Quant Commodities.

"Everyone is really nervous, especially buyers," he said. Most big cocoa users strike contracts months or more

than a year in advance to secure pricing for the massive quantities they need. "With this price situation, we are conservative with buying," he added.

Globally, demand for cocoa during the season that ends Sept. 30 will exceed production by 142,000 metric tons, equivalent to around 355 million pounds of chocolate bars. That will leave end-of-season stocks down 8% from a year earlier at 1.6 million tons, according to the International Cocoa Organization. Fears of the weather phenomenon known as El Niño, which typically reduces cocoa output in West Africa, also are supporting higher prices, traders and analysts said.

The war in Ukraine also made fertilizer more expensive, prompting growers to reduce its use, negatively affecting cocoa output.

Quality in Ivory Coast has been reported to be poor, leading to diminutive, less desirable beans.

As of June 4, shipments of cocoa beans in Ivory Coast, the world's No. 1 producer, were down 4.8% from a year earlier, at 2.1 million tons. At the same time, cocoa grindings, which are seen as a barometer of demand for chocolate, hit records in terms of volumes in Asia and Europe last year.

Additional concerns about supplies are looming. The European Union last week brought the world's toughest rules on deforestation into force, giving companies 18 months to prepare to prove the origin of cocoa and six other commodities imported into the trading bloc.

The EU, which imports more than half of the world's cocoa beans, is essentially

banning the import of cocoa, in addition to cattle, soy and palm oil, that has been made using commodities produced on land that has been deforested since Dec. 31, 2020.

In the past, high prices have prompted growers in Ivory Coast and Ghana, which together produce about 60% of the world's cocoa beans, to clear forests and plant more trees. The EU legislation disrupts that market response function to expand production quickly.

A problem is that companies have yet to come up with ways to prove comprehensive compliance with the new rules, said Alex Assanvo, executive secretary of the Côte d'Ivoire-Ghana Cocoa Initiative, an industry body. "No company can tell you today as I stand, none of my cocoa is coming from" deforested areas.

New Highs and Lows

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG: Daily percentage change from the previous trading session.

Table with columns: Stock, Sym, Hi/Lo, % Chg. Lists new highs and lows for Monday, July 3, 2023.

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Exchange-Traded Portfolios | WSJ.com/ETFResearch

Table showing largest 100 exchange-traded funds, latest session. Columns include ETF, Symbol, Price, % Chg, YTD.

Table showing closing Chg YTD for various ETFs. Columns include ETF, Symbol, Price, % Chg, YTD.

Borrowing Benchmarks | wsj.com/market-data/bonds/benchmarks

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 showing inflation, U.S. consumer price index, and international rates.

Prime rates

Table showing prime rates for all items, core, and various countries.

Policy Rates

Table showing policy rates for Euro zone, Switzerland, Britain, and Australia.

Overnight repurchase

Table showing overnight repurchase rates for U.S. and various countries.

U.S. government rates

Table showing U.S. government rates for discount, Treasury, and MBS.

Federal funds

Table showing federal funds rates for effective rate, high, and low.

U.S. consumer price index

Table showing U.S. consumer price index for all items.

Notes on data:

U.S. prime rate is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks, and is effective May 4, 2023. Other prime rates are directly comparable lending practices vary widely by location. Discount rate is effective May 4, 2023. Secured Overnight Financing Rate is as of June 30, 2023. DTCC Fed Repo Index is Depository Trust & Clearing Corp.'s weighted average for overnight trades in applicable CUSIPs. Value traded is in billions of U.S. dollars. Federal funds rates are Tullett Prebon rates as of 5:30 p.m. ET.

Sources: Federal Reserve; Bureau of Labor Statistics; DTCC; FactSet; Tullett Prebon Information, Ltd.

International rates

Table showing international rates for core, offer, and various countries.

Treasury bill auction

Table showing Treasury bill auction results for 4 weeks, 13 weeks, and 26 weeks.

Secondary market

Table showing secondary market rates for Fannie Mae and other short-term rates.

Other short-term rates

Table showing other short-term rates for call money and commercial paper.

Call money

Table showing call money rates for 7.00, 7.00, 7.00, 3.50.

Commercial paper (AA financial)

Table showing commercial paper rates for 90 days, 5.22, 5.16, 5.31, 2.14.

Secured Overnight Financing Rate

Table showing secured overnight financing rate for 5.09, 5.05, 5.09, 1.52.

WTCC GCF Repo Index

Table showing WTCC GCF Repo Index for Treasury, 5.126, 19.350, 5.195, 1.76.

Biggest 1,000 Stocks | WSJ.com/Stocks

Table showing biggest 1,000 stocks by market cap. Columns include Stock, Sym, Close, % Chg, Net Chg.

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Mutual Funds

Top 250 mutual-funds listings for Nasdaq-published share classes by net assets.

e-E distribution, F-Previous day's quotation, G-Footnotes x and s apply, F-Footnotes e and s apply, k-Recalculated by Lipper, using updated data, p-Distribution costs apply, 12b-1 - Redemption charge may apply, s-Stock split or dividend, F-Footnotes p and r apply, v-Footnotes x and e apply, x-E dividend, z-Footnotes e, k and s apply, NA-Not available due to incomplete price, performance or cost data, NE-Not released by Lipper, data under review, NN-Fund not tracked, NS-Fund didn't exist at start of period.

Table showing top 250 mutual funds by net assets. Columns include Fund, NAV, Chg, % Ret, YTD % Ret.

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MARKETS

Stock Futures Tick Lower Ahead of Data

Chinese metal producers' shares rise after Beijing set export curbs

By Caitlin McCabe

U.S. stock futures moved lower Tuesday ahead of a stretch of key economic releases. Markets in Asia fell early Wednesday after rising the day before.

TUESDAY'S MARKETS Futures tied to the Dow Jones Industrial Average, Nasdaq-100 and S&P 500 were flat to lower.

U.S. stock and bond markets closed for the Independence Day holiday.

The pan-continental Stoxx

AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

	13-Week	26-Week
Applications	\$200,642,410,300	\$179,923,770,300
Accepted bids	\$70,472,303,100	\$62,881,970,300
* noncomp	\$2,331,737,800	\$2,467,427,000
* foreign noncomp	\$15,000,000	\$1,500,000,000
Auction price (rate)	\$8.57792 (5.230%)	\$7.340778 (5.260%)
Bids at clearing yield accepted	2.88%	72.92%
	912796Y12	912797FW2

Both issues are dated July 6, 2023. The 13-week bills mature on Oct. 5, 2023; the 26-week bills mature on Jan. 4, 2024.

Europe 600 gained 0.1%.

In morning trading Wednesday, Japan's Nikkei 225 was down 0.4%, Hong Kong's Hang Seng Index was down 1.1% and the Shanghai Composite was down 0.4%.

Chinese stocks had risen Tuesday. Chinese metal producers' shares climbed after Beijing set export restrictions Monday on two minerals used in high-performance chips, in an effort to hit back against American export restrictions. The U.S. says the minerals, gallium and germanium, are critical to the production of semiconductors, missile systems and solar cells. China-listed **Yunnan Chihong Zinc & Germanium** gained over 6%.

Meantime, oil prices continued to climb, with international benchmark Brent crude up 2% at \$76.17 a barrel. This followed Monday's news that both Russia and Saudi Arabia will restrict oil supplies to the global market through August.

The U.S. stock market has kicked off the second half of 2023 on a muted note after barreling higher in the first six months, with many investors citing concerns about the direction of the economy and interest rates. Many investors think a recession



Brent crude rose 2% after Russia and Saudi Arabia said Monday they will restrict oil supplies to the global market.

could begin this year or next.

"I do expect the economic data to deteriorate and ultimately that's where the downside risk for equity markets comes from," said James Athey, an investment director at Abrdn.

Minutes from the Federal Reserve's June meeting will be published Wednesday, offering insight into central bankers' thinking when they held interest-rates steady last month. Investors widely expect the Fed to raise rates by a quarter-percentage point in July, bringing the benchmark federal-funds rate to a range between 5.25% and 5.5%.

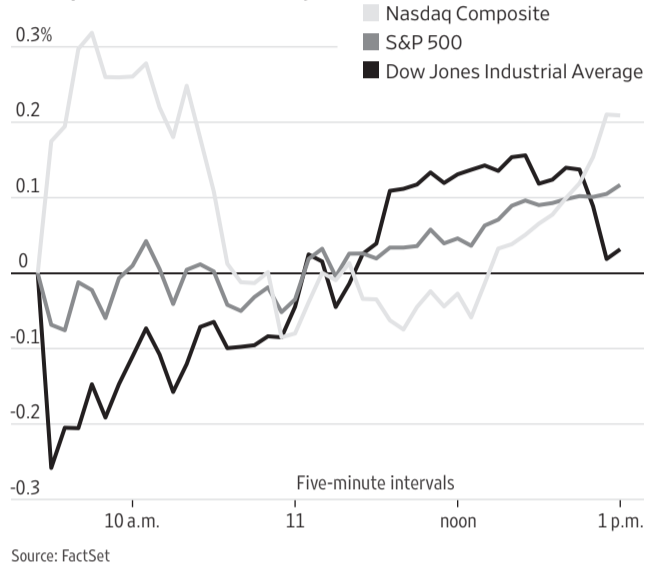
The Fed's minutes will be followed by the June jobs report on Friday.

Economists surveyed by The Wall Street Journal forecast that the U.S. economy added 240,000 jobs last month, down from 339,000 jobs in May.

Labor-market strength has been a bright spot for investors, but signs of economic weakening are evident elsewhere.

One recent reminder: The Institute for Supply Management said Monday that the U.S. manufacturing sector contracted for an eighth consecutive month. Stocks eked out small gains afterward, with the S&P 500 rising 0.1% and the Nasdaq Composite gaining 0.2% in an abbreviated session. Yields on U.S. Treasury notes rose.

Index performance on Monday



Source: FactSet

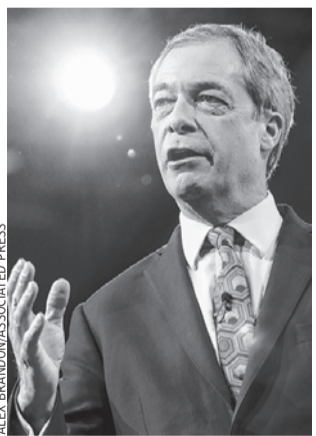
Claim Over Closure Of Bank Accounts Prompts U.K. Review

By Max Colchester and Margot Patrick

LONDON—British banks have found themselves in the center of a debate over free speech, after the U.K. government expressed concern that they were black-listing customers who express controversial views.

Nigel Farage, who led the campaign for the U.K. to quit the European Union, said last week that he and some family members had their bank accounts cut off because of his support for Brexit. He blamed accusations, which he said were unfounded, that he in the past was paid substantial sums of money by a Russian broadcaster.

The claim sparked a backlash among other conservative commentators and politicians, some of whom said they found it difficult to access banking



U.K. politician Nigel Farage.

services. Richard Tice, who set up the right-wing Reform Party in the U.K., said his political group had its bank account closed. The Free Speech Union, a group that defends gender-critical academics among others, said its account was briefly shut down by PayPal Holdings last year. A PayPal representative didn't respond to a request for comment.

A U.K. government spokesman said Chancellor of the Exchequer Jeremy Hunt was concerned by the reports of banks closing accounts because of customers' political views. The U.K. Treasury is reviewing "if the current framework strikes the right balance between the rights of a customer to express themselves freely and the right to the bank to manage commercial risk," the spokesman said.

Banks close accounts for

different reasons, sometimes because they change product offerings or because an account doesn't make the bank money. Banks often freeze or shut accounts of those accused of or convicted of crimes. The costs involved in maintaining oversight over an account can also prompt banks to close them.

Anti-corruption and anti-money-laundering rules require banks to mark any politician or government official and their families as "politically exposed persons," or PEPs, requiring additional, and often costly, scrutiny of their transactions.

Farage has a colorful history as an anti-establishment activist. The former commodities trader was an early, and longstanding, admirer of Donald Trump at a time when many in the British establishment ignored him. After Trump's election in 2016, Farage was the first non-U.S. politician to meet the new president.

Farage said in a video statement that he had been with his bank, which he didn't name, since the 1980s and had personal and business accounts. He said he was informed the accounts would all be closed, as a commercial decision. Farage said he attempted to open accounts at seven other banks and was declined. He said that there was nothing irregular or unusual about his banking activities.

The Times of London reported in 2019 that Farage was a customer of Coutts, the private bank that is part of NatWest Group. A representative for Coutts declined to comment.

Mr. Farage didn't respond to a request for comment.

After the U.K.'s divorce from the EU was finalized, Farage's role in the British political debate waned. He is now a television commentator on GB News, a channel founded as a right-leaning alternative to the BBC. On his show and in a video posted online, Farage said he believed that the account closure was because he campaigned for Brexit. "This is serious political persecution at the very highest level of our system," he said.

Farage said the bank's move to shut his account may have also had to do with what he said are false accusations of a financial relationship with a Russian broadcaster.

Crypto Exchange Binance Struggles In Europe Amid Regulatory Woes

By Patricia Kowsmann and Caitlin Ostroff

Crypto giant **Binance** opened a regional headquarters in Paris last year, hoping to expand its business in Europe. Things haven't gone its way.

The Netherlands and Belgium have shut their doors to the exchange. Germany, Europe's largest economy, hasn't yet given it a license to operate. And French prosecutors recently searched the exchange's office as part of an investigation of money-laundering controls.

Binance's share of euro-denominated crypto trading has fallen to about 15% from over 30% in January, according to research firm Kaiko.

Regulators shifted gears this year, placing greater scrutiny on crypto exchanges' operations following the collapse of FTX.

The harsher stance from European regulators threatens to further curtail Binance's footprint and force it to increasingly rely on markets in Asia, Africa and Latin America. Countries such as Vietnam, Turkey, India and Argentina already draw the highest user traffic at Binance, although France, Germany and the Netherlands are in the top 25, according to May data from analytics firm SimilarWeb.

The setbacks add to Binance's woes in the U.S., where it is battling a lawsuit from the Securities and Exchange Commission and an ongoing criminal investigation from the Department of Justice.

A Binance spokesman said the company is focused on meeting the requirements of a new European Union legislation that will govern digital-asset companies across its 27 member states expected to kick in next year.

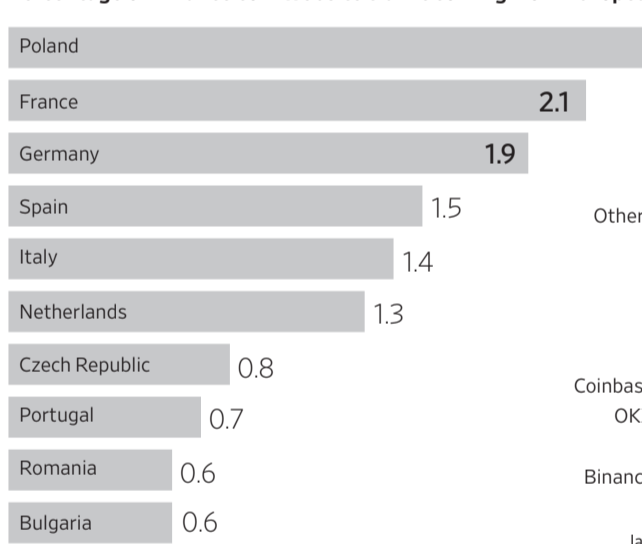
In the meantime, he said, "we continue to work to proactively comply with our requirements."

Cryptocurrency firms are excited about the new EU legislation, called MiCA, because it will allow for companies authorized in one member state to offer services in all of them.

But provisions exist for countries to ban crypto businesses if their regulators feel there is a risk to their users, said Trenton Kennedy, a spokesman for Chainalysis.

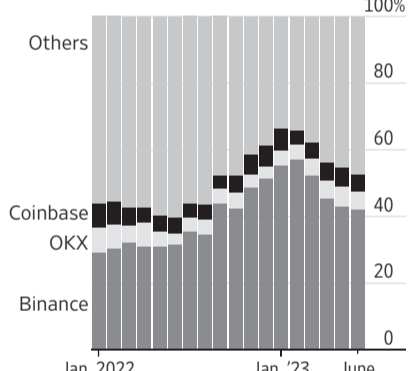
While Binance remains by far the largest crypto platform

Percentage of Binance.com website traffic coming from European Union countries*



*Data for May 2023

Crypto exchanges' spot trading market share



Sources: SimilarWeb (website traffic); CCData (market share)



A Binance booth at a tech conference in Paris in 2022.

in the world, its troubles are taking a toll. Binance's global market share for spot trading fell to 42% in June—its fourth consecutive month of declines from its peak of 57% in February, according to data provider CCData.

The exchange said the end of its zero-fee bitcoin trading contributed to the loss.

Founded by Changpeng Zhao in 2017, Binance grew at lightning speed as most regulators around the world stayed on the sidelines.

When many countries started issuing warnings against Binance, Zhao vowed to get licenses and embrace regulation. In May 2022, Binance declared Paris its first

regional headquarters, after spending more than a year and a half obtaining registration approval in France.

"Having a G-7 country with a strict regulator sends a very strong signal to the other

countries," Zhao told The Wall Street Journal in an interview then.

Binance's freewheeling past, however, continues to haunt it.

French prosecutors are investigating the exchange for lack of money laundering controls and the illegal offering of services before Binance received registration, according to a statement from the Paris prosecutor's office. Investigators took documents and elec-

tronics during the search, it added.

Binance's spokesman confirmed authorities made an on-site visit to the Paris office, but declined to comment "on the specifics of law enforcement or regulatory investigations."

Last month, Belgium's Financial Services and Market Authority ordered Binance to cease offering services in the country, saying the exchange was doing so using companies outside the European economic area, which is forbidden.

Days earlier, Binance said it was leaving the Dutch market after it failed to get a registration.

The exchange has also struggled to get approval to operate in Germany, where BaFin, the markets regulator, offers crypto-custody licenses.

"We continue to work to comply with BaFin's requirements," Binance's spokesman said.

Seven companies currently have the BaFin license, including American crypto exchange Coinbase.

The increased regulatory scrutiny in the U.S. and elsewhere has spooked some banks and other companies providing financial services for the exchange.

Last week, Paysafe, which supports euro transfers to and from Binance, said it would stop providing the service.

It follows a move to stop British pound services the company announced earlier this year.

Binance's spokesman said it would find a new provider so it can restart the service.

The harsher stance threatens to curtail Binance's footprint.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

U.S. Sees Boom in Factory Building

Construction spending on manufacturing facilities is soaring, due in part to two pieces of legislation

Congress passed two measures last year that aimed, in part, to build America's manufacturing capacity back up. While the ultimate economic ramifications of these moves will take years to play out, this much is certain: If you spend it, they will build.

On Monday, the Commerce Department reported May construction spending figures, with overall spending rising a seasonally adjusted 0.9% from a month earlier. Once again, an important piece of that was spending on construction of manufacturing facilities. This was up 1% in May from April, putting it up an eye-popping 76.3%

from a year earlier. In the first quarter, Commerce Department figures show that spending on manufacturing structures came to nearly 0.5% of gross domestic product—the most since 1991. In the second quarter, that GDP share looks destined to be higher.

Chalk it up to the CHIPS and Science Act and the Inflation Reduction Act, both passed in August last year. The Chips Act includes incentives for investing in semiconductor production, while the IRA includes incentives for items such as the production of electric vehicles and using domestically produced content. Economists at

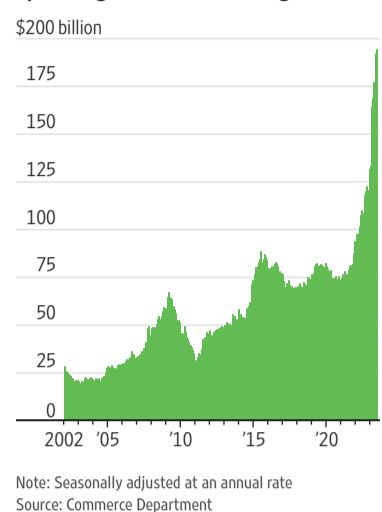
Goldman Sachs note that the uptake in these incentives appears to be surpassing earlier estimates.

Part of what makes the surge in manufacturing construction so striking is that it is occurring even though sentiment among manufacturers is rather low. Also on Monday, the Institute for Supply Management said that its index of manufacturing activity slipped to 46 in June from the previous month's 46.9. Anything under 50 represents a contraction in factory activity. This is likely a reflection of the fact that the economy appears to be growing slowly, with Americans buying less of the man-

ufactured goods they stocked up on during the pandemic. Moreover, data on manufacturing production from the Federal Reserve and elsewhere suggest readings from ISM's survey-based measure are a bit too dour.

The extent to which all this building will make for a sustained increase in manufacturing activity won't be known until after that capacity comes online. But for now, even as demand for manufactured goods remains in a postpandemic hangover, the investment that manufacturers are making in new capacity is a clear positive for the economy. —Justin Lahart

Monthly construction spending on manufacturing



Labor demand from sectors that employ lower-paid workers remains elevated, helping drive wage gains.

Overstock Shares Go Overboard on Bed Bath & Beyond Name

Say goodbye to the old **Overstock.com** and hello to the rebirth of Bed Bath & Beyond dot-com. Or so it seems.

Shares of Overstock, an online retailer that was previously known for selling clearance items from overstocked retailers, are up 65% since reports emerged on June 5 that the company was a bidder on Bed Bath & Beyond's intellectual property. Its bid won on June 22 and the company closed on the acquisition last week. The deal not only gives Bed Bath & Beyond's website and domain names to Overstock, but also comes with the once-mighty retailer's vast customer database and loyalty-program data. Not bad for just \$21.5 million.

Overstock's plan is to eventually operate solely as Bed Bath & Beyond online. The question for investors is if Bed Bath & Beyond's website and customer Rolodex is really worth \$580 million of extra equity value, as the past month's stock-price surge implies.

While Bed Bath & Beyond didn't disclose exactly how big its e-commerce business was, putting together pieces of public information suggests that its online business—excluding baby retailer Buybuy Baby—could have been doing somewhere around \$1.5 billion in annual sales.

There are good reasons to be cautious. One is that other home-focused retailers have been aggressively courting former Bed Bath & Beyond shoppers, as Jefferies's Jonathan Matuszewski noted in a report. And competition among them is likely only going to get fiercer, with consumers pulling back on discretionary spending and fewer homes changing hands.

Secondly, breathing new life into bankrupt but well-known brands is easier said than done. **Retail Ecommerce Ventures**, a company that bought brands such as Pier 1 Imports, Modell's Sporting Goods and Stein Mart and operated them as online-only businesses, itself has been facing financial struggles and hired restructuring lawyers earlier this year, as The Wall Street Journal

reported. The deal does line up well with Overstock's relatively new, home-focused strategy under Chief Executive Jonathan Johnson. The company said on a call with analysts last Thursday that the Overstock name had been limiting its ability to be top-of-mind for consumers shopping for home products. And the recent acquisition brings with it a loyalty program with more customers than Overstock's entire active customer base.

The positive takeaway here isn't so much the shrewdness of Overstock's home-focused plan, which has yet to be proven, but that it has a strategy at all. The company had a long history of venturing into wide-ranging, unpredictable businesses under former Chief Executive Patrick Byrne, including online travel, discounted books, insurance and even blockchain.

This changed under Johnson, who in 2021 led a pivot to a home-only e-commerce strategy and announced that a third-party venture-capital firm would start taking charge of actively managing its blockchain subsidiary, thus allowing the company to focus solely on its online business.

But steady hands don't guarantee success, and neither does rebranding. It is still too early to get comfortable with Overstock—especially at these elevated prices. —Jinjo Lee

Overstock.com share price since reports that it was bidding on Bed Bath & Beyond's intellectual property



For Richer Americans, It May Feel Like a Recession

The chances that the U.S. will plunge into a recession this year are slipping. But the richness? It's rolling.

The economy keeps chugging along, adding jobs and growing despite high inflation and Federal Reserve interest-rate increases. But for many richer Americans, it probably feels like a recession has begun.

The Commerce Department last Thursday revised higher its assessment of first-quarter gross domestic product. It says GDP grew at a 2% annual rate, versus its previous estimate of 1.3%. Economists are busy moving up their estimates for second-quarter GDP growth.

Yet the better-off have been hit harder by layoffs, have been less able to secure wage increases that keep up with rising prices and have been more affected by the slump in profits that began to take hold last year.

In other words, it is looking like a recession, where amid economic uncertainty, the rich feel more of the sting. And this, in turn, is beginning to have knock-on effects, with richer Americans reining in their spending relative to others.

Layoffs are still making headlines, and they are still disproportionately affecting higher-earning workers.

By the count of outplacement company Challenger, Gray and

Christmas, about a third of layoffs announced by companies this year came from technology firms such as **Meta Platforms**, where the median employee made \$296,320 in 2022. Job cuts elsewhere have been aimed at higher-paid workers, such as at **Ford Motor**, where planned layoffs are concentrated in the engineering ranks.

Overall layoffs remain low. Labor Department figures showing that though the number of people in the workforce is higher than before the pandemic, fewer people are receiving unemployment benefits. In a recent analysis, economists at Bank of America Institute found in the 30 states that directly deposit unemployment benefits into laid-off workers' accounts, the number of benefit recipients in households earning \$125,000 a year or more was up 40% in April from a year earlier. This was more than five times the increase in households earning less than \$50,000. Moreover, the 30-state sample might understate the increase in high-wage earners receiving unemployment benefits because it didn't include California (which issues benefits via prepaid debit cards), home to many of the tech companies where layoffs have been concentrated.

A tight labor market and in-demand skills mean that many well-

off workers who lose their jobs can probably find new jobs fairly quickly—but maybe not at the same level of pay.

Meanwhile, labor demand from industries that employ lower-paid workers remains elevated. A wage tracker developed by the Federal Reserve Bank of Atlanta shows that the 12-month moving average of annualized monthly wage growth for workers in the bottom quartile by income was 6.8% as of May, compared with 5.6% for workers in the top quartile.

Wages aren't the only way the rich make money, of course. Higher-paid workers often receive hefty bonuses, and in many cases these, too, have fallen. New York state reported that the average bonus paid to New York City securities-industry employees in 2022 was \$176,700, down 26% from a year earlier.

Constraints on the rich appear to be driving shifts in behavior. Bank of America Institute found that credit- and debit-card spending on discretionary items by higher-income households in April was below year-earlier levels, while spending for other households was up.

A full-blown recession might or might not arrive. But the recession could still place a drag on the overall economy in the meantime. —Justin Lahart

Tesla, Old-School Carmakers Won't Be Able to Avoid Competing

Head-to-head competition with **Tesla** is a bullet that automakers are largely dodging in the U.S., but it is a matter of time before they get hit.

The electric-vehicle pioneer said Sunday that it delivered 466,140 Teslas in the second quarter, a record and around 24,000 more than analysts polled by FactSet forecast. The stock rose nearly 7% Monday as investors saw a sign that price cuts earlier this year are bearing fruit.

Production outpaced deliveries for the fifth consecutive quarter, meaning Tesla's inventories are increasing despite better sales. This gives Tesla a reason to continue finding ways to stimulate demand, such as a June offer that any Model 3 ordered before the end of the quarter would come with three months of free charging.

The result is Tesla's margins, which it will report later this month for the second quarter, could continue to decline in the second half of the year. Tesla became highly profit-

able during the pandemic, but this year Musk pivoted back to its original mission of growing as rapidly as possible, even if it means earnings fall.

That isn't the kind of thing investors celebrate, but Tesla's stock more than doubled in the year to date. Its shareholders have a record of paying less attention to near-term profit than most, and this year's performance also reflects a rebound after a dismal run, as well as a wider stock-market preference for big growth stocks. Whatever the drivers, Tesla's recent rally gives Chief Executive Elon Musk a green light to carry on pricing and expanding aggressively.

That is a problem for rivals in the U.S. EV market, which Tesla dominated with a market share of over 60% last year. Peers can't price their vehicles out of line with Tesla, never mind what they cost to make, which is invariably more than it costs the market leader. The most visible victim has been **Ford's** Mustang Mach-



Tesla said it delivered 466,140 vehicles in the second quarter.

E: The division that makes the EV lost \$700 million in the first quarter.

Yet the industry hasn't been much affected. For regular gasoline cars, prices remain high despite a recovery in production. Data provider J.D. Power late last month estimated the

average June transaction price for all new vehicles sold in the U.S. was almost \$46,000, flat from the same month of last year, when availability was more constrained. That bodes well for overall profits from Detroit, particularly given the stronger-than-

expected recovery in sales this year. Data provider Cox Automotive last week raised its forecast for 2023 U.S. sales to 15 million, which would be an 8% rise from 13.9 million in 2022.

Tesla's price war hasn't spread because EVs remain a niche product in the U.S., accounting for 7% of sales last year. China, where plug-in cars accounted for 27% of sales in 2022, shows what happens in a more mature EV market. There, Tesla's price cuts last year started a battle to retain market share that has become fierce among gas-engine brands.

While it will take time for the U.S. to get to that point, the stars are aligning for EVs to merge into the industry mainstream. Price gaps with comparable conventional models are narrowing, while the charging network is unifying behind Tesla's plug.

The point that EVs start to eat directly into the profitability of gasoline car sales isn't here yet, but it is coming. —Stephen Wilmut